

**CAMDEN COUNTY  
MUNICIPAL UTILITIES AUTHORITY**

**REPORT OF AUDIT**

**WITH  
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDING  
DECEMBER 31, 2012 and 2011**



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**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**Roster of Officials**  
**December 31, 2012**

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**Commissioners**

Doreen A. Dixon  
James MacFarlane  
Herman B. Engelbert  
John Biondi  
Dorothy A. Burley  
James Bresch  
Martin McKernan, Jr.  
Jeffrey Swartz  
K. K. Wu

**Position**

Chairperson  
Vice – Chairperson  
Treasurer  
Commissioner  
Commissioner  
Commissioner  
Commissioner  
Commissioner  
Commissioner

**Other Officials**

Andrew Kricun  
Kim Michelini  
Wayne Planamento  
Robert Cornforth  
John J. Connolly, Jr.  
Laurence E. Rosoff, Esquire  
Bank of New York (NJ)

**Position**

Executive Director / Chief Engineer  
Authority Secretary  
Chief Financial Officer  
Director of Operations & Maintenance  
Assistant Director of Operations & Maintenance  
Solicitor  
Trustee



**CAMDEN COUNTY  
MUNICIPAL UTILITIES AUTHORITY**

**PART 1**

**FINANCIAL SECTION**

**FOR THE YEARS ENDED  
DECEMBER 31, 2012 AND 2011**

## **INDEPENDENT AUDITORS' REPORT**

The Chairman and Commissioners of the  
Camden County Municipal Utilities Authority  
Camden County, New Jersey 08101

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Camden County Municipal Utilities Authority, in the County of Camden, State of New Jersey, a component unit of the County of Camden, as of and for the years ending December 31, 2012 and 2011 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and in compliance with the audit requirements as prescribed by the Bureau of Authority Regulation, 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 from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Camden County Municipal Utilities Authority, in the County of Camden, State of New Jersey as of December 31, 2012 and 2011, and the its changes in financial position and its cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 12 to the financial statements, in 2012 the Authority adopted new accounting guidance GASB Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement 65 Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

**Other Matters**

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

**Other Information**

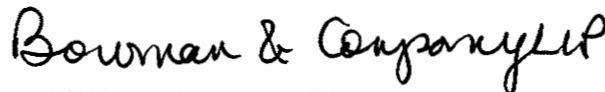
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements. The Schedules of Expenditures of Federal Awards and State Financial Assistance, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated June 17, 2013 on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
June 17, 2013

**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**

**INDEPENDENT AUDITORS' REPORT**

The Chairman and Commissioners of the  
Camden County Municipal Utilities Authority  
Camden County, New Jersey 08101

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Camden County Municipal Utilities Authority, in the County of Camden, State of New Jersey, a component unit of the County of Camden, (Authority), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 17, 2013.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
June 17, 2013



## THE CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY

1645 Ferry Avenue • Camden, NJ 08104  
Phone (856) 541-3700 • Fax (856) 964-1829  
[www.ccmua.org](http://www.ccmua.org)

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### **INTRODUCTION TO THE ANNUAL REPORT**

The following Management's Discussion and Analysis (MD&A) of the Camden County Municipal Utilities Authority provides an introduction to the financial statements of the Authority for the fiscal year ended December 31, 2012. The financial section of the annual report consists of three sections: Management's Discussion and Analysis (this section), the basic financial statements together with the notes thereto and supplemental information. The financial statements section provides comparisons between current and prior years' results as well as budgeted and actual results on a supplemental schedule.

The Authority's financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America, promulgated by the Governmental Accounting Standards Board. The Authority is structured as a single enterprise fund with revenues recognized when earned and expenses recognized when incurred. Capital assets are capitalized and depreciated over their useful lives (with the exception of land and construction in progress). See notes to the financial statements for a summary of the Authority's significant accounting policies.

#### **THE FINANCIAL STATEMENTS**

The "Statements of Net Position" provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority's creditors (liabilities) with the difference reported as net position.

The "Statements of Revenues, Expenses and Changes in Net Position" accounts for all of the current year's revenues and expenses, measures the success of the Authority's operations over the past two years and can be used to determine how the Agency has funded its costs.

The "Statements of Cash Flows" provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.

The "Notes to Financial Statements" contains information that is essential to understanding the basic financial statements, such as the Authority's accounting methods and policies. The details of contractual obligations and future commitments and contingencies of the Authority are also included. Likewise, any other events or developing situations that could materially affect the Authority's financial position are noted.

#### **SUPPLEMENTARY INFORMATION**

This section provides presentations of the Authority's financial information in accordance with the requirements of the various Bond Resolutions.



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

This section of the Authority's financial statements, the Management's Discussion and Analyses (MD&A), presents an overview of the Authority's financial performance during the year ended December 31, 2012 compared to December 31, 2011 and December 31, 2010. It provides an assessment of how the Authority's position has improved or deteriorated and identifies the factors that, in management's view, significantly affected the Authority's overall financial position. It may contain opinions, assumptions or conclusions by the Authority's management that should not be considered a replacement for, and must be read in conjunction with, the financial statements described above.

## **SUMMARY OF FINANCIAL POSITION**

	<b><u>2012</u></b>	<b><u>2011</u></b> <b>(Restated)</b>	<b><u>2010</u></b>
<b>ASSETS:</b>			
Unrestricted Assets:	24,150,712	29,404,947	31,504,401
Restricted Restricted Assets:	119,082,125	112,391,485	143,987,956
Plant Property & Equipment, Net of Accumulated Depreciatio	498,003,699	480,083,917	492,377,382
Other Capital Assets, Net of Accumulated Depreciation	11,000,979	11,002,087	10,055,074
Total Assets	652,237,515	632,882,436	677,924,813
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	821,555	1,344,413	
<b>LIABILITIES</b>			
Current Liabilities	74,460,147	72,533,368	75,801,484
Total Long-Term Liabilities	339,441,197	334,170,186	376,562,158
Total Liabilities	413,901,344	406,703,554	452,363,642
<b>DEFERRED INFLOWS OF RESOURCES</b>	1,056,727	1,300,455	
<b>NET POSITION</b>			
Net Investment in Capital Assets Net of Related Debt	177,214,892	166,941,470	139,916,465
Restricted for Bond Covenants	46,691,521	49,140,658	76,305,071
Unrestricted	14,194,586	10,140,712	9,339,635
Total Net Position	\$ 238,100,999	\$ 226,222,840	\$ 225,561,171

## **CHANGES IN FINANCIAL POSITION**

The Authority's net position increased by 5.25% from 2011 and increased from 2010 by 5.56%. The increase from 2011 and 2010 was due to the increase in Property Plant & Equipment as a result of the completion of the Bio-Filter, Oxygen Plant and Primary Treatment Facility project.



## **CHANGES IN FINANCIAL POSITION (cont'd)**

Unrestricted Assets showed a decrease of 17.87% from the prior year and 23.34% from 2010 due to a decrease in Cash and Cash Equivalents and Grants Receivables.

The Authority's Bond Resolutions and the State Regulations govern Restricted Assets. The category Restricted Assets increased by 5.95% from 2011 and decreased by 17.30% from 2010 due to an increase in restricted cash held by the Fiscal Agent which was offset by a decrease in restricted investments due to the use of the Special Reserve Fund to pay down the debt.

The increase in Long-Term Liabilities comes primarily from debt issued in 2012 in the form of Bonds outstanding. The Authority continues to reduce its outstanding debt from its User Revenues and the Special Reserve Fund as required by the Bond Resolution.

## **CHANGES IN NET POSITION**

	<b><u>2012</u></b>	<b><u>2011</u> (Restated)</b>	<b><u>2010</u></b>
<b>OPERATING REVENUE</b>			
User Charges and Fees	\$ 75,259,849	\$ 73,090,543	\$ 72,675,650
Other Revenue	6,307,821	6,478,915	4,557,781
Total Operating Revenues	<u>81,567,670</u>	<u>79,569,458</u>	<u>77,233,431</u>
<b>OPERATING EXPENSES</b>			
Administration:	5,712,236	7,530,182	6,468,569
Cost of Providing Services:	26,068,771	27,813,033	27,304,002
Depreciation	19,900,585	17,913,189	16,738,503
Total Operating Expenses	<u>51,681,592</u>	<u>53,256,404</u>	<u>50,511,074</u>
<b>OPERATING INCOME</b>	<u>29,886,078</u>	<u>26,313,054</u>	<u>26,722,357</u>
<b>NONOPERATING REVENUE (EXPENSES):</b>			
Investment Income	1,018,758	4,553,243	4,723,545
Gain on Change in OPEB plan	5,418,962		
Interest Expense	(19,215,587)	(21,026,239)	(23,093,236)
Bond Issuance Costs	(1,282,697)		
Contribution to the County of Camden and Indemnification Program	(5,092,762)	(3,076,796)	(3,151,056)
Net Gain (Loss) on Disposition of Capital Assets, Amortization, and Other Non Operating Revenue (Expense)	(1,853,640)	921,734	(2,026,855)
<b>TOTAL NON-OPERATING ITEMS</b>	<u>(21,006,966)</u>	<u>(18,628,058)</u>	<u>(23,547,602)</u>
Income Before Contributions	8,879,112	7,684,996	3,174,755
Capital Contributions	2,999,047	1,164,476	7,172,840
Increase (Decrease) in Net Position	11,878,159	8,849,472	10,347,595
Total Net Position Jan. 1	226,222,840	225,561,171	215,213,576
Cumulative Effects of Changes in Accounting Principals		(8,187,803)	
Total Net Position Dec. 31	<u>226,222,840</u>	<u>217,373,368</u>	<u>215,213,576</u>
<b>NET POSITION DECEMBER 31</b>	<u>\$ 238,100,999</u>	<u>\$ 226,222,840</u>	<u>\$ 225,561,171</u>

## **CHANGES IN NET POSITION (CONT'D)**

Total Operating Revenue showed an overall 2.51% increase from 2011 and a 5.61% increase from the 2010 financial statements. The increase from 2011 and 2010 is a result of the increase in the User Rate. This was the first increase in User Rate since 1996. The Authority continues to add billing units as reflected in Connection Fees, however there was an 11.8% decrease in fees as compared to 2011.

The Authority's total operating expenses decreased by 2.96% from 2011 and increased by 2.32% from 2010. The decrease from 2011 is due to lower Cost of Providing Service expense. This reduction is a result of lower sludge disposal costs in 2012.

Non-operating Expenses, net of Revenues, decreased by 12.77% compared to 2011 as a result of an unrealized loss on investments, bond issuance costs and the disposition of equipment. Additionally, Investment Income fell 77.63% from 2011 and 78.43% from 2010 as a result of the continued use of the Special Reserve to pay down the Authority's debt.

## **BUDGETARY HIGHLIGHTS**

The Camden County Municipal Utilities Authority must adopt a budget in accordance with N.J.A.C. 5:31-2. The Budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Significant variances between the original adopted budget and the actual expenditure amounts fall within two categories of favorable and unfavorable.

Administration Salary and Wages were in excess of budget as a result of positions being filled which were not included in the budget. Administration Other Expenses were in excess of budget as a result of an increase in the bad debt allowance. Finally, Cost of Providing Services Salary and Wages were in excess of budget as a result of overtime.

## **DEBT ADMINISTRATION**

During fiscal year 2012 the Authority continued to pay down its outstanding debt from operating revenues and using the Special Reserve Fund. This past year the Authority used \$16,148,875 from the Special Reserve Fund to pay down its debt. The Authority had additional borrowings in 2012 from the New Jersey Environmental Infrastructure Trust to fund the Atlantic Basin Extension as well as the Preliminary Treatment Facility project.

## **CAPITAL IMPROVEMENTS AND CONSTRUCTION ACTIVITY**

A) Wastewater Treatment Plant----In 2012, the CCMUA worked on two improvements to the treatment plant. These projects are:

- 1) Installation of a new sludge drying facility. The facility will process all of the CCMUA's sludge and will significantly reduce the plant's sludge disposal costs and also its odor potential as well. This project will cost about \$30 million and is being funded through the NJ Environmental Infrastructure Trust. Construction of the facility was completed during the summer of 2012. The contract operator and manufacturer then embarked on startup activities to ensure that the facility met all required performance guarantees. Unfortunately, the facility did not meet its performance test. Fortunately, the CCMUA had required a 100% project performance bond from the manufacturer. The manufacturer and the CCMUA are working together to modify the facility, and the upstream operations in order to achieve a successful project performance test.
- 2) Repairs to the preliminary treatment facility's influent channels---these repairs were funded by the NJEIT and were necessitated by the corrosive nature of the influent sewage. The influent channels were coated with a corrosion resistant coating in order to reduce the potential of a recurrence.

B) Interceptor System---- the CCMUA received the necessary approvals and funding to construct an expansion of its regional sewer system to provide additional sewer service to the southern end of Camden County (Berlin Township, Berlin Borough, Chesilhurst, Pine Hill, Waterford Township and Winslow Township). This project will also result in the elimination of the CCMUA's Sicklerville Sewage Treatment Plant. Elimination of that plant's O+M costs, plus the annual sewer revenue from the additional capacity made available, will help to offset the cost of this project. Bids were received in March of 2012, with a total cost of \$50 million; the project is being funded by the New Jersey Environmental Infrastructure Trust.

## **ADDITIONAL FINANCIAL INFORMATION**

This Financial Report is designed to provide the Authority's customers, investors and other interested parties with an overview of the Authority's financial operations and financial condition. Should the reader have questions regarding the information contained in this report or wish to request additional financial information, please contact the Treasurer at 1645 Ferry Avenue, Camden, New Jersey 08104.

## **BASIC FINANCIAL STATEMENTS**

**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**

Comparative Statements of Net Position  
As of December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u> (Restated)
<b>ASSETS</b>		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 3,375,906	\$ 10,459,526
Accounts Receivable	12,902,055	10,367,567
Accrued Interest Receivable	18	13
Due from State of New Jersey -- NJEIT Receivable	6,934,989	2,632,280
Due from State of New Jersey -- USED A Central Gateway Project	937,244	3,348,000
Due from State of New Jersey -- Pinelands Infrastructure Trust - Ancora Project		2,242,061
Other	500	355,500
Total Unrestricted Assets	<u>24,150,712</u>	<u>29,404,947</u>
Restricted Assets:		
Cash and Cash Equivalents	56,393,360	24,870,686
Cash Held by Fiscal Agent	25,306,207	10,775,716
Investments	37,347,231	76,610,128
Accrued Interest Receivable	35,327	134,955
Total Restricted Assets	<u>119,082,125</u>	<u>112,391,485</u>
Total Current Assets	<u>143,232,837</u>	<u>141,796,432</u>
Noncurrent Assets:		
Restricted Assets:		
Capital Assets:		
Utility Plant-In Service, Net of Accumulated Depreciation	435,465,091	424,071,182
Construction in Progress	62,538,608	56,012,735
Other Capital Assets, Net of Accumulated Depreciation	11,000,979	11,002,087
Total Capital Assets	<u>509,004,678</u>	<u>491,086,004</u>
Total Noncurrent Assets	<u>509,004,678</u>	<u>491,086,004</u>
Total Assets	<u>652,237,515</u>	<u>632,882,436</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pre-Operating Costs	<u>821,555</u>	<u>1,344,413</u>
Total Deferred Outflows of Resources	<u>821,555</u>	<u>1,344,413</u>

(Continued)

**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**

Comparative Statements of Net Position  
As of December 31, 2012 and 2011

	<u><b>2012</b></u>	<u><b>2011</b></u> <b>(Restated)</b>
<b>LIABILITIES</b>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	\$ 4,048,337	\$ 3,953,241
Accrued Expenses	2,053,165	1,515,007
Reserve for Grant Expenditures:		
City of Camden Central Gateway Project		7,129
USEDA Grant for Central Gateway Project		2,162,053
Pinelands Infrastructure Trust - Ancora Project		2,201,614
Clean Water Enforcement Act	2,797,897	2,713,385
Total Current Liabilities Payable from Unrestricted Assets	8,899,399	12,552,429
Current Liabilities Payable from Restricted Assets:		
Accounts Payable	5,153,368	
Retainages Payable	1,333,629	1,040,751
Current Maturities of Long-Term Debt	55,971,058	55,679,234
Accrued Interest Payable	3,102,693	3,260,954
Total Current Liabilities Payable from Restricted Assets	65,560,748	59,980,939
Long-Term Liabilities Payable:		
Net OPEB Obligation		5,418,962
Long-term Debt	339,441,197	328,751,224
Total Long-Term Liabilities	339,441,197	334,170,186
Total Liabilities	413,901,344	406,703,554
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Interest Revenue	1,056,727	1,300,455
<b>NET POSITION</b>		
Net Invested in Capital Assets	177,214,892	166,941,470
Restricted for:		
Debt Service	46,691,521	49,140,658
Unrestricted	14,194,586	10,140,712
Total Net Position	\$ 238,100,999	\$ 226,222,840

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

**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**  
Comparative Statements of Revenues, Expenses and Changes in Net Position  
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u> (Restated)
<b>OPERATING REVENUE</b>		
User Charges and Fees	\$ 75,259,849	\$ 73,090,543
Connection Fees	3,505,602	3,974,771
Other	2,802,219	2,504,144
Total Operating Revenues	81,567,670	79,569,458
<b>OPERATING EXPENSES</b>		
Administration:		
Salary & Wages	2,097,838	1,911,983
Fringe Benefits	1,929,278	2,959,824
Other Expenses	1,685,120	2,658,375
Cost of Providing Services:		
Salary & Wages	7,261,201	7,121,761
Fringe Benefits	2,222,661	1,984,997
Other Expenses	16,584,909	18,706,275
Depreciation	19,900,585	17,913,189
Total Operating Expenses	51,681,592	53,256,404
<b>OPERATING INCOME</b>	29,886,078	26,313,054
<b>NONOPERATING REVENUE (EXPENSES)</b>		
Investment Income	3,020,235	3,560,866
Gain on Change in OPEB Plan	5,418,962	
Unrealized Loss / Gain on Investments	(2,001,477)	992,377
Interest Expense	(19,215,587)	(21,026,239)
Bond Issuance Costs	(1,282,697)	
Contribution to the County of Camden	(3,092,762)	(3,076,796)
County of Camden Indemnification Program	(2,000,000)	
Amortization of Preoperating Costs	(622,651)	(830,433)
Disposition of Property, Plant and Equipment	(1,004,625)	52,841
Community Service Projects	(226,364)	(442,772)
Other Non-Operating Revenues		2,142,098
Total Non-operating Revenues (Expenses)	(21,006,966)	(18,628,058)
<b>INCOME BEFORE CONTRIBUTIONS</b>	8,879,112	7,684,996
<b>CAPITAL CONTRIBUTIONS</b>	2,999,047	1,164,476
<b>CHANGE IN NET POSITION</b>	11,878,159	8,849,472
<b>NET POSITION - BEGINNING - BEFORE CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES</b>	226,222,840	225,561,171
<b>CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES (SEE NOTE 12)</b>		(8,187,803)
<b>NET POSITION - BEGINNING - AS ADJUSTED FOR CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES</b>	226,222,840	217,373,368
<b>NET POSITION DECEMBER 31</b>	\$ 238,100,999	\$ 226,222,840

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

**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**

Comparative Statements of Cash Flows  
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Receipts from Customers and Users	\$ 72,725,361	\$ 72,516,556
Other Operating Receipts	7,012,929	10,409,939
Payments to Suppliers	(26,301,362)	(29,622,185)
Payments to Employees	(9,359,039)	(9,033,744)
Net Cash Provided by Operating Activities	44,077,889	44,270,566
Cash Flows from Capital and Related Financing Activities:		
Principal Paid on Bonds	(31,217,676)	(29,029,772)
Payments of Defeased Bonds	(6,950,000)	
Interest Paid on Bonds	(33,578,533)	(33,378,072)
Proceeds from Issuance of Long Term Debt	40,379,509	11,576,642
Proceeds from Refunding Bonds	6,353,090	
Premium Received on Bonds Issued	1,991,275	
Bond Issuance Costs	(1,282,697)	(307,575)
Payment of Contribution to County of Camden	(3,092,762)	(3,076,796)
Payment of Indemnification Program to County of Camden	(2,000,000)	
Proceeds from the Sale of Property, Plant and Equipment		2,194,939
Acquisition and Construction of Property, Plant and Equipment	(33,377,638)	(16,699,511)
Proceeds of Capital Contributions	2,999,047	1,164,476
Net Cash Used in Capital and Related Financing Activities	(59,776,385)	(67,555,669)
Cash Flows from Investing Activities:		
Investment Income	3,119,858	3,599,336
Deferred Interest Revenue	(243,728)	(263,277)
Purchase of Investments		(5,517,028)
Redemption of Investments	37,261,420	
Net Cash Provided by (Used in) Investing Activities	40,137,550	(2,180,969)
Net Increase (Decrease) in Cash and Cash Equivalents	24,439,054	(25,466,072)
Cash and Cash Equivalents - January 1	35,330,212	60,796,284
Cash and Cash Equivalents - December 31	\$ 59,769,266	\$ 35,330,212

(Continued)



**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**

Comparative Statements of Cash Flows  
For the Years Ended December 31, 2012 and 2011

	<u><b>2012</b></u>	<u><b>2011</b></u>
Cash Flows from Operating Activities:		
Operating Income	\$ 29,886,078	\$ 26,313,054
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
Depreciation	19,900,585	17,913,189
Community Service Projects	(226,364)	(442,772)
Gain on Change in OPEB Plan	5,418,962	
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(2,534,488)	(573,987)
(Increase) Decrease in Other Unrestricted Assets	355,000	
(Increase) Decrease in Grants and Loan Receivable	350,108	3,931,024
Increase (Decrease) in Unrestricted Accounts		
Payable, Accrued Expenses and Deferred Revenues	(3,653,030)	(3,819,827)
(Decrease) Increase in Net OPEB Obligation	(5,418,962)	949,885
Net Cash Provided by Operating Activities	<u>\$ 44,077,889</u>	<u>\$ 44,270,566</u>

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

## **CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**

Notes to Financial Statements  
For the Years Ended December 31, 2012 and 2011

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### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Reporting Entity**

The Camden County Municipal Utilities Authority (the "Authority"), a public body politic and corporate of the State of New Jersey, was created by an ordinance duly adopted on March 15, 1972, by the Board of Chosen Freeholders of the County of Camden, State of New Jersey.

The Authority was created to acquire, construct, maintain and operate facilities for the collection, treatment, purification or disposal of sewerage or other wastes for the relief of waters in, bordering or entering the County of Camden (the "County") from pollution or threatened pollution and for improvement of conditions affecting the public health.

The Authority has entered into a service agreement with its member municipalities within the County. The Authority bills and collects its revenue from the users of the system sufficient to pay or provide for the expenses of operation, repair and maintenance of the system, debt service, deficits (if any), and maintain reserves and sinking funds as may be required.

The County is obligated to pay the Authority, pursuant to a Deficiency Agreement, any annual charges equal to any deficits in revenues necessary to pay or provide for (i) operation and maintenance expenses, (ii) principal and interest payments on bonds and notes in an aggregate principal amount not to exceed \$685,500,000 and (iii) the maintenance of reserves required under the Bond Resolution securing the Authority's bonds and notes.

#### **Component Unit**

The Authority is a component unit of the County as described in Governmental Accounting Standards Board Statement No. 14, as amended by Governmental Accounting Standards Board Statement No. 39. These financial statements would be either blended or discreetly presented as part of the County's financial statements if the County reported using accounting principles generally accepted in the United States of America applicable to governmental entities.

#### **Basis of Presentation**

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

**Revenues -- Exchange and Non-Exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. Sewer service charges are recognized as revenue when services are provided. Connection fees are paid to the Authority at the time a new property applies for connection to the regional sewer system and are recognized as revenue when the funds are received. At the time the municipality issues a release for certificate of occupancy the Authority determines that sewage collection services are being provided to the properties and begins the billing process.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

**Expenses / Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

**Budgets and Budgetary Accounting**

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense, bond issue costs, bond discounts, deferred loss on defeasance and the annual required contribution for the Authority's OPEB Plan are not included in the budget appropriations.

The legal level of budgetary control is established at the detail shown on the Statement of Revenues, Expenses and Changes in Net Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. The Authority adopted an amending budget resolution during the year.

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Cash, Cash Equivalents and Investments**

Cash and cash equivalents include petty cash, change funds and cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governments units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its 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 in 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 municipal units. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

Additionally, the Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. The Act was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which 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 or having 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 at least equal to five percent 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 amount of their deposits to the Governmental Units.

**Inventory and Prepaid Expenses**

Inventory consists principally of chemicals for the treatment of water, sewerage and sludge and is valued at cost. The Authority has determined that the inventories are immaterial and are not recorded in the financial statements.

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2012.

**Capital Assets**

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased are stated at actual cost. Donated capital assets are recorded at their fair market value as of the date received.

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Costs incurred during construction of an asset are recorded as construction in progress. In the year that the project is completed, these costs are transferred to Capital Assets - Completed. Interest costs incurred during construction are not capitalized into the cost of the asset.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Capital Assets (Cont'd)**

Expenditures are capitalized when they meet the following requirements:

- 1) Cost of \$5,000.00 or more
- 2) Useful life of more than one year
- 3) Asset is not affected by consumption

**Depreciation**

Depreciation is taken beginning in the month of acquisition. Depreciation is provided using the straight-line method over the following estimated useful life of the assets:

	<u>Years</u>
Plant	50
Interceptors	75
Heavy Duty Vehicles	10
Office Furniture and Equipment	10
Other	5

**Bond Discount and Bond Premium**

Bond discount and bond premium arising from the issuance of the revenue bonds are recorded as liabilities. They are amortized by the straight-line method from the issue date to maturity as a component of interest expense. Bond discount and bond premium are presented as an adjustment of the face amount on the bonds.

**Deferred Loss on Refunding**

Deferred loss on refunding arising from the issuance of the revenue refunding bonds is recorded as a deferred outflow of resources. It is amortized by the straight-line method from the issue date to maturity as a component of interest expense.

**Compensated Absences**

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and other compensated time. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

**Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Net Position**

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", the Authority has classified its net position into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

**Net Invested in Capital Assets** - This component of net position consists of capital assets, net of accumulated depreciation, reduced, by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

**Restricted** - This component of net position consists of external constraints imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restricts the use of net position.

**Unrestricted** - This component of net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." This component includes net position that may be allocated for specific purposes by the Authority.

**Income Taxes**

The Authority operates as defined by the Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

**Operating and Non-Operating Revenues and Expenses**

Operating revenues include all revenues that are generated directly from sewer collection facilities (e.g., user service charges and connection fees) and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and on investments in debt securities.

Operating expenses include expenses associated with the operation, maintenance and repair of the treatment system and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt, contributions to the County of Camden and other community service projects.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****New Accounting Standards Adopted**

During the year ended December 31, 2012, the Authority adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

**Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements**

The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.

This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. A transferor reports the facility subject to an SCA as its capital asset, generally following existing measurement, recognition, and disclosure guidance for capital assets. New facilities constructed or acquired by the operator or improvements to existing facilities made by the operator are reported at fair value by the transferor. A liability is recognized, for the present value of significant contractual obligations to sacrifice financial resources imposed on the transferor, along with a corresponding deferred inflow of resources. Revenue is recognized by the transferor in a systematic and rational manner over the term of the arrangement.

This Statement also provides guidance for governments that are operators in an SCA. The governmental operator reports an intangible asset at cost for its right to access the facility and collect third-party fees; it amortizes the intangible asset over the term of the arrangement in a systematic and rational manner. For existing facilities, a governmental operator's cost may be the amount of an up-front payment or the present value of installment payments. For new or improved facilities, a governmental operator's cost may be its cost of improving an existing facility or constructing or acquiring a new facility.

For revenue sharing arrangements, this Statement requires governmental operators to report all revenues and expenses. A transferor reports its portion of the shared revenues.

This Statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments.

Implementation of this statement had no material impact on the Authority's 2012 financial statements.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****New Accounting Standards Adopted (Cont'd)****Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements**

Issued in November 2010, the objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements."

This Statement also supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

Implementation of this statement had no material impact on the Authority's 2012 financial statements.

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

Issued in June 2011, this Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

Implementation of this statement materially affected the classification of several balances. See Note 12.



**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****New Accounting Standards Adopted (Cont'd)****Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment of GASB Statement No. 53**

Some governments have entered into interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty's credit support provider, commits or experiences either an act of default or a termination event as both are described in the swap agreement. Many of those governments have replaced their swap counterparty, or swap counterparty's credit support providers, either by amending existing swap agreements or by entering into new swap agreements. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. Those provisions require a government to cease hedge accounting upon the termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income.

Issued in June 2011, the objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

Implementation of this statement had no material impact on the Authority's 2012 financial statements.

**Statement No. 65, Items Previously Reported as Assets and Liabilities**

Issued in March 2012, this Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

Implementation of this statement materially affected the classification of several balances. See Note 12.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****New Accounting Standards Pronouncements to be Implemented in the Future**

The Authority plans to implement the following pronouncements by the required implementation dates or earlier, when deemed feasible:

*Statement No. 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*

Issued in November 2010, the objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.

*Statement No. 66, Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*

Issued in March 2012, The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****New Accounting Standards Pronouncements to be Implemented in the Future (Cont'd)***Statement No. 66, Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62(Cont'd)*

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

*Statement No. 67, Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*

Issued in June 2012, the objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

Statement No. 68, Accounting and Financial Reporting for Pensions, establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans.

This Statement and Statement 68 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. The scope of this Statement addresses accounting and financial reporting for the activities of pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****New Accounting Standards Pronouncements to be Implemented in the Future (Cont'd)****Statement No. 67, Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25 (Cont'd)**

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. Distinctions are made regarding the particular requirements depending upon the type of pension plan administered, as follows:

- Single-employer pension plans—those in which pensions are provided to the employees of only one employer (as defined in this Statement)
- Agent multiple-employer pension plans (agent pension plans)—those in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees
- Cost-sharing multiple-employer pension plans (cost-sharing pension plans) those in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

This Statement also details the note disclosure requirements for defined contribution pension plans administered through trusts that meet the identified criteria

This Statement is effective for financial statements for years beginning after June 15, 2013

**Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27**

Issued in June 2012, The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

Statement No. 67, Financial Reporting for Pension Plans, revises existing standards of financial reporting for most pension plans. This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****New Accounting Standards Pronouncements to be Implemented in the Future (Cont'd)***Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 (Cont'd)*

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for years beginning after June 15, 2014.

*Statement No. 69, Government Combinations and Disposals of Government Operations*

Issued in January 2013, This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****New Accounting Standards Pronouncements to be Implemented in the Future (Cont'd)****Statement No. 69, Government Combinations and Disposals of Government Operations (Cont'd)**

A disposal of a government's operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold.

This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

**Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY****Compliance with Finance Related Legal and Contractual Provisions**

Management of the Authority is unaware of any material violations of finance related legal and contractual provisions.

**General Bond Resolution**

The Authority is subject to the provisions and restrictions of the 1987 Sewer Revenue Bond Resolution adopted May 26, 1987 and all subsequent supplemental resolutions. An Amended and Restated Sewer Revenue Bond Resolution was adopted on October 10, 1995, in order to consolidate all previous supplemental resolutions to date. A summary of the activities of each fund created by the Bond Resolution is covered below.

**Revenue Fund** - The Revenue Fund accounts for resources and expenditures of a general nature. If the Authority is not in default in the payment of bond principal or interest and all fund requirements are satisfied, the excess funds may be used by the Authority for any lawful purpose.

**Debt Service** – The Debt Service Fund must maintain a balance on deposit sufficient to enable the Trustee to withdraw amounts equal to interest due on bonds, principal amounts maturing on bonds and sinking fund installments when such payments are required.

**Debt Service Reserve Fund** – The amount of funds on deposit must be maintained at a level equal to Maximum Debt Service to insure funds are available for payment of debt service.

**Renewal and Replacement Fund** – These funds are maintained for reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements or maintenance items of a type not recurring annually.

**Construction Account** – The Construction Fund is held by the Trustee and shall be applied to pay the cost of projects and is pledged, pending application to such costs, for the security of the payment of principal and interest on the Sewer Revenue Bonds.

**Special Reserve Fund** – The Special Reserve Fund accounts for funds in accordance with the Special Reserve Fund Deposit Requirement. (Refer to Note 5 – Special Reserve Fund for a more detailed description)

**Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)****Excess Expenditures over Appropriations**

The following appropriation categories had expenditures that exceeded appropriations for the year ended December 31, 2012:

**Excess Expenditure over Appropriations**

<b><u>Category</u></b>	<b><u>Appropriation</u></b>	<b><u>Expenditures</u></b>	<b><u>Excess</u></b>
Administration:			
Salaries & Wages	\$ 1,934,940	\$ 2,097,838	\$ 162,898
Other Expenses	1,393,816	1,685,120	291,304
Cost of Providing Services:			
Salary & Wages	6,855,602	7,261,201	405,599
Total Interest Payments on Debt Service	33,347,540	33,578,533	230,993

The excess expenditures over appropriations in the Administration classification resulted from increased payments required for workmen's compensation payments, professional services for legal fees, management consultants and billing and collections. Also, during 2012 the Authority's costs for overtime caused expenditures to rise above appropriations. The excess for Interest Payments on Debt Service is the result of accrued interest on several NJEIT bonds.

**Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)****Debt Service Coverage**

Section 4.01 of the Amended and Restated Bond Resolution adopted October 10, 1995 requires certain ratios of Net Revenues at least equal to 1.00 times the Debt Service Requirements of Bonds within the coverage of the County Agreement for such Bond Year. Pursuant to the understanding at the time of issuance of the Sewer Revenue Capital Appreciation Bonds any accretion in value of the Capital Appreciation Bonds above the original principal amount of the Bonds at initial issuance is treated as accreted interest for the purpose of defining coverage within the County Agreement.

Compliance with this covenant is calculated as follows:

<u>1995 Bond Resolution</u>	<u>Bond Year Ending December 31, 2012</u>
Gross Revenues:	
Operating Revenues	\$ 81,567,670
Interest Income	1,018,758
	<hr/>
Total Gross Revenues	82,586,428
	<hr/>
Operating Expenses, exclusive of depreciation	31,781,007
	<hr/>
Net Revenues	50,805,421
	<hr/>
Debt Service Requirement of all Bonds issued under this Resolution (treating all Bonds as a single issue of Bonds for purposes of this calculation) *	49,400,931
	<hr/>
Less: Projected Disbursements from Investment Obligations Held in the Special Reserve Fund	-
	<hr/>
	49,400,931
	<hr/>
Sufficiency of Net Revenues	\$ 1,404,490
	<hr/>

\* Annual Debt Service stated above does not include amortization of bond discounts, deferred amount on defeasance or accreted interest on capital appreciation bonds.



**Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)****Debt Service Reserve Requirement**

Section 1.01 of the Amended and Restated Bond Resolution adopted October 10, 1995 indicates the debt service reserve requirement shall mean the lesser of:

(a) the Maximum Annual Debt Service Requirement of all Bonds issued under this Resolution (treating all Bonds as a single issue of Bonds for purposes of this calculation),	<u>\$ 49,647,806</u>
or	
(b) the sum of:	
(i) the then applicable Periodic Debt Service Reserve Requirement,	\$ 40,387,238
(ii) upon the issuance of any series of Additional Bonds after the 1990 Bonds, the Maximum Annual Debt Service Requirement on all Outstanding Bonds of such series less the amount, if any, of the reduction in the Maximum Annual Debt Service on any series	
1991 Series B	\$ 297,750
1995 Series B	114,126
2000 Series A, 2000-05	160,692
2000 Series A, 2000-07	191,488
2003 Series A	317,621
2006 Series A	384,160
2006 Series B (Refunding pre-1990 Bond issue Net Change)	(619,233)
2006 Series A (Refunding)	315,669
2006 Series A (Refunding)	296,407
2008 Series A (Refunding pre-1990 Bond Issue Net Change)	638,963
2012 Series B-R (Refunding)	<u>195,700</u>
	2,293,343
(iii) on December 2, 1997, the Maximum Annual Debt Service Requirement on any 1987 Bonds maturing on December 31, 2007 Or December 1, 2017 then outstanding.	<u>-</u>
	<u>\$ 42,680,581</u>

Therefore, the defined Debt Service Reserve Requirement as of December 31, 2012, shall equal \$42,680,581.

The Authority has funded the Debt Service Reserve Requirement as of December 31, 2012 as follows:

Amount on Deposit	\$ 53,791,346
Interest Receivable	<u>35,315</u>
	<u>\$ 53,826,661</u>

**Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)****Subordinate Bond Resolution**

The Authority is further subject to the provisions and restrictions of several Subordinate Resolutions initially adopted on July 17, 2006 (the "Subordinate Resolution") as amended and supplemented at the time each subordinate bond is issued. Section 4 of the Subordinate Resolution creates an obligation on the Authority to the payment of principal and interest on the Subordinate Bonds. The Subordinate Bonds are secured by the pledge of amounts which may be withdrawn from the Renewal and Replacement Fund of the General Bond Resolution pursuant to and subject to the limitations of Paragraph (e) of Section 4.12, which states ...the Trustee shall (i) ... withdraw from and pay out of the Renewal and Replacement Fund, free and clear of the lien, pledge and security interest created hereby, any amounts in excess of the foregoing, which amounts as so withdrawn by the Authority may be used or applied by it to any lawful purpose of the Authority. The pledge of revenues and other such funds is subordinate to the provisions of the General Bond Resolution and the lien and pledge created by the General Bond Resolution.

**Note 3: DETAIL NOTES - ASSETS****Cash and Cash Equivalents**

**Custodial Credit Risk Related to Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 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 (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule below.

As of December 31, 2012 and 2011, the Authority's bank balances of \$48,245,143 and \$33,872,433, respectively, were exposed to custodial credit risk as follows:

Uninsured and Collateralized with Securities Held by Pledging Bank's Trust Department, but not in the Authority's Name	<u>\$ 47,745,143</u>	<u>\$ 33,372,433</u>
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**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 \$37,347,231 as of December 31, 2012 and \$76,610,128 as of December 31, 2011 investments in treasury obligations, money market funds and state and municipal bonds are held by the counterparty, not in the name of the Authority.

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

**Credit Risk** – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. 40A:5-15.1 limits the investments that the Authority may purchase such as Treasury securities in order to limit the exposure of governmental units to credit risk. The Authority has no investment policy that would further limit its investment choices.

**Note 3: DETAIL NOTES – ASSETS (CONT'D)****Investments (Cont'd)**

**Concentration of Credit Risk** – The Authority does not place a limit on the amount that may be invested in any one issuer. All of the Authority's investments are either in treasury obligations, taxable municipal bonds, money market funds, corporate bonds or direct Treasury Securities.

As of December 31, 2012 and 2011, the Authority had the following investments and maturities:

<u>Investment</u>	<u>Maturity Date</u>	<u>S&amp;P Credit Rating</u>	<u>2012 Fair Value</u>	<u>2011 Fair Value</u>
Taxable Municipal Bonds	06/30/12	A+		\$ 7,650,824
Taxable Municipal Bonds	06/30/13	A+	\$ 7,005,119	6,927,774
Taxable Municipal Bonds	06/30/14	A+	6,951,238	6,737,116
Taxable Municipal Bonds	04/01/15	N/A	444,485	416,800
Taxable Municipal Bonds	06/30/15	AA	1,457,046	1,403,305
Taxable Municipal Bonds	06/30/15	A+	4,859,300	4,608,900
Taxable Municipal Bonds	06/30/16	AA	1,763,390	1,683,457
Taxable Municipal Bonds	06/30/16	A+	1,791,662	4,449,850
Taxable Municipal Bonds	06/30/17	A+		5,824,592
US Treasury NTS	04/30/12	AAA		106,331
US Treasury Bills	08/22/13	N/A	8,135,324	8,138,336
Corporate Notes	07/12/12	AA+		6,725,912
US Treasury NTS	06/15/12	AAA		4,955,106
US Treasury NTS	07/15/13	AAA	4,939,667	4,975,561
Money Market Account	Demand	N/A		12,006,264
			<u>\$ 37,347,231</u>	<u>\$ 76,610,128</u>

**Service Fees**

The following is a three-year comparison of service charge billings and collections for all types of accounts maintained by the Authority:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Billings</u>	<u>Total Collections</u>	<u>Percentage of Collections</u>
2012	\$ 10,367,567	\$ 75,259,849	\$ 72,725,361	84.93%
2011	9,793,580	73,090,543	72,516,556	87.49%
2010	9,085,729	72,675,650	71,967,799	88.02%

**Note 3: DETAIL NOTES – ASSETS (CONT'D)****Accounts Receivable**

At December 31, 2012 and 2011, the balance in Accounts Receivable was \$12,902,055 and \$10,367,567 respectively. The Authority's policy for allowance for doubtful accounts is to consider any account with a balance greater than 18 months old as a doubtful account.

Delinquent account balances are sold by the applicable municipal tax collectors on behalf of the Authority, thereby creating a lien on the property of the delinquent account. Any collection of delinquent account balance by the municipal tax collectors is subsequently forwarded to the Authority.

**Capital Assets**

During the year ended December 31, 2012 and 2011, the following changes in Capital Assets occurred:

	<u>Balance</u> <u>Jan. 1, 2012</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
In Service:					
Land	\$ 6,440,900				\$ 6,440,900
Preliminary Treatment Facility	30,970,508				30,970,508
Secondary Treatment Plant	206,923,284	\$ 1,058,531	\$ 28,236,359		236,218,174
Interceptors	174,631,809				174,631,809
Incinerator	3,813,619				3,813,619
Compost Facility	55,342,819				55,342,819
Pump Stations	126,112,951	103,946			126,216,897
Metering Stations	5,175,127				5,175,127
Consulting & Engineering	40,121,442				40,121,442
Capitalized Interest	73,517,899				73,517,899
Total In Service	723,050,358	1,162,477	28,236,359	-	752,449,194
Assets Under Construction	56,012,735	34,762,232	(28,236,359)	-	62,538,608
Other:					
Administrative Building	2,464,705	149,715			2,614,420
Plant Machinery	25,644,754	2,754,392		\$ (5,703,367)	22,695,779
Sundry	7,847,581	48,044		(290,548)	7,605,077
Total Other	35,957,040	2,952,151	-	(5,993,915)	32,915,276
Total Capital Assets	815,020,133	38,876,860	-	(5,993,915)	847,903,078
Less Accumulated Depreciation	323,934,129	19,900,580		(4,936,309)	338,898,400
	\$ 491,086,004	\$ 18,976,280	\$ -	\$ (1,057,606)	\$ 509,004,678

**Note 3: DETAIL NOTES - ASSETS (CONT'D)****Capital Assets (Cont'd)**

	<u>Balance</u> <u>Jan. 1, 2011</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
In Service:					
Land	\$ 6,440,900				\$ 6,440,900
Preliminary Treatment Facility	30,970,508				30,970,508
Secondary Treatment Plant	206,030,443	\$ 767,009	\$ 1,218,192	\$ (1,092,360)	206,923,284
Interceptors	174,631,809				174,631,809
Incinerator	3,813,619				3,813,619
Compost Facility	55,342,819				55,342,819
Pump Stations	126,093,621	19,330			126,112,951
Metering Stations	5,175,127				5,175,127
Consulting & Engineering	40,121,442				40,121,442
Capitalized Interest	73,517,899				73,517,899
Total In Service	722,138,187	786,339	1,218,192	(1,092,360)	723,050,358
Assets Under Construction	42,045,854	15,185,073	(1,218,192)	-	56,012,735
Other:					
Administrative Building	2,464,705				2,464,705
Plant Machinery	23,971,658	1,673,096			25,644,754
Sundry	8,012,138	90,626		(255,183)	7,847,581
Total Other	34,448,501	1,763,722	-	(255,183)	35,957,040
Total Capital Assets	798,632,542	17,735,134	-	(1,347,543)	815,020,133
Less Accumulated Depreciation	306,255,160	17,678,969			323,934,129
	\$ 492,377,382	\$ 56,165	\$ -	\$ (1,347,543)	\$ 491,086,004

**Note 4: DETAIL NOTES – DEFERRED OUTFLOWS OF RESOURCES****Preoperating Costs**

Prior to the operation of sewer plants, the Authority incurred preoperating costs in the amount of \$15,685,747. These costs are being amortized using the straight line method over 40 years from 1981 to 2021. The unamortized portion of preoperating costs is reported in the accompanying financial statements as a deferred outflow of resources. As of December 31, 2012 and 2011, the Preoperating costs, net of amortization were \$821,555 and \$1,344,413, respectively.

**Note 5: DETAIL NOTES - LIABILITIES****Compensated Absences**

Full-time employees are entitled to fifteen paid sick leave days each year. Unused sick leave may be accumulated and carried forward to the subsequent years. Up to ten days of sick time may also be sold back in accordance with the Authority's Personnel Policy. Vacation days not used during the year may be accumulated and carried forward to the next subsequent year only.

Certain full-time employees are entitled to days off in lieu of receiving pay for overtime. Permanent part-time employees are entitled to sick and vacation leave on a prorated basis. The Authority compensates certain employees for unused sick leave upon retirement. The current policy entitles certain employee to receive fifty percent (50%) of his accumulated sick leave as severance pay. There is a maximum payout of \$15,000, which is paid at the rate of pay upon retirement.

The Authority has the following accrued liabilities for compensated absences at December 31, 2012 and 2011:

	<b><u>December 31,</u></b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
Sick Time	\$ 545,203	\$ 522,652
Vacation Time	390,723	349,368
Comp Time	267,848	239,486
	<u>\$ 1,203,774</u>	<u>\$ 1,111,506</u>

**Unearned Federal and State Grants**

The Authority has received a grant from the US Economic Development Administration (USEDA) for the development and renovation of the Campbell Soup and Camden Central Gateway projects. The Authority also received a grant from the State of New Jersey Pinelands Infrastructure Trust Fund for the elimination of the Ancora Sewerage Treatment Plant. These grants are recorded as liabilities as unearned revenue until the Authority has expended the funds and the funding entity has approved that they meet the eligibility requirements of the grant. Grants received for the purchase of fixed assets are realized as contributions of capital at the time the expenditures is made. For both grants the Authority has completed the original scope of work funded for less than total amount of the grant award. The Authority and the City of Camden have requested that USED A allow the Authority to expand the scope of the project so that similar, related work can be completed on the City's sewer collection system, but the USED A has not approved this request. The Authority has submitted grant closeout documents for both grants and has cancelled the unexpended balances as of December 31, 2012.

**Unearned Clean Water Act Fines**

In 1972, Congress enacted the first comprehensive national clean water legislation in response to growing public concern for serious and widespread water pollution. The Clean Water Act (CWA) is the primary federal law that protects our nation's waters, including lakes, rivers, aquifers and coastal areas.

The CWA established the basic structure for regulating discharges of pollutants into the waters of the United States by making it unlawful for any person to discharge any pollutant from a point source unless a permit was obtained under its provisions. The Water Pollution Control Act (WPCA), enacted in 1977, enabled New Jersey to implement the New Jersey Pollutant Discharge Elimination System (NJPDES) permitting system required under the CWA, whereby a person must obtain a NJPDES permit in order to discharge a pollutant into surface water or ground water of the State or to release a pollutant into a municipal treatment works.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Unearned Clean Water Act Fines (Cont'd)**

In 1990, the Legislature enacted substantial amendments to the WPCA, commonly known as the Clean Water Enforcement Act, P.L. 1990, c. 28 (CWEA). The CWEA requires the department to inspect permitted facilities and municipal treatment works at least annually. Additional inspections are required when the permittee is identified as a significant noncomplier. The CWEA also requires the assessment of mandatory minimum penalties for violations of the WPCA that are considered serious violations and for violations by permittees designated as significant noncompliers.

The CWEA mandates that 10 percent of the fines and penalties collected for violations of the CWEA be deposited in the State Licensed Operator Training Account at the NJDEP. The balance collected can be utilized by the Local Agency (the Authority) to offset the cost of the pretreatment program, funding for enforcement purposes and for upgrading municipal treatment facilities.

At December 31, 2012 and 2011, the penalties receivable amounted to \$191,567 and \$153,064, respectively. In accordance with the state statute no allowance has been made for the collectability of this amount. Also, at December 31, 2012 and 2011, the amount due to the NJDEP for 10 percent of the penalties collected was \$155,133 and \$175,203, respectively.

**Retirement Systems**

The Authority contributes to a cost-sharing multiple-employer defined benefit pension plan, the Public Employees' Retirement System (PERS), which is administered by the New Jersey Division of Pensions and Benefits. In addition, several Authority employees participate in the Defined Contribution Retirement Program, which is a defined contribution pension plan. This too is administered by the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. 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

**Public Employees' Retirement System** - The PERS was established as of January 1, 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased to 6.5% plus an additional 1.0% phased-in over seven years. The phase-in of the additional incremental member contribution amount began July 1, 2012 and increases each subsequent July 1. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Authority is billed annually for its normal contribution plus any accrued liability. These contributions, equal to the required contributions for each year, were as follows:

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Retirement Systems (Cont'd)**

The Authority is billed annually for its normal contribution plus any accrued liability. These contributions, equal to the required contributions for each year, were as follows:

<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Paid by Authority</u>
2012	\$ 296,755	\$ 555,581	\$ 852,336	\$ 852,336
2011	328,034	493,996	822,030	822,030
2010	318,375	367,951	686,326	686,326

**Related Party Investments** - The Division of Pensions and Benefits does not invest in securities issued by the Authority.

**Early Retirement Incentive Program** – Legislation enacted in 2003 made early retirement available through Early Retirement Incentive Programs. This program, which is subject to the approval of the Authority's governing body (within a limited period of time), was available to employees who met certain minimum requirements. The governing body of the Authority approved the program on June 21, 2004 for eligible members of the PERS. Six employees applied for early retirement during the 2003 program. Program costs are billed annually by the Division of Pensions. As of December 31, 2012 and 2011, the accrued liability to the PERS for the 2003 program was \$515,772 and \$573,080 payable in annual installments of \$57,308 to April 1, 2021.

**Post-Employment Benefits****State Health Benefit Plan**

In September 2012, the Authority switched from the County of Camden Health Plan to the State Health Benefit Program (SHBP) for employee benefits. The SHBP is a cost sharing multiple-employer defined benefit postemployment healthcare plan and the financial statements of the SHBP records the actuarial accrued liability for post-employment benefits and not the Authority. As a result, the Authority cancelled the accrued liability for post-employment benefits in 2012.

**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 2012, the Authority authorized participation in the SHBP's post-retirement benefit program through resolution number 12:5-85. The Authority will pay the premium for health and prescription benefits for all employees, not covered by another plan, who retire from the Authority with 25 years or more of service credited by a New Jersey pension system.

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/](http://www.state.nj.us/treasury/pensions/).



**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Post-Employment Benefits (Cont'd)**State Health Benefit Plan (Cont'd)

**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 the Authority on a monthly basis.

The Authority began contributions for post-employment health benefit to the SHBP starting September 1, 2012. The Authority contribution to the SHBP for post-employment benefits for the year ended December 31, 2012 was \$70,982 for nineteen (19) retired employees, which equaled the required contributions for this period. There were approximately eighty-one (81) employees participants at December 31, 2012.

United Food and Commercial Workers and Participating Food Industry Employers TRI-State Health & Welfare Fund Plan

**Plan Description** - The Authority contributes under provisions of a union contract to the United Food and Commercial Workers post-employment health benefits to eligible retirees and their spouses through the Union's United Food and Commercial Workers and Participating Employers Tri-state Food Industry Health & Welfare Fund Plan (the Fund).

The benefit is provided to eligible retirees hired prior to December 31, 2011 that have been employees for or have at least twenty-five (25) years of service credited by a New Jersey pension system and are over fifty-five (55) years of age. For employees hired on or after January 1, 2012, eligible retirees are those employees that retire from the Authority after twenty-five (25) years or more of service credited by a New Jersey pension system and are over the age of sixty-two (62).

**Funding Policy** - The Authority contributes health insurance and prescription plan premiums to the Fund for eligible retirees and their spouses until they reach the age of sixty-five (65) when they are then required to enroll into the Medicare program for which the Fund coverage is supplemental.

The Authority began contributions for post-employment health benefit to the Fund starting in 2010. The Authority's post-employment benefits contribution to the Fund for the year ended December 31, 2012 was \$90,476 for ten (10) retired employees which equaled the required contributions for this period. There were approximately thirty-six (36) employee participants at December 31, 2012.

Starting January 1, 2013 an additional sixty-seven (67) employees are participating in the plan under a union contract that were participating in the New Jersey State Health Benefit Plan as of December 31, 2012.

The Fund issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to: United Food and Commercial Workers and Participating Food Industry Employers TRI-State Health & Welfare Fund Plan 27 Roland Avenue Suite 100, Mt Laurel, NJ 08054.

**Note 5: DETAIL NOTES – LIABILITIES****Lease Obligations**

At December 31, 2012, the Authority had lease agreements in effect for the following:

Operating:  
     Black and White Copiers  
     Mailing System  
     Mailing Machine

Operating Leases - Future minimum rental payments under operating lease agreements are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 11,114
2014	3,500

Current Year Payments under Operating Leases totaled \$16,997.

**Long Term Debt**

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
New Jersey Wastewater Treatment / Environmental Infrastructure Trust	\$ 43,738,549	\$ 30,835,317
New Jersey Wastewater Treatment / Environmental Infrastructure Fund	100,365,434	67,262,063
County Agreement Sewer Revenue Bonds, Series 2006A	4,050,000	4,270,000
County Agreement Sewer Revenue Refunding Bonds, Series 2006B	54,865,000	64,355,000
County Agreement Sewer Revenue Capital Appreciation Bonds Series 1990A	71,885,342	80,245,521
County Agreement Sewer Revenue Capital Appreciation Bonds Series 1990B	76,893,772	89,213,130
County Agreement Sewer Revenue Refunding Bonds Series 2008	39,585,000	46,380,000
	<u>391,383,097</u>	<u>382,561,031</u>
Add Amounts: Premium on Bonds	7,240,906	6,288,570
Less Amounts: Deferred on Refunding	(3,211,748)	(4,419,143)
Current Maturities	(55,971,058)	(55,679,234)
	<u>(51,941,900)</u>	<u>(53,809,807)</u>
	<u>\$ 339,441,197</u>	<u>\$ 328,751,224</u>

The County has executed a deficiency agreement with the Authority which under its terms and conditions obligates the County to pay all principal debt service deficiencies, not to exceed \$685,500,000 (See Note 1), if any, including the bonds and loans under the New Jersey Environmental Infrastructure (Wastewater Treatment) Trust and Fund ("NJEIT" and "NJWTT") programs.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Long Term Debt (Cont'd)**

At December 31, 2012, the aggregate principal maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Accretion</u>	<u>Total</u>
2013	\$ 55,971,057	\$ 6,896,179	\$ 10,342,088	\$ 73,209,324
2014	57,427,976	5,956,165	8,677,926	72,062,067
2015	59,169,782	4,951,334	6,889,572	71,010,688
2016	60,632,974	3,870,237	4,967,451	69,470,662
2017	62,750,811	2,753,006	2,901,198	68,405,015
2018-2022	68,008,824	6,423,356	1,717,652	76,149,832
2023-2027	43,721,631	3,055,262		46,776,893
2028-2031	19,195,928	535,328		19,731,256
	<u>\$ 426,878,983</u>	<u>\$ 34,440,867</u>	<u>\$ 35,495,887</u>	<u>\$ 496,815,737</u>
Adjustments:				
Accreted Interest	(35,495,887)			
Bond Premium	7,240,906			
Deferred Amount on Refunding	<u>(3,211,748)</u>			
	<u>\$ 395,412,254</u>			

**Revenue Bonds Payable - Series 1990A, 1990B, 2006A, 2006B and 2008**

The Revenue Bonds Series 1990A, 1990B, 2006A, 2006B and 2008 are direct obligations of the Authority. The Bonds are secured by a pledge on the Revenues derived by the Authority from the operation of its sewerage treatment facilities.

**1990 Refunding**

On February 21, 1990, the Authority issued \$115,830,387 County Agreement Sewer Revenue Capital Appreciation Bonds, 1990A Series and \$121,677,019 County Agreement Sewer Revenue Capital Appreciation Bonds, 1990B Series. A majority of the proceeds were utilized to refund or pay a portion of the principal of and interest on the 1987 Sewer Revenue Bonds and the New Jersey Wastewater Treatment Trust and Fund Bonds; permanently finance certain projects through the redemption in whole of the \$109,000,000 1987 Bond Anticipation Notes; make a deposit in the Debt Service Reserve Fund; and pay the expenses incurred in connection with the issuance of the Bonds, including the payment of a municipal bond insurance premium.

As security for the Authority's payment obligations on the 1990A and 1990B Bonds, the Resolution creates a senior lien on and grants a security interest in the gross revenues of the Authority, investment earnings and other cash receipts. Interest on the 1990 Bonds will not be paid semiannually, but only upon maturity or earlier acceleration (capital appreciation bonds). Such interest accrues from the date of issuance and compounds semiannually. The 1990 Bonds are priced to produce an approximate yield to maturity ranging from 6.80% to 7.35%.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****1990 Refunding (Cont'd)**

	<u>Face Value</u>	<u>Accreted Value</u>	<u>Payments</u>	<u>Carrying Value</u>
1990A Bonds:				
Dec. 31, 2012	\$ 115,830,387	\$ 58,083,328	\$ 102,028,373	\$ 71,885,342
Dec. 31, 2011	115,830,387	63,684,930	99,269,796	80,245,521
1990B Bonds:				
Dec. 31, 2012	\$ 121,677,019	\$ 62,130,282	\$ 106,913,529	\$ 76,893,772
Dec. 31, 2011	121,677,019	70,802,024	103,265,913	89,213,130

**2006A Revenue**

On October 11, 2006, the Authority issued County Agreement Sewer Revenue Bonds, Series 2006A dated September 26, 2006, in the amount of \$5,000,000 to pay expenses incurred in the repair of a force main in the City of Camden and other various projects. The 2006A Bonds have interest rates ranging from 3.45% to 4.05% and mature in various increments through 2026.

**2006B Refunding**

On September 20, 2006, the Authority issued County Agreement Sewer Revenue Refunding Bonds, Series 2006B dated August 31, 2006, in the amount of \$100,865,000 to refund the 1996 County Sewer Revenue Refunding Bonds, originally issued in the aggregate principal amount of \$139,190,000, and pay expenses incurred in connection with the reissuance of the bonds. The 2006B Bonds have interest rates ranging from 4.00% to 5.00% and mature in various increments through 2017.

**2008 Refunding**

On July 15, 2008, the Authority issued County Agreement Sewer Revenue Refunding Bonds, Series 2008 dated June 10, 2008, in the amount of \$64,885,000 to refund the 1997 County Sewer Revenue Refunding Bonds, originally issued in the aggregate principal amount of \$85,980,000, and pay expenses incurred in connection with the issuance of the bonds. The 2008 Bonds have interest rates ranging from 4.85% to 5.25% and mature in various increments through 2017.

The 2008 refunding bonds were issued pursuant to a Forward Bond Purchase Contract dated February 23, 2005 between the Authority and Bear, Stearns & Co. Inc., (the "purchaser") in which the Authority granted the Purchaser the option to purchase the 2008 refunding bonds. In consideration of the purchase option the purchaser paid to the Authority an upfront fee of \$600,000.

**New Jersey Wastewater Treatment Trust / New Jersey Environmental Infrastructure Trust Programs**

The Authority has received loans from the State of New Jersey under the Wastewater Treatment Trust Program / Environmental Infrastructure Trust Program ("NJEIT Trust"). The NJEIT Trust has issued bonds for loans to various entities. The funds on hand at the NJEIT Trust for loans committed to the Authority are included on the books of the Authority as Cash Held by Agent. The NJEIT Trust acts in a trustee capacity for these funds and the drawdown of these funds are subject to the approval of the NJEIT Trust. \$89,114,917 in loans have been issued. They have interest rates ranging from 3.0% to 7.0% and mature in various increments through 2031.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****New Jersey Wastewater Treatment Trust / New Jersey Environmental Infrastructure Trust Programs (Cont'd)**

Under the Wastewater Treatment Fund Program / Environmental Infrastructure Fund Program ("NJEIT Fund"), the State extended several noninterest-bearing loans totaling \$246,543,791. The loans have been recorded as long-term debt, net of original defeased debt of \$29,449,144. When a project is completed the final expenditures report is submitted to the state. If the total project cost is less than the loan amount, the State will make an adjustment to the final loan payment. The Authority has repaid \$109,911,150 and \$104,794,986 as of December 31, 2012 and 2011, respectively. This debt will mature in various increments through 2031.

**Authority Subordinate Bonds**

The 2006, 2007, 2008 and 2010 NJEIT Trust and NJEIT Fund Loans were issued as Authority Subordinate Bonds. The Bonds are subordinate to the Revenue Bonds issued under the 1995 Bond Resolution of the Authority. In the event of any insolvency and bankruptcy proceedings, all holders of the Revenue Bonds shall be entitled to received payment in full of all payments due before the holders of all outstanding Authority Subordinate Bonds are entitled to receive any payment from the Gross Revenues (as defined in the General Bond Resolution).

**Special Reserve Fund**

Pursuant to the Thirteenth Supplemental Resolution adopted December 27, 1993, the provision to prepay the 1987 Sewer Revenue Bonds and the New Jersey Wastewater Treatment Trust Bonds was eliminated and amended to pay all or any portion of the principal of or interest on the 1990 Bonds when due. The Authority, however, is not obligated to use Special Reserve Fund moneys to redeem the 1990 Bonds and may, with the consent of Financial Guaranty Insurance Company, the issuer of the Municipal Bond New Issue Insurance Policy, apply such moneys to future capital projects or pay administrative costs or expenses of the Authority, including, without limitation, any costs and expenses in any way related to the issuance of Authority obligations or the restructuring of the Special Reserve Fund. The Authority has paid approximately \$191,650,287 into the Special Reserve Fund as of December 31, 2012.

**Note 6: DETAIL NOTES – NET POSITION****Net Position Appropriated – Operating Budget**

As of December 31, 2012, the Authority had a balance an unrestricted net position of \$14,194,586; however, \$3,135,172 has been appropriated and included as support in the operating budget for the year ending December 31, 2013.

As of December 31, 2011, the Authority had a balance an unrestricted net position of \$10,140,712; however, \$3,092,762 was appropriated and included as support in the operating budget for the year ending December 31, 2012.

**Net Position Appropriated – Capital Budget**

As of December 31, 2012, the Authority had a balance an unrestricted net position of \$14,194,586; however, \$850,000 has been appropriated and included as support in the capital budget for the year ending December 31, 2013.

As of December 31, 2011, the Authority had a balance an unrestricted net position of \$10,140,712; however, \$1,000,000 was appropriated and included as support in the capital budget for the year ending December 31, 2012.

**Note 7: INTERGOVERNMENTAL AGREEMENTS****Road Indemnification Agreement with Camden County**

The Authority entered into an agreement with the County of Camden on November 21, 2011 as a result of the Atlantic Basin Interceptor Extension Project. This project will damage a significant portion of County owned roads to install new pipelines. The Authority determined that the County is better suited to repair these roads, in-house, than the Authority. The agreement requires the Authority to pay the County a sum of \$5,000,000 for the road repairs over the next three years before the project is completed. Under the terms of the agreement, the Authority paid the County a sum of \$2,000,000 in 2012, and will pay \$3,000,000 in 2013.

**Note 8: COMMITMENTS AND CONTINGENCIES****Commitments**

The Authority had several outstanding or planned construction projects as of December 31, 2012. These projects are evidenced by contractual commitments with contractors and include:

<u>Project</u>	<u>Awarded</u>	<u>Commitment Remaining</u>
Sludge Drying Facilities Project	Komline-Sanderson	\$ 843,273
Camden City CSO Systems Upgrades Project	Montana Construction	6,868,574
Atlantic Basin Interceptor	Metra Industries	4,303,819
	Pioneer Pipe	1,207,554
	Clyde Lattimer & Son	2,843,119
	PKF Mark III	10,959,590
	Centerpoint Associates	1,057,078
	P&A Construction	7,335,298
	Underground Utilities	1,692,012

**Encumbrances**

Enterprise funds recognize expenses when they are incurred. Encumbrances do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods or services for both the Unrestricted and Restricted Funds. As of December 31, 2012 and 2011, the Authority had outstanding encumbrances of approximately \$18,721,372 and \$16,676,371, respectively.

**Change Orders to Contracts**

During the year 2012, the Authority had three contracts that resulted in the total amount of change orders executed for the project to exceed the originally awarded contract price by more than 20 percent. The resolution number and project description are as follows:

<u>Resolution No.</u>	<u>Project Description</u>
R-12:2-41	Decommission and Demolition of the Wastewater Treatment Facility
R-12:4-69	Electrical Repairs and Services
R-12:1-4	Construction of the Central Gateway Park Project

N.J.A.C. 5:30-11.3 (a) 9 and 10 states that the total number of change orders executed for a particular contract shall not cause the originally awarded contract price to be exceeded by more than twenty percent unless otherwise authorized, and that if proposed change orders do exceed that twenty percent limitation, no work shall be performed or purchases made until the procedures of N.J.A.C. 5:30-11.9 have been completed.

N.J.A.C. 5:30-11.9 delineates the required procedures for change orders, which exceed the twenty percent limitation. The Authority has complied with all provisions of N.J.A.C. 5:30-11.9.

**Note 8: COMMITMENTS AND CONTINGENCIES (CONT'D)****Litigation**

The Authority is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Authority, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

**Note 9: INVESTMENT INCOME**

Investment income is comprised of the following elements described below:

Interest income - is the return on the original principal amount invested.

Realized gain – is a gain resulting from selling an asset at a price higher than the original purchase price.

Change in the fair value of investments - takes into account all changes in fair value that occurred during the year.

The Authority's investment income for the years ended December 31, 2012 and 2011:

	December 31,	
	<u>2012</u>	<u>2011</u>
Investment Income:		
Interest Income	\$ 3,020,235	\$ 3,560,866
Change in the Fair Value of Investments	(2,001,477)	992,377
	<u>\$ 1,018,758</u>	<u>\$ 4,553,243</u>

**Note 10: RELATED PARTY TRANSACTIONS****Related Party Transactions**

The Commissioners of the Authority are appointed by the Board of Chosen Freeholders of the County of Camden. Accordingly, the Freeholders have the ability to influence the nature and amounts of business done by the Authority. The Authority and the County have engaged in significant transactions with each other. These transactions include the cooperative purchasing and economic development activities.

**Note 11: 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. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded coverage for the past several years.

The Authority is self-insured for workers' compensation through a joint insurance program with the County. The County submits invoices to the Authority for their share of the workers' compensation costs incurred for the year. The County has established this fund and as of December 31, 2012 and 2011, the balance in the Reserve for Workers' Compensation Insurance Trust Fund was \$89,076.69 (unaudited) and \$901,591.50. The 2013 County Budget introduced on May 1, 2013 includes an appropriation in the amount of \$1,000,000 to provide for future claims.

**Note 12: CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLE****GASB 63**

During year ending December 31, 2012 there was a change in accounting principles as a result of GASB Statement 63 Items Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

**GASB 65**

During year ending December 31, 2012 there was a change in accounting principles as a result of GASB Statement 65 Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement 65 is retroactive to prior reporting periods. The adjustment is detailed below.



**Note 12: CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLE (CONT'D)****GASB 65 (Cont'd)**Summary Statement of Net Position  
As of December 31, 2011

	<b><u>Previously Reported</u></b>	<b><u>Prior Period Adjustment</u></b>	<b><u>Restated</u></b>
<b>Assets</b>			
Current Assets	\$ 141,563,541	\$ 232,891	\$ 141,796,432
Noncurrent Assets:			
Capital Assets:			
Utility Plant-In Service, Net of Accumulated Depreciation	424,071,182		424,071,182
Construction in Progress	56,012,735		56,012,735
Other Capital Assets, Net of Accumulated Depreciation	11,002,087		11,002,087
Deferred Assets: Net of Amortization:			
Preoperating Costs	1,344,413	(1,344,413)	-
Debt Financing Costs	7,633,574	(7,633,574)	-
Total Assets	641,627,532	(8,745,096)	632,882,436
<b>Deferred Outflows of Resources</b>			
Preoperating Costs		1,344,413	1,344,413
Total Deferred Outflows of Resources	-	1,344,413	1,344,413
<b>Liabilities</b>			
Current Liabilities	72,544,205	(10,837)	72,533,368
Noncurrent Liabilities:			
Deferred Interest Revenue	1,056,727	(1,056,727)	-
Net OPEB Obligation	5,418,962		5,418,962
Long-term Debt	328,751,224		328,751,224
Total Liabilities	407,771,118	(1,067,564)	406,703,554
<b>Deferred Inflows of Resources</b>			
Deferred Interest Revenue		1,300,455	1,300,455
Total Deferred Inflows of Resources	-	1,300,455	1,300,455
<b>Net Position</b>			
Invested in Capital Assets, Net of Related Debt	174,575,044	(7,633,574)	166,941,470
Restricted for Debt Service	49,140,658		49,140,658
Unrestricted	10,140,712		10,140,712
Total Net Position	\$ 233,856,414	\$ (7,633,574)	\$ 226,222,840

**Note 12: CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLE (CONT'D)****GASB 65 (Cont'd)**

Summary Statement of Revenues, Expenses and Change in Net Position  
For the Year Ended December 31, 2011

	<u>Previously Reported</u>	<u>Prior Period Adjustment</u>	<u>Restated</u>
Operating Revenue	\$ 79,569,458		\$ 79,569,458
Operating Expenses	53,256,404		53,256,404
Non-operating Revenue (Expenses):			
Investment Income	4,553,243	\$ (992,377)	3,560,866
Unrealized Loss/Gain on Investments		992,377	992,377
Interest Expense	(21,026,239)		(21,026,239)
Contribution to the County of Camden	(3,076,796)		(3,076,796)
Amortization of Deferred Charges and Bond Issuance Costs	(1,384,662)	1,384,662	
Amortization of Preoperating Costs		(830,433)	(830,433)
Disposition of Property, Plant and Equipment	52,841		52,841
Community Service Projects	(442,772)		(442,772)
Other Non-operating Revenues	2,142,098		2,142,098
Income Before Contributions	7,130,767	554,229	7,684,996
Capital Contributions	1,164,476		1,164,476
Change in Net Position	8,295,243	554,229	8,849,472
Net Position, January 1	225,561,171	(8,187,803)	217,373,368
Net Position, December 31	<u>\$ 233,856,414</u>	<u>\$ (7,633,574)</u>	<u>\$ 226,222,840</u>

## **SUPPLEMENTAL EXHIBITS**

**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**  
Combining Schedule of Revenues, Expenses and Changes in Net Position  
Restricted and Unrestricted Accounts  
For the Year Ended December 31, 2012

	<u>Unrestricted</u>		<u>R e s t r i c t e d</u>				
	<u>Revenue</u>	<u>General Reserve</u>	<u>Debt Service</u>	<u>Debt Service Reserve</u>	<u>Renewal and Replacement</u>	<u>Special Reserve</u>	<u>Total</u>
Operating Revenues	\$ 81,567,670						\$ 81,567,670
Operating Expenses	31,781,007	\$ 19,900,585					51,681,592
Operating Income (Loss)	49,786,663	(19,900,585)					29,886,078
Non-operating Revenue (Expenses):							
Investment Income	8,676			\$ 227,072	\$ 149	\$ 2,784,338	3,020,235
Unrealized Gain / Loss on Investments			\$ 64,342			(2,065,819)	(2,001,477)
Gain on Change in OPEB Plan	5,418,962						5,418,962
Interest Expense			(19,215,587)				(19,215,587)
Bond Issuance Costs		(1,282,697)					(1,282,697)
Contribution to the County of Camden		(3,092,762)					(3,092,762)
County of Camden Indemnification Program		(2,000,000)					(2,000,000)
Amortization of Preoperating Costs		(622,651)					(622,651)
Disposition of Property, Plant and Equipment		(1,004,625)					(1,004,625)
Community Service Projects	(226,364)						(226,364)
Total Non-operating Revenue (Expenses)	5,201,274	(8,002,735)	(19,151,245)	227,072	149	718,519	(21,006,966)
Income (Loss) Before Contributions and Transfers	54,987,937	(27,903,320)	(19,151,245)	227,072	149	718,519	8,879,112
Capital Contributions		2,999,047					2,999,047
Transfers	(50,934,063)	35,177,695	19,017,682	13,564,081	(673,985)	(16,151,410)	
Change in Net Position	4,053,874	10,273,422	(133,563)	13,791,153	(673,836)	(15,432,891)	11,878,159
Total Net Position, January 1, as Restated	10,140,712	166,941,470	(58,940,188)	65,341,715	3,034,000	39,705,131	226,222,840
Total Net Position, December 31	\$ 14,194,586	\$ 177,214,892	\$ (59,073,751)	\$ 79,132,868	\$ 2,360,164	\$ 24,272,240	\$ 238,100,999
Analysis of Balance, December 31:							
Net Invested in Capital Assets		\$ 177,214,892					\$ 177,214,892
Restricted for Bond Resolution Covenants			\$ (59,073,751)	\$ 79,132,868	\$ 2,360,164	\$ 24,272,240	46,691,521
Unrestricted	\$ 14,194,586						14,194,586
	\$ 14,194,586	\$ 177,214,892	\$ (59,073,751)	\$ 79,132,868	\$ 2,360,164	\$ 24,272,240	\$ 238,100,999

**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**

Schedule of Cash Receipts, Cash Disbursements  
and Changes in Cash, Cash Equivalents and Investments  
For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Restricted</u>				
	<u>Operating Accounts</u>	<u>Debt Service Reserve</u>	<u>Renewal and Replacement</u>	<u>Construction</u>	<u>Special Reserve</u>	<u>Total</u>
Cash, Cash Equivalents and Investments--January 1, 2012	\$ 10,459,526	\$ 54,438,189	\$ 3,034,466	\$ 4,303,028	\$ 39,705,131	\$ 111,940,340
Cash Receipts:						
User Charges	72,725,361					72,725,361
Investment Income	8,671	326,696	153		2,784,338	3,119,858
Proceeds from Issuance of Long Term Debt		48,723,874				48,723,874
Capital Contributions				2,999,047		2,999,047
Connection Fees and Other Revenues	7,012,929					7,012,929
Transfer from Other Restricted Accounts	7,611					7,611
Transfer from Other Restricted Accounts		16,825,877				16,825,877
Transfer from Unrestricted Accounts		11,541,647		39,392,416		50,934,063
Change in the Fair Value of Investments		64,342			(2,065,819)	(2,001,477)
Total Cash Receipts and Investments Available	90,214,098	131,920,625	3,034,619	46,694,491	40,423,650	312,287,483
Cash Disbursements:						
Operating Expenditures	35,434,037					35,434,037
Deferred Interest Revenue	243,728					243,728
Community Service Projects	226,364					226,364
Payments of Defeased Bonds		6,950,000				6,950,000
Debt Principal Payments		31,217,676				31,217,676
Interest Paid		33,578,533				33,578,533
Bond Issuance Costs		1,282,697				1,282,697
Payment of Contribution to County of Camden		3,092,762				3,092,762
Payment of Indemnification Program to County of Camden		2,000,000				2,000,000
Capital Expenditures, Net of Change in Retainages				33,377,638		33,377,638
Transfer to Unrestricted Accounts		7,611				7,611
Transfer to Restricted Accounts	50,934,063					50,934,063
Transfer to Other Restricted Accounts			674,467		16,151,410	16,825,877
Total Cash Disbursements	86,838,192	78,129,279	674,467	33,377,638	16,151,410	215,170,986
Cash, Cash Equivalents and Investments--December 31, 2012	\$ 3,375,906	\$ 53,791,346	\$ 2,360,152	\$ 13,316,853	\$ 24,272,240	\$ 97,116,497
<u>Analysis of Balance December 31, 2012</u>						
Cash and Cash Equivalents	\$ 3,375,906	\$ 40,716,355	\$ 2,360,152	\$ 13,316,853	\$ -	\$ 59,769,266
Investments:						
U.S. and Municipal Government Securities		13,074,991			24,272,240	37,347,231
	\$ 3,375,906	\$ 53,791,346	\$ 2,360,152	\$ 13,316,853	\$ 24,272,240	\$ 97,116,497

**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Sewer Operations -- Revenues, Operating Appropriations,  
Principal Payments and Non-Operating Appropriations Compared To Budget -- Non-GAAP Budgetary Basis  
For the Year Ended December 31, 2012

	<u>Adopted Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Favorable-- (Unfavorable)</u>
Operating Revenues:				
User Charges and Fees	\$ 76,526,986	\$ 76,526,986	\$ 75,259,849	\$ (1,267,137)
Connection Fees	3,132,250	3,132,250	3,505,602	373,352
Other Operating Revenues	2,181,016	2,181,016	2,802,219	621,203
Total Operating Revenues	81,840,252	81,840,252	81,567,670	(272,582)
Non-Operating Revenues:				
Interest on Investments and Deposits	500,000	500,000	252,552	(247,448)
Other Non-Operating Revenue	14,862,526	14,862,526	21,568,037	6,705,511
Total Non-Operating Revenues	15,362,526	15,362,526	21,820,589	6,458,063
Total Budget Revenues	97,202,778	97,202,778	103,388,259	6,185,481
Operating Appropriations:				
Administration:				
Salary & Wages	1,934,940	1,934,940	2,097,838	(162,898)
Fringe Benefits	2,123,966	2,123,966	1,929,278	194,688
Other Expenses	1,393,816	1,393,816	1,685,120	(291,304)
Total Administration	5,452,722	5,452,722	5,712,236	(259,514)
Cost of Providing Services:				
Salary & Wages	6,855,602	6,855,602	7,261,201	(405,599)
Fringe Benefits	2,255,477	2,255,477	2,222,661	32,816
Other Expenses	17,665,868	17,665,868	16,584,909	1,080,959
Total Cost of Providing Services	26,776,947	26,776,947	26,068,771	708,176
Total Principal Payments on Debt Service	29,625,569	29,625,569	29,515,426	110,143
Total Operating Appropriations	61,855,238	61,855,238	61,296,433	558,805
Non-Operating Appropriations:				
Contribution to the County of Camden	3,092,762	3,092,762	3,092,762	
County of Camden Indemnification Program	2,000,000	2,000,000	2,000,000	
Interest Payments	33,347,540	33,347,540	33,578,533	(230,993)
Total Non-Operating Appropriations	38,440,302	38,440,302	38,671,295	(230,993)
Total Budget Appropriations	100,295,540	100,295,540	99,967,728	327,812
Excess of Expenses and Other Costs over Revenues	\$ (3,092,762)	\$ (3,092,762)	\$ 3,420,531	\$ 6,513,293

(Continued)

**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Sewer Operations -- Revenues, Operating Appropriations,  
Principal Payments and Non-Operating Appropriations Compared To Budget -- Non-GAAP Budgetary Basis  
For the Year Ended December 31, 2012

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## Adjustments to Reconcile Excess Expenses and Other Costs

## Over Revenues to GAAP Basis Operating Income:

Excess of Expenses and Other Costs over Revenues (Schedule 3)	\$ 3,420,531
Less: Investment Income	(252,552)
Less: Other Non-Operating Revenue	(21,568,037)
Less: Depreciation	(19,900,585)
Add: Contribution to the County of Camden	3,092,762
Add: County of Camden Indemnification Agreement	2,000,000
Add: Principal Payments on Bonds	29,515,426
Add: Interest Payments	<u>33,578,533</u>

Total Operating Income (Exhibit B)	<u><u>\$ 29,886,078</u></u>
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**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**

Analysis of Investment Income Receivable

For the Year Ended December 31, 2012

	<b><u>Balance</u></b> <b><u>Jan. 1, 2012</u></b>	<b><u>Investment</u></b> <b><u>Income Earned</u></b>	<b><u>Investment</u></b> <b><u>Income Collected</u></b>	<b><u>Balance</u></b> <b><u>Dec. 31, 2012</u></b>
Unrestricted Assets:				
Revenue Account	\$ 13	\$ 8,676	\$ 8,671	\$ 18
Restricted Assets:				
Debt Service Reserve Account	134,939	227,073	326,697	35,315
Renewal and Replacement Account	16	148	152	12
Special Reserve Account		2,784,338	2,784,338	
	134,955	3,011,559	3,111,187	35,327
	<u>\$ 134,968</u>	<u>\$ 3,020,235</u>	<u>\$ 3,119,858</u>	<u>\$ 35,345</u>



**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Revenue Bonds Payable  
For the Year Ended December 31, 2012

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance Jan. 1, 2012</u>	<u>Bonds Issued</u>	<u>Paid 2012</u>	<u>Amount Defeased</u>	<u>Balance Dec. 31, 2012</u>
			<u>Date</u>	<u>Amount</u>						
1995 NJWTT Sewer Revenue Bonds Series B (Taxable)	11/09/95	\$ 2,235,000	08/01/13	\$ 175,000	7.00%					
			08/01/14	185,000	7.00					
			08/01/15	200,000	7.00					
				<u>\$ 560,000</u>		<u>\$ 725,000</u>	<u>\$ 165,000</u>	<u>\$ 560,000</u>	<u>\$ -</u>	
1998 NJWTT Sewer Wastewater Treatment Refunding Bonds, Series 1998D	03/01/98	3,521,640								
						<u>304,857</u>	<u>304,857</u>			<u>-</u>
2006 NJEIT Sewer Wastewater Treatment Refunding Bonds, Series 2006A - Winslow	06/22/06	3,383,431	08/01/13	\$ 210,770	5.00%					
			08/01/14	219,714	5.00					
			08/01/15	233,309	5.13					
			08/01/16	246,643	5.13					
			08/01/17	255,168	5.25					
			08/01/18	268,216	5.25					
			08/01/19	285,889	5.25					
			08/01/20	298,721	5.25					
				<u>\$ 2,018,431</u>		<u>2,243,431</u>	<u>225,000</u>			<u>2,018,431</u>
2006 NJEIT Sewer Wastewater Treatment Refunding Bonds, Series 2006A	06/22/06	9,750,000	08/01/13	\$ 450,000	5.00%					
			08/01/14	470,000	5.00					
			08/01/15	495,000	5.00					
				<u>\$ 1,415,000</u>		<u>8,235,000</u>	<u>430,000</u>	<u>6,390,000</u>		<u>1,415,000</u>
2006 NJEIT Sewer Wastewater Treatment Refunding Bonds, Series 2006A - Odor Control	06/22/06	3,088,956	08/01/13	\$ 195,756	5.00%					
			08/01/14	205,338	5.00					
			08/01/15	219,668	5.13					
			08/01/16	229,121	5.13					
			08/01/17	238,569	5.25					
			08/01/18	252,728	5.25					
			08/01/19	266,828	5.25					
			08/01/20	280,949	5.25					
				<u>\$ 1,888,956</u>		<u>2,083,956</u>	<u>195,000</u>			<u>1,888,956</u>

(Continued)

**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Revenue Bonds Payable  
For the Year Ended December 31, 2012

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance Jan. 1, 2012</u>	<u>Bonds Issued</u>	<u>Paid 2012</u>	<u>Amount Defeased</u>	<u>Balance Dec. 31, 2012</u>
			<u>Date</u>	<u>Amount</u>						
2006 County Agreement Sewer Revenue Refunding Bonds, Series 2006B	09/20/06	\$ 100,865,000	07/15/13	\$ 9,945,000	5.00%					
			07/15/14	10,425,000	5.00					
			07/15/15	10,945,000	5.00					
			07/15/16	11,495,000	5.00					
			07/15/17	12,055,000	5.00					
				<u>\$ 54,865,000</u>		<u>\$ 64,355,000</u>		<u>\$ 9,490,000</u>		<u>\$ 54,865,000</u>
2006 County Agreement Sewer Revenue Bonds, Series 2006A	10/11/06	5,000,000	07/15/13	\$ 225,000	3.45%					
			07/15/14	235,000	3.50					
			07/15/15	240,000	3.55					
			07/15/16	250,000	3.60					
			07/15/17	260,000	3.75					
			07/15/18	270,000	3.75					
			07/15/19	280,000	3.80					
			07/15/20	290,000	3.85					
			07/15/21	300,000	4.05					
			07/15/22	315,000	4.05					
			07/15/23	325,000	4.05					
			07/15/24	340,000	4.05					
			07/15/25	355,000	4.05					
			07/15/26	365,000	4.05					
				<u>\$ 4,050,000</u>		<u>4,270,000</u>		<u>220,000</u>		<u>4,050,000</u>
2007 NJEIT Sewer Wastewater Treatment Bonds, Series 2007A	11/08/07	2,940,000	08/01/13	\$ 130,000	3.50%					
			08/01/14	135,000	3.60					
			08/01/15	140,000	5.00					
			08/01/16	145,000	5.00					
			08/01/17	155,000	5.00					
			08/01/18	160,000	5.00					
			08/01/19	170,000	4.00					
			08/01/20	175,000	4.00					
			08/01/21	185,000	5.00					
			08/01/22	195,000	5.00					
			08/01/23	205,000	4.25					
			08/01/24	210,000	4.50					
			08/01/25	220,000	4.50					
			08/01/26	230,000	4.50					
			08/01/27	240,000	4.25					
				<u>\$ 2,695,000</u>		<u>2,820,000</u>		<u>125,000</u>		<u>2,695,000</u>

(Continued)

**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Revenue Bonds Payable  
For the Year Ended December 31, 2012

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance Jan. 1, 2012</u>	<u>Bonds Issued</u>	<u>Paid 2012</u>	<u>Amount Defeased</u>	<u>Balance Dec. 31, 2012</u>
			<u>Date</u>	<u>Amount</u>						
2008 NJEIT Sewer Wastewater Treatment Bonds, Series 2008A	11/08/08	\$ 6,110,000	08/01/13	\$ 235,000	5.00%					
			08/01/14	250,000	5.00					
			08/01/15	260,000	5.00					
			08/01/16	275,000	5.00					
			08/01/17	290,000	5.00					
			08/01/18	305,000	5.00					
			08/01/19	320,000	5.25					
			08/01/20	335,000	5.50					
			08/01/21	350,000	5.50					
			08/01/22	370,000	5.50					
			08/01/23	390,000	5.50					
			08/01/24	415,000	5.00					
			08/01/25	435,000	5.00					
			08/01/26	455,000	5.00					
			08/01/27	480,000	5.00					
			08/01/28	505,000	5.00					
				<u>\$ 5,670,000</u>		<u>\$ 5,895,000</u>		<u>\$ 225,000</u>		<u>\$ 5,670,000</u>
2008 County Agreement Sewer Revenue Refunding Bonds (Series 2008)	06/11/08	64,885,000	07/15/13	\$ 7,140,000	5.10%					
			07/15/14	7,505,000	5.20					
			07/15/15	7,895,000	5.20					
			07/15/16	8,305,000	5.25					
			07/15/17	8,740,000	5.25					
				<u>\$ 39,585,000</u>		<u>46,380,000</u>		<u>6,795,000</u>		<u>39,585,000</u>

(Continued)

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance Jan. 1, 2012</u>	<u>Bonds Issued</u>	<u>Paid 2012</u>	<u>Amount Defeased</u>	<u>Balance Dec. 31, 2012</u>
			<u>Date</u>	<u>Amount</u>						
2010 NJEIT Sewer Wastewater Treatment Bonds, Series 2010A	03/20/10	\$ 2,105,000	08/01/13	\$ 80,000	5.00%					
			08/01/14	80,000	5.00					
			08/01/15	85,000	5.00					
			08/01/16	90,000	5.00					
			08/01/17	95,000	5.00					
			08/01/18	100,000	5.00					
			08/01/19	105,000	4.00					
			08/01/20	110,000	5.00					
			08/01/21	115,000	3.00					
			08/01/22	120,000	4.00					
			08/01/23	125,000	4.00					
			08/01/24	130,000	4.00					
			08/01/25	135,000	4.00					
			08/01/26	140,000	3.50					
			08/01/27	145,000	4.00					
			08/01/28	150,000	4.00					
			08/01/29	155,000	4.00					
				<u>\$ 1,960,000</u>		<u>\$ 2,035,000</u>	<u>\$ 75,000</u>		<u>\$ 1,960,000</u>	
2010 NJEIT Sewer Wastewater Treatment Bonds, Series 2010B	12/02/10	4,865,000	08/01/13	\$ 165,000	5.00%					
			08/01/14	175,000	5.00					
			08/01/15	185,000	5.00					
			08/01/16	195,000	5.00					
			08/01/17	205,000	5.00					
			08/01/18	215,000	5.00					
			08/01/19	225,000	5.00					
			08/01/20	235,000	5.00					
			08/01/21	245,000	5.00					
			08/01/22	260,000	5.00					
			08/01/23	270,000	5.00					
			08/01/24	285,000	5.00					
			08/01/25	300,000	5.00					
			08/01/26	315,000	5.00					
			08/01/27	330,000	5.00					
			08/01/28	350,000	5.00					
			08/01/29	365,000	5.00					
			08/01/30	385,000	5.00					
				<u>\$ 4,705,000</u>		<u>4,865,000</u>	<u>160,000</u>		<u>4,705,000</u>	

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**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Revenue Bonds Payable  
For the Year Ended December 31, 2012

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance Jan. 1, 2012</u>	<u>Bonds Issued</u>	<u>Paid 2012</u>	<u>Amount Defeased</u>	<u>Balance Dec. 31, 2012</u>
			<u>Date</u>	<u>Amount</u>						
2010 NJEIT Sewer Wastewater Treatment Refunding 2003A	08/18/10	\$ 1,465,000	08/01/13	\$ 65,909	5.00%					
			08/01/14	70,635	5.00					
			08/01/15	75,353	4.00					
			08/01/16	75,793	4.00					
			08/01/17	81,553	4.20					
			08/01/18	86,296	4.25					
			08/01/19	91,375	5.00					
			08/01/20	96,265	5.00					
			08/01/21	101,053	4.50					
			08/01/22	100,449	4.75					
			08/01/23	104,291	4.75					
				<u>\$ 948,972</u>		\$ 1,018,972		\$ 70,000		\$ 948,972
2010 NJEIT Sewer Wastewater Treatment Partial Refunding 2006A	08/18/10	609,100	08/01/24	609,100	2.14%					
				<u>\$ 609,100</u>		609,100				609,100
2012 NJEIT Sewer Wastewater Treatment Bonds, Series 2012A (CW)	05/03/12	1,100,000	08/01/14	\$ 40,000	3.00%					
			08/01/15	40,000	4.00					
			08/01/16	45,000	5.00					
			08/01/17	45,000	5.00					
			08/01/18	50,000	5.00					
			08/01/19	50,000	5.00					
			08/01/20	55,000	5.00					
			08/01/21	55,000	5.00					
			08/01/22	60,000	5.00					
			08/01/23	60,000	5.00					
			08/01/24	65,000	5.00					
			08/01/25	70,000	5.00					
			08/01/26	70,000	5.00					
			08/01/27	75,000	3.00					
			08/01/28	75,000	3.00					
			08/01/29	80,000	3.13					
			08/01/30	80,000	3.20					
			08/01/31	85,000	3.25					
				<u>\$ 1,100,000</u>			1,100,000			1,100,000

(Continued)



**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Loans Payable  
For the Year Ended December 31, 2012

<u>Purpose</u>	<u>Date of Award</u>	<u>Original Award</u>	<u>Loan Payments</u> <u>Date</u>	<u>Amount</u>	<u>Balance Jan. 1, 2012</u>	<u>Bonds Issued</u>	<u>N.J.D.E.P. Adjustment</u>	<u>Principal Payments 2012</u>	<u>Balance Dec. 31, 2012</u>
1991 NJWTT Loans Series B	12/01/91	\$ 5,730,078	Unknown	\$ 297,750.00			\$ 297,750.00		\$ 297,750
1992 NJWTT Loans Series B	11/01/92	\$ 4,277,625	05/15/12		\$ 235,042			\$ 235,042	\$ -
1995 NJWTT Loan Series B	11/09/95	\$ 2,220,335	02/01/13	\$ 10,443					
			08/01/13	103,683					
			02/01/14	7,179					
			08/01/14	105,747					
			02/01/15	3,730					
			08/01/15	110,290					
				<u>\$ 341,072</u>	<u>456,023</u>			<u>114,952</u>	<u>341,071</u>
2000 NJEIT Loan Series 2000A-2	11/09/00	\$ 2,908,943	02/01/13	\$ 26,738					
			08/01/13	134,588					
			02/01/14	24,041					
			08/01/14	136,481					
			02/01/15	21,230					
			08/01/15	140,555					
			02/01/16	18,173					
			08/01/16	144,381					
			02/01/17	14,938					
			08/01/17	145,736					
			02/01/18	11,505					
			08/01/18	149,187					
			02/01/19	7,891					
			08/01/19	154,752					
			02/01/20	4,036					
			08/01/20	73,835					
				<u>\$ 1,208,067</u>	<u>1,369,966</u>			<u>161,899</u>	<u>1,208,067</u>

(Continued)

**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Loans Payable  
For the Year Ended December 31, 2012

<u>Purpose</u>	<u>Date of Award</u>	<u>Original Award</u>	<u>Loan Payments</u>		<u>Balance Jan. 1, 2012</u>	<u>Bonds Issued</u>	<u>N.J.D.E.P. Adjustment</u>	<u>Principal Payments 2012</u>	<u>Balance Dec. 31, 2012</u>
			<u>Date</u>	<u>Amount</u>					
2000 NJEIT Loan Series 2000B-2	11/09/00	\$ 3,501,500	02/01/13	\$ 31,466					
			08/01/13	157,561					
			02/01/14	28,314					
			08/01/14	160,560					
			02/01/15	25,008					
			08/01/15	166,480					
			02/01/16	21,382					
			08/01/16	169,006					
			02/01/17	17,599					
			08/01/17	171,374					
			02/01/18	13,563					
			08/01/18	80,212					
				<u>\$ 1,042,525</u>	<u>\$ 1,231,399</u>			<u>\$ 188,874</u>	<u>\$ 1,042,525</u>
2003 NJEIT Loan Series 2003	11/08/03	\$ 3,755,879	02/01/13	\$ 39,075					
			08/01/13	158,693					
			02/01/14	36,084					
			08/01/14	164,247					
			02/01/15	32,880					
			08/01/15	169,587					
			02/01/16	30,146					
			08/01/16	166,853					
			02/01/17	27,412					
			08/01/17	172,663					
			02/01/18	24,362					
			08/01/18	178,157					
			02/01/19	21,093					
			08/01/19	183,433					
			02/01/20	17,035					
			08/01/20	187,918					
			02/01/21	12,763					
			08/01/21	192,190					
			02/01/22	8,726					
			08/01/22	188,153					
			02/01/23	4,464					
			08/01/23	192,436					
				<u>\$ 2,208,370</u>	<u>2,412,118</u>			<u>203,748</u>	<u>2,208,370</u>

(Continued)





**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Loans Payable  
For the Year Ended December 31, 2012

<u>Purpose</u>	<u>Date of Award</u>	<u>Original Award</u>	<u>Loan Payments</u>		<u>Balance Jan. 1, 2012</u>	<u>Bonds Issued</u>	<u>N.J.D.E.P. Adjustment</u>	<u>Principal Payments 2012</u>	<u>Balance Dec. 31, 2012</u>
			<u>Date</u>	<u>Amount</u>					
2007 NJEIT Loan Series 2007A	11/08/07	\$ 7,612,500	02/01/13	\$ 107,767					
			08/01/13	339,673					
			02/01/14	103,709					
			08/01/14	344,534					
			02/01/15	99,374					
			08/01/15	349,119					
			02/01/16	93,130					
			08/01/16	351,795					
			02/01/17	86,664					
			08/01/17	363,167					
			02/01/18	79,751					
			08/01/18	365,174					
			02/01/19	72,616					
			08/01/19	375,877					
			02/01/20	66,550					
			08/01/20	378,732					
			02/01/21	60,307					
			08/01/21	390,327					
			02/01/22	52,056					
			08/01/22	399,915					
			02/01/23	43,360					
			08/01/23	409,058					
			02/01/24	35,589					
			08/01/24	410,206					
			02/01/25	27,160					
			08/01/25	419,616					
			02/01/26	18,329					
			08/01/26	428,625					
			02/01/27	9,098					
			08/01/27	437,232					
				\$ 6,718,510	\$ 7,164,613		\$ 446,103	\$ 6,718,510	

(Continued)

**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Loans Payable  
For the Year Ended December 31, 2012

<u>Purpose</u>	<u>Date of Award</u>	<u>Original Award</u>	<u>Loan Payments</u>		<u>Balance Jan. 1, 2012</u>	<u>Bonds Issued</u>	<u>N.J.D.E.P. Adjustment</u>	<u>Principal Payments 2012</u>	<u>Balance Dec. 31, 2012</u>
			<u>Date</u>	<u>Amount</u>					
2008 NJEIT Loan Series 2008A	11/06/08	\$ 16,042,800	02/01/13	\$ 245,815					
			08/01/13	642,121					
			02/01/14	235,907					
			08/01/14	657,509					
			02/01/15	225,367					
			08/01/15	663,834					
			02/01/16	214,406					
			08/01/16	678,168					
			02/01/17	202,812					
			08/01/17	691,870					
			02/01/18	190,585					
			08/01/18	704,940					
			02/01/19	177,726					
			08/01/19	717,377					
			02/01/20	163,560					
			08/01/20	728,507					
			02/01/21	148,024					
			08/01/21	738,267					
			02/01/22	131,793					
			08/01/22	755,764					
			02/01/23	114,634					
			08/01/23	772,333					
			02/01/24	96,547					
			08/01/24	796,406					
			02/01/25	79,050					
			08/01/25	812,638					
			02/01/26	60,711					
			08/01/26	828,026					
			02/01/27	41,528					
			08/01/27	851,004					
			02/01/28	21,291					
			08/01/28	872,927					
				\$ 14,261,447	\$ 15,151,491		\$ 890,044	\$ 14,261,447	

(Continued)

**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Loans Payable  
For the Year Ended December 31, 2012

<u>Purpose</u>	<u>Date of Award</u>	<u>Original Award</u>	<u>Loan Payments</u>		<u>Balance Jan. 1, 2012</u>	<u>Bonds Issued</u>	<u>N.J.D.E.P. Adjustment</u>	<u>Principal Payments 2012</u>	<u>Balance Dec. 31, 2012</u>
			<u>Date</u>	<u>Amount</u>					
2010 NJEIT Loan Series 2010A	03/20/10	\$ 6,212,000	02/01/13	\$ 36,964					
			08/01/13	73,929					
			02/01/14	36,964					
			08/01/14	73,929					
			02/01/15	36,964					
			08/01/15	73,929					
			02/01/16	36,964					
			08/01/16	73,929					
			02/01/17	36,964					
			08/01/17	73,928					
			02/01/18	36,964					
			08/01/18	73,929					
			02/01/19	36,964					
			08/01/19	73,929					
			02/01/20	36,964					
			08/01/20	73,929					
			02/01/21	36,964					
			08/01/21	73,929					
			02/01/22	36,964					
			08/01/22	73,929					
			02/01/23	36,964					
			08/01/23	73,928					
			02/01/24	36,964					
			08/01/24	73,929					
			02/01/25	36,964					
			08/01/25	73,929					
			02/01/26	36,964					
			08/01/26	73,929					
			02/01/27	36,964					
			08/01/27	73,929					
			02/01/28	36,964					
			08/01/28	73,928					
			02/01/29	36,964					
			08/01/29	73,929					
				\$ 1,885,178	\$ 1,996,071		\$ 110,893	\$ 1,885,178	

(Continued)

**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Loans Payable  
For the Year Ended December 31, 2012

<u>Purpose</u>	<u>Date of Award</u>	<u>Original Award</u>	<u>Loan Payments</u>		<u>Balance Jan. 1, 2012</u>	<u>Bonds Issued</u>	<u>N.J.D.E.P. Adjustment</u>	<u>Principal Payments 2012</u>	<u>Balance Dec. 31, 2012</u>
			<u>Date</u>	<u>Amount</u>					
2010 NJEIT Loan Series Fall 2010B	03/20/10	\$ 14,867,980	02/01/13	\$ 260,842					
			08/01/13	521,683					
			02/01/14	260,842					
			08/01/14	521,683					
			02/01/15	260,842					
			08/01/15	521,684					
			02/01/16	260,842					
			08/01/16	521,683					
			02/01/17	260,842					
			08/01/17	521,683					
			02/01/18	260,842					
			08/01/18	521,683					
			02/01/19	260,842					
			08/01/19	521,684					
			02/01/20	260,842					
			08/01/20	521,683					
			02/01/21	260,842					
			08/01/21	521,683					
			02/01/22	260,842					
			08/01/22	521,683					
			02/01/23	260,842					
			08/01/23	521,684					
			02/01/24	260,842					
			08/01/24	521,683					
			02/01/25	260,842					
			08/01/25	521,683					
			02/01/26	260,842					
			08/01/26	521,683					
			02/01/27	260,842					
			08/01/27	521,684					
			02/01/28	260,842					
			08/01/28	521,683					
			02/01/29	260,842					
			08/01/29	521,683					
			02/01/30	260,842					
			08/01/30	521,684					
				\$ 14,085,455	\$ 14,867,980		\$ 782,525	\$ 14,085,455	

(Continued)

**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Loans Payable  
For the Year Ended December 31, 2012

<u>Purpose</u>	<u>Date of Award</u>	<u>Original Award</u>	<u>Loan Payments</u>		<u>Balance Jan. 1, 2012</u>	<u>Bonds Issued</u>	<u>N.J.D.E.P. Adjustment</u>	<u>Principal Payments 2012</u>	<u>Balance Dec. 31, 2012</u>	
			<u>Date</u>	<u>Amount</u>						
2012 NJEIT Loan Series 2012ABC (CW)	05/03/12	\$ 3,397,500	02/01/14	\$ 62,917						
			08/01/14	125,833						
			02/01/15	62,917						
			08/01/15	125,833						
			02/01/16	62,917						
			08/01/16	125,833						
			02/01/17	62,917						
			08/01/17	125,833						
			02/01/18	62,917						
			08/01/18	125,833						
			02/01/19	62,917						
			08/01/19	125,833						
			02/01/20	62,917						
			08/01/20	125,833						
			02/01/21	62,917						
			08/01/21	125,833						
			02/01/22	62,917						
			08/01/22	125,833						
			02/01/23	62,917						
			08/01/23	125,833						
			02/01/24	62,917						
			08/01/24	125,833						
			02/01/25	62,917						
			08/01/25	125,833						
			02/01/26	62,917						
			08/01/26	125,833						
			02/01/27	62,917						
			08/01/27	125,833						
			02/01/28	62,917						
			08/01/28	125,833						
			02/01/29	62,917						
			08/01/29	125,833						
			02/01/30	62,917						
			08/01/30	125,833						
			02/01/31	62,917						
			08/01/31	125,833						
				\$ 3,397,500		\$ 3,397,500		\$ 3,397,500		

(Continued)

**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Loans Payable  
For the Year Ended December 31, 2012

[illegible]

**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Capital Appreciation Bonds  
For the Year Ended December 31, 2012

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Bonds</u>		<u>Bond Accretion</u>		<u>Balance Jan. 1, 2012</u>	<u>Accretion 2012</u>	<u>Paid 2012</u>	<u>Balance Dec. 31, 2012</u>
			<u>Date</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>				
1990 Capital Appreciation Bonds Series A	02/22/90	\$ 115,830,388	09/01/13	\$ 14,025,000	2013	\$ 5,038,852				
			09/01/14	14,020,000	2014	4,366,146				
			09/01/15	14,015,000	2015	3,643,462				
			09/01/16	14,020,000	2016	2,866,799				
			09/01/17	14,020,000	2017	2,031,748				
			09/01/18	10,725,000	2018	1,214,837				
			09/01/19	10,725,000	2019	502,814				
				<u>\$ 91,550,000</u>		<u>\$ 19,664,658</u>	<u>\$ 80,245,521</u>	<u>\$ 5,664,821</u>	<u>\$ 14,025,000</u>	<u>\$ 71,885,342</u>
1990 Capital Appreciation Bonds Series B	02/22/90	121,677,020	09/01/13	\$ 18,545,000	2013	\$ 5,303,236				
			09/01/14	18,545,000	2014	4,311,780				
			09/01/15	18,545,000	2015	3,246,110				
			09/01/16	18,545,000	2016	2,100,652				
			09/01/17	18,545,000	2017	869,450				
				<u>\$ 92,725,000</u>		<u>\$ 15,831,228</u>	<u>89,213,130</u>	<u>6,225,642</u>	<u>18,545,000</u>	<u>76,893,772</u>
Grand Total						<u>\$ 169,458,651</u>	<u>\$ 11,890,463</u>	<u>\$ 32,570,000</u>	<u>\$ 148,779,114</u>	
1990 Capital Appreciation Bonds							<u>\$ 148,779,114</u>			



**CAMDEN COUNTY  
MUNICIPAL UTILITIES AUTHORITY**

**PART 2**

**SINGLE AUDIT SECTION**

**FOR THE YEAR ENDED  
DECEMBER 31, 2012**

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM;  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
REQUIRED BY OMB CIRCULAR A-133 AND STATE OF NEW JERSEY CIRCULAR 04-04-OMB**

**INDEPENDENT AUDITORS' REPORT**

The Chairman and Commissioners of the  
Camden County Municipal Utilities Authority  
Camden County, New Jersey 08101

**Report on Compliance for Each Major Federal and State Program**

We have audited the Camden County Municipal Utilities Authority's (Authority) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the New Jersey State Grant Compliance Supplement that could have a direct and material effect on each of Authority's major federal and state programs for the year ended December 31, 2012. The Authority's major federal and state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Authority's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, OMB Circular A-133 and State of New Jersey Circular 04-04-OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal and State Program**

In our opinion, the Camden County Municipal Utilities Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2012.

**Report on Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey Circular 04-04-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and State of New Jersey Circular 04-04-OMB. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
June 17, 2013

**Camden County Municipal Utilities Authority**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2012**

Federal Grantor/ <u>Pass-Through Grantor</u>	Federal	Pass-through	Local	Program	Matching	<u>Grant Period</u>	
	CFDA	Entity ID	Government	or Award	Contribution	<u>From</u>	<u>To</u>
	<u>Number</u>	<u>Number</u>	<u>Number</u>	<u>Amount</u>			
<u>U.S. Department of Commerce</u>							
Economic Development Administration							
Public Works Grant -							
Rehabilitation of Sewer Lines to Facilitate							
Development of Campbell's Gateway Office Park	11.300	01-01-08711	0132-0005	\$ 2,678,107	\$ 669,893	06/01/09	12/31/11
<u>U.S. Department of Environmental Protection Agency</u>							
Pass Through N.J. Department of Environmental Protection Agency							
Capitalization Grants for Clean Water State Revolving Funds							
Atlantic Basin Interceptor Project	66.458	640-10 (Fund)	0132-052, 056	34,037,500	N/A	11/01/11	08/01/31
Atlantic Basin Interceptor Project	66.458.ARRA	640-10 (Fund)	0132-052, 056	2,000,000	N/A	11/01/11	08/01/31
Total U.S. Department of Environmental Protection Agency							
Total Federal Awards							

(1) Cancellation of grant funding

The accompanying Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance and Notes to Financial Statements are an integral part of this schedule.

Balance Dec. 31, 2011	Receipts or Revenue Recognized	Key	Adjustment	Disbursements or Expenditures	Balance Dec. 31, 2012	(Memo Only )	
						Cash Received (Memo Only)	Accumulated Expenditures
\$ 2,162,053		(1)	\$ (2,162,053)		\$ -		\$ 937,244
	\$ 34,037,500			\$ 19,817,148	\$ 14,220,352	\$ 13,727,090	19,817,148
	2,000,000			1,164,827	835,173	806,588	1,164,827
	36,037,500		-	20,981,975	15,055,525	14,533,678	20,981,975
\$ 2,162,053	\$ 36,037,500		\$ (2,162,053)	\$ 20,981,975	\$ 15,055,525	\$ 14,533,678	\$ 21,919,219

**Camden County Municipal Utilities Authority**  
**Schedule of Expenditures of State Financial Assistance**  
**For the Year Ended December 31, 2012**

State Grantor/ Program Title	State	Pass-through	Local	Program or Award Amount	Grant Period	
	GMIS Number	Grantors' Number	Government Identifying Number		From	To
Department of Environmental Protection:						
NJ Environmental Infrastructure Trust Program:						
Winslow Sewer Treatment Plant Expansion	N/A	640-05	0132-052, 056	\$ 6,678,630	11/01/00	11/01/20
Various Plant Improvements, Sludge Collection and Scum Removal System						
System Upgrade, Combined Sewer Solids and Floatables Control Facility	N/A	640-08-1,709-03,04	0132-052, 056	34,478,511	11/01/06	08/01/26
Supplemental Grant for Sludge Drying, Pure Oxygen System,	N/A	640-06,09,11-1	0132-052, 056	20,022,213	11/01/10	08/01/30
Atlantic Basin Interceptor (Trust Only)	N/A	640-10	0132-052, 056	14,513,000	11/01/11	08/01/31
PTF Influent Structure Concrete Rehabilitation	N/A	640-12	0132-052, 056	4,575,300	11/01/11	08/01/31
Passed thru City of Camden:						
Central Gateway Project	N/A	366-08	0132-013	3,334,000	11/01/08	08/01/28
Total Department of Environmental Protection						
Pinelands Infrastructure Trust Fund						
Municipal Finance & Construction Element						
Elimination of the Ancora Sewage Treatment Plant	5040424800003	PI-09-001	0132-006	10,000,000	07/01/09	06/30/14
Sewage Infrastructure Improvement Act:						
Combined Sewer Overflow	N/A	CSO-04-01	0132-006	1,071,481	01/06/05	01/06/08
Total State Financial Assistance						

- (1) 2010 Requisition 21 Disallowed by NJEIT  
(2) Additional funding  
(3) Cancellation of grant funding

The accompanying Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance and Notes to Financial Statements are an integral part of this schedule.

Balance Dec. 31, 2011	Receipts or Revenue Recognized	Key	Adjustment	Disbursements or Expenditures	Balance Dec. 31, 2012	Unreimbursed Expenditures	Cash Received (Memo Only)	Accumulated Expenditures
					Project Funds Balance			
\$ 193,088					\$ 193,088			\$ 6,485,542
11,645,047		(1)	\$ 81,444	\$ 513,904	11,212,587	\$ 57,143	\$ 94,840	23,265,924
2,585,860				401,532	2,184,328	303,746	2,583,045	17,837,885
	\$ 14,513,000			8,659,349	5,853,651	2,894,849		8,659,349
	4,575,300	(2)	189,658	4,764,958		211,921	3,390,237	4,575,300
136,718					136,718	3,197,282		3,197,282
14,560,713	19,088,300		271,102	14,339,743	19,580,372	6,664,941	6,068,122	64,021,282
2,068,170			(1,405,828)	662,342	-		1,281,459	9,039,398
236,608		(3)	95,419	332,027	-		340,775	1,064,348
\$ 16,865,491	\$ 19,088,300		\$ (1,039,307)	\$ 15,334,112	\$ 19,580,372	\$ 6,664,941	\$ 7,690,356	\$ 74,125,028

**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance**  
**For the Year Ended December 31, 2012**

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Note 1: **GENERAL**

The accompanying schedule of expenditures of federal awards and state financial assistance present the activity of all federal awards and state financial assistance programs of the Camden County Municipal Utilities Authority, County of Camden, State of New Jersey. The Authority is defined in the Notes to the Financial Statements, Note 1.

Note 2: **BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards and state financial assistance are presented using the accrual basis of accounting as promulgated by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is described in the Notes to the Financial Statements, Note 1.

Note 3: **RELATIONSHIP TO FINANCIAL STATEMENTS**

The amounts reported in the accompanying schedules agree with amounts reported in the Authority's financial statements.

Note 4: **RELATIONSHIP TO FINANCIAL REPORTS**

Amounts reported in the accompanying schedules agree with amounts reported in the related federal and state financial reports.

Note 5: **MAJOR PROGRAMS**

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.



**CAMDEN COUNTY  
MUNICIPAL UTILITIES AUTHORITY**

**PART 3**

**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2012**

**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2012**

**Section 1- Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued Unqualified (Unmodified) Opinion

Internal control over financial reporting:

Material weaknesses identified?        yes   X   no

Were significant deficiencies identified that were not considered to be a material weakness?        yes   X   none reported

Noncompliance material to financial statements noted?        yes   X   no

**Federal Awards**

Internal control over compliance:

Material weaknesses identified?        yes   X   no

Were significant deficiencies identified that were not considered to be a material weakness?        yes   X   none reported

Type of auditor's report on compliance for major programs Unqualified (Unmodified) Opinion

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))?        yes   X   no

Identification of major programs:

<u><b>CFDA Numbers</b></u>	<u><b>Name of Federal Program or Cluster</b></u>
66.458	Capitalization Grants for Clean Water State Revolving Funds
_____	_____
_____	_____
_____	_____
_____	_____

Dollar threshold used to determine Type A programs \$ 629,459

Auditee qualified as low-risk auditee?   X   yes        no

**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2012**

**Section 1- Summary of Auditor's Results (Cont'd)**

**State Financial Assistance**

Internal control over compliance:

Material weaknesses identified?        yes   X   no

Were significant deficiencies identified that were  
not considered to be a material weakness?        yes   X   none reported

Type of auditor's report on compliance for major programs Unqualified (Unmodified) Opinion

Any audit findings disclosed that are required to be reported in  
accordance with OMB Circular A-133 (section .510(a)) or  
New Jersey Circular 04-04-OMB?        yes   X   no

Identification of major programs:

**GMIS Numbers**

**Name of State Program**

042-040-4860-510

NJ Environmental Infrastructure Trust Program

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Dollar threshold used to determine Type A programs \$ 460,023

Auditee qualified as low-risk auditee?   X   yes        no

**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2012**

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***Section 2- Schedule of Financial Statement Findings***

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 and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**None**

**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2012**

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***Section 3- Schedule of Federal Award Findings and Questioned Costs***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal programs, as required by OMB Circular A-133.

**None**

**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2012**

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***Section 4- Schedule of State Financial Assistance Findings and Questioned Costs***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major State programs, as required by OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

**None**

**CAMDEN COUNTY MUNICIPAL UTILITIES AUTHORITY  
Summary Schedule of Prior Year Audit Findings  
And Questioned Costs as Prepared by Management**

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This section identifies the status of prior year findings related to the financial statements and Federal Awards and State Financial Assistance that are required to be reported in accordance with Government Auditing Standards, OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

**FINANCIAL STATEMENT FINDINGS**

None

**FEDERAL AWARDS**

None

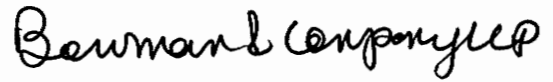
**STATE FINANCIAL ASSISTANCE PROGRAMS**

None

APPRECIATION

We express our appreciation for the assistance and courtesies rendered by the Authority officials during the course of the audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bowman & Company LLP", written in a cursive style.

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants



