ATLANTIC CITY
MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)

REPORT OF AUDIT

FOR THE YEARS ENDED

DECEMBER 31, 2013 AND 2012

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FINANCIAL SECTION

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Independent Auditor's Report

Members of the Board of Directors
Atlantic City Municipal Utilities Authority
Atlantic City, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Atlantic City Municipal Utilities Authority (a component unit of the City of Atlantic City) in the County of Atlantic, State of New Jersey, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Atlantic City Municipal Utilities Authority (a component unit of the City of Atlantic City) in the County of Atlantic, State of New Jersey, as of December 31, 2013 and 2012, and the respective changes in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Atlantic City Municipal Utility's basic financial statements. The Schedule of Changes in Required Funds and the Schedule of Appropriations Compared to Budget are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Changes in Required Funds and the Schedule of Appropriations Compared to Budget is the responsibility of management and was derived from and relates 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 Schedule of Changes in Required Funds and the Schedule of Appropriations Compared to Budget is 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 March 17, 2014 on our consideration of the Atlantic City Municipal Utility 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 Atlantic City Municipal Utilities Authority's internal control over financial reporting and compliance.

Ford Scott & Associates, LLC

Ford Scott & Associates, LLC

March 17, 2014

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REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION & ANALYSIS OF THE ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY

OVERVIEW OF ANNUAL FINANCIAL REPORT:

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplemental information. The MD&A represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's capital plan, budget bond resolutions and other management tools were used for this analysis.

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities. The financial statements include a statement of net position; a statement of revenues, expenses, and changes in net assets; a statement of cash flows; and notes to the financial statements.

The ***statement of net position*** presents the financial position of the Authority on a full accrual historical cost basis. The statement of new position presents information on all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position are one indicator of whether the financial position of the Authority is improving or deteriorating.

While the statement of net positions provides information about the nature and amount of resources and obligations at year-end, the ***statement of changes in net position*** presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the Authority's recovery of its costs.

The ***statement of cash flows*** presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The ***notes to the financial statements*** provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. ***Supplementary information*** comparing the budget to actual expenses, as well as important debt coverage data, is provided.

MANAGEMENT'S ANALYSIS OF FINANCIAL POSITION:

Financial Highlights

Management believes the Authority's financial condition is strong. The Authority is well within the debt covenants and the more stringent financial policies and guidelines set by the Board. The following are key financial highlights:

- As a result of the implementation of GASB Statement Nos. 63 and 65, the Authority restated the beginning net position by decreasing the balance as of January 1, 2012 by $238,391.
- Total assets at year-end were $67,375,452 and exceeded liabilities net of the loss on refunding of long-term debt in the amount of $45,001,985 (i.e. net position). Of the $5,401,070 classified as unrestricted the total amount was available to support short-term operations. Total assets decreased $2,999,089 and total net position (after the restatement of 2012's net position) decreased by $570,729.
- For fiscal year 2013, the Authority pumped approximately 4,744 million gallons of water, compared to 4,688 million gallons of water in 2012.
- Operating revenues were $15,223,972 an increase from the year 2012 in the amount of $293,046. Total operating revenues were $67,635 higher than budget projections.
- Operating expenses were $1,130,134 higher than last year.
- Operating income for the year was $332,249.
- Connection Fee income recognized in 2013 amounted to $452,177 compared to $265,782 in 2012. Offsetting the 2013 Connection Fee income were connection fee refunds that amounted to $752,916.
- Investment income was slightly higher than budget. Actual investment income for 2013 amounted to $94,471 which was $11,651 higher than last year.

The Authority's financial condition has not changed materially in the current fiscal year. Operating revenues increased slightly due to a rate increase which became effective in 2013 and an increase in operating expenses offset the additional operating revenues recognized resulting in 2013 Operating Income in the amount of $332,249.

CONDENSED COMPARATIVE STATEMENT OF NET POSITION - Compared to prior year, not many fluctuations were recognized on the Statement of Net Position of the ACMUA. Explanations for the material fluctuations are as follows:

Total Current Assets- Total Current Assets for 2013 totaled $7,107,956 compared to $7,900,937 in 2012. The decrease amounted to $792,981 and resulted primarily from a decrease in Cash and Investments. Available cash was utilized to assist in the funding of the 2013 Capital Projects.

Total Restricted Assets- Total Restricted Assets for 2013 totaled $8,031,150 compared to $9,064,189 in 2012. This decrease amounted to approximately $1,033,039 and resulted primarily from the use of funds for capital projects.

Net Capital Assets – Net Capital Assets for 2013 totaled $52,236,346 compared to $53,409,415 in 2012. This decrease of $1,173,069 resulted from an increase in accumulated depreciation that amounted to $3,010,508, partially offset by 2013 capital additions.

Total Current Liabilities Payable From Unrestricted Assets - Total Current Liabilities Payable From Unrestricted Assets for 2013 totaled $1,068,797 compared to $1,096,214 in 2012. This slight decrease was due primarily to a decrease in customer overpayments.

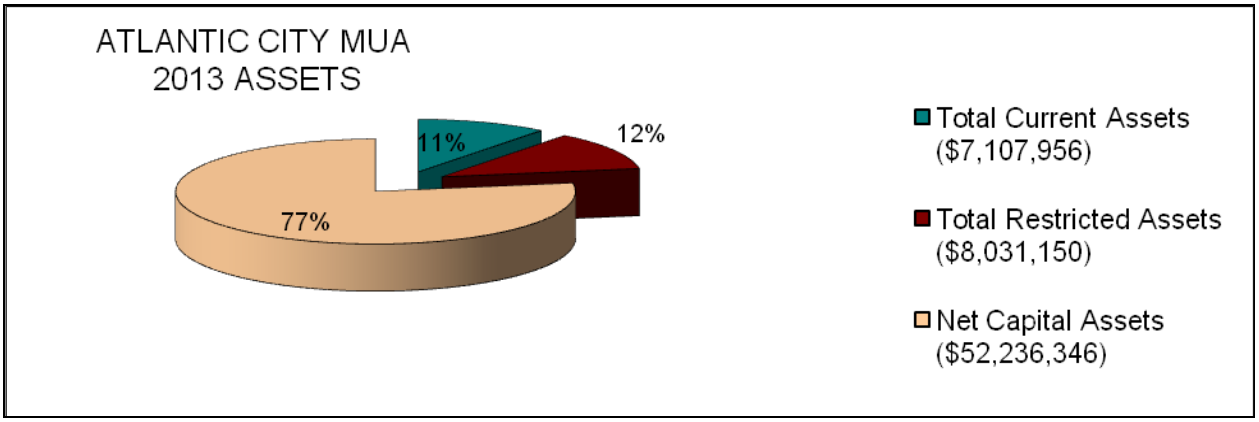
Total Current Liabilities Payable From Restricted Assets - Total Current Liabilities Payable From Restricted Assets for 2013 totaled $2,550,728 compared to $2,507,768 in 2012. This increase of $42,960 was due primarily to an increase in current principal payments due in 2014 for the outstanding bond issues.

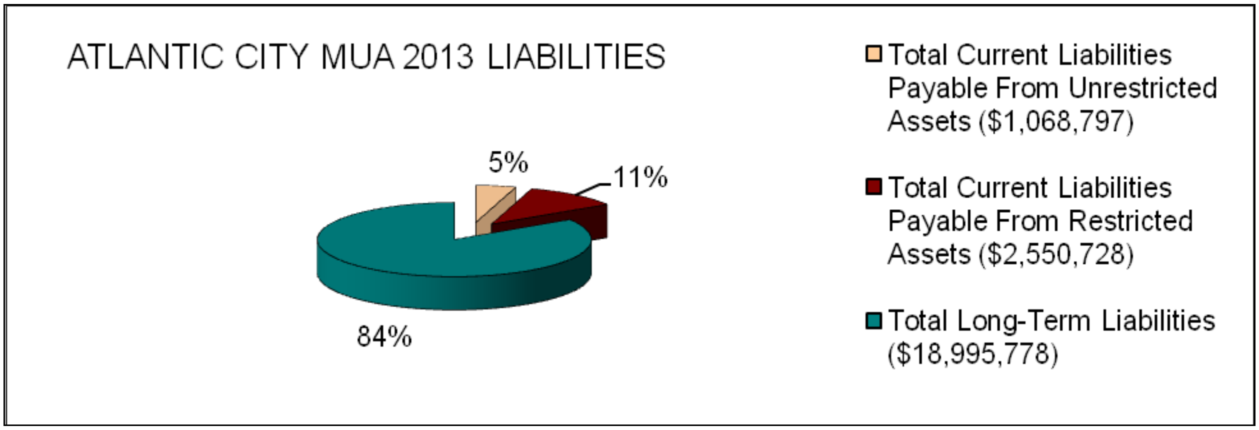
Total Long-Term Liabilities Payable From Restricted Assets- Total Long-Term Liabilities Payable From Restricted Assets for 2013 totaled $18,995,778 compared to $21,480,405 in 2012 (restated). This decrease of $2,484,627 was due to a decrease in Long-Term Debt. This decrease was due primarily to the annual principal payments made in 2013.

CONDENSED COMPARATIVE STATEMENT OF NET ASSETS

	DECEMBER 31, 2013	RESTATED DECEMBER 31, 2012	DECEMBER 31, 2011
Total Current Assets	$7,107,956	7,900,937	8,915,334
Total Restricted Assets	8,031,150	9,064,189	5,626,031
Net Capital Assets	52,236,346	53,409,415	55,140,941
Total Assets	$67,375,452	70,374,541	69,682,306
Deferred Outflow of Resources			
Loss on Refunding of Long-Term Debt	$241,836	282,560	0
Total Current Liabilities – Unrestricted	$1,068,797	1,096,214	1,080,921
Total Current Liabilities – Restricted	2,550,728	2,507,768	2,410,998
Total Long-Term Liabilities	18,995,778	21,480,405	21,145,831
Total Liabilities	$22,615,303	25,084,387	24,637,750
Net Position:			
Restricted or Net Invested in Capital Assets	$39,600,915	39,431,896	39,204,983
Unrestricted	5,401,070	6,140,818	5,839,573
Total Net Position	$45,001,985	$45,572,714	45,044,556
Total Liabilities and Net Position	$67,617,288	70,657,101	69,682,306

The year ended December 31, 2011 is not comparable with the years ended December 31, 2013 and 2012 due to implementing GASB No. 63 and 65.





CONDENSED COMPARATIVE STATEMENT OF CASH FLOWS – The following table shows the Authority's ability to generate net operating cash. Net cash provided by operating activities is shown both in total dollars and as a percentage of operating revenues.

CONDENSED COMPARATIVE STATEMENT OF CASH FLOWS

	DECEMBER 31, 2013	DECEMBER 31, 2012	DECEMBER 31, 2011
Total Operating Revenues	$15,223,972	14,930,926	14,025,094
Net Cash Provided by Operating Activities	$3,242,967	3,701,256	3,302,069
Net Operating Cash As A % Of Operating Revenue	21.30%	24.79%	23.54%

2013 Net Cash Provided by Operating Activities as Compared to 2012 – Net cash provided by operating activities decreased by 12.4%. This decrease resulted primarily from the payment of additional payroll due to the settlement of outstanding union contracts. Partially offsetting the decline in cash from payroll expense was the receipt of additional cash from customers due to the 2013 rate increase.

MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION:

CONDENSED COMPARATIVE STATEMENT OF ACTIVITIES – Total Revenues (excluding connection fees) for 2013 totaled $15,318,443 compared to $15,013,746 in 2012. Total revenues increased by 2.0%. Total operating expenses for 2013 totaled $14,891,723 compared to $13,761,589 in 2012. Total operating expenses increased by 8.2%. Explanations of the fluctuations are as follows:

Operating Revenues – Operating Revenues for 2013 totaled $15,223,972 compared to $14,930,926 in 2012. The revenues increased by approximately $293,046. The increased revenues recognized during the year resulted primarily from the rate increase that went into effect in 2013.

Connection Fee Income and Refunds – Connection Fee Income for 2013 totaled $452,177 compared to $265,782 in 2012. The increase recognized in 2013 was due to an increase in new construction. In 2013 the Authority refunded approximately $752,916 for overpaid connection fees per the stipulation as specified in the Authority's Rules Rates and Regulations.

Interest Income – Interest Income for 2013 totaled $94,471, compared to $82,820 in 2012. The increase was due to the ability to secure more attractive interest rates when investing funds.

Salaries Expenses – Salaries Expenses for 2013 totaled $4,659,483 compared to $4,216,523 in 2012. The increase in salaries expense amounted to $442,960. This increase was due to the settlement of outstanding Blue Collar and White Collar Union Contracts. The contracts for both unions had previously expired on December 31, 2009.

Employee Benefits – Employee Benefits for 2013 totaled $3,246,939 compared to $2,914,052 in 2012. The increase in employee benefits expense amounted to $332,887. The increase in employee benefits expense resulted from an increase in workers' compensation costs and health benefits costs. In 2011, Legislation was passed which required government employees to contribute a portion of their salary to cover health care premiums. The legislative change somewhat offset the increase mentioned above.

Repairs and Maintenance – Repairs and Maintenance expense for 2013 totaled $723,031 compared to $541,156 in 2012. The increase in repairs and maintenance expense resulted primarily from higher than normal street opening expense as a result of colder temperatures which resulted in additional road repairs.

Miscellaneous Expenses – Miscellaneous Expenses for 2013 totaled $3,251,762 compared to $3,274,264 in 2012. The increase for the year approximated $22,502 and resulted from fluctuations in various accounts. For example, an increase was recognized for other outside services expense due to the preparation of a compensation study. In addition, additional expense was recognized for general insurance and real estate taxes expense. Partially offsetting the increase, were decreased expenses due to a decline in purchases of chemicals and gases utilized during the water treatment process.

Depreciation Expenses – Depreciation Expenses for 2013 totaled $3,010,508 compared to $2,815,594 in 2012. The increase in expense resulted primarily from depreciation expense recognized for the assets purchased and placed in service in 2013. The increase was partially offset by the decline in expense for assets that became fully depreciated during the year.

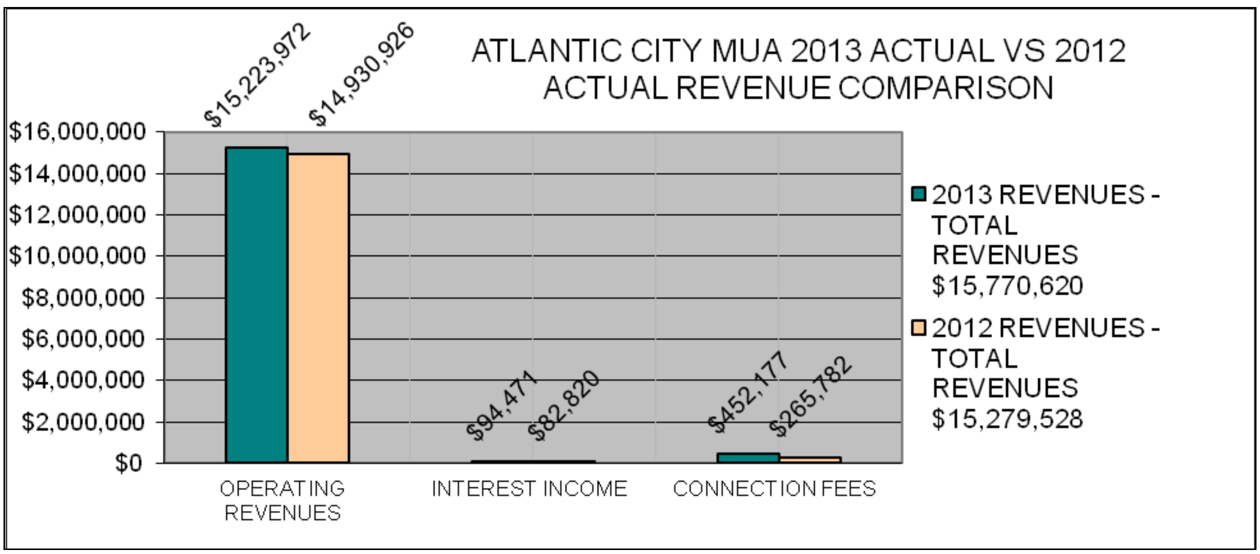
Interest Expenses–Expenses for 2013 totaled $601,059 compared to $708,680 in 2012. A decline in interest expense was recognized in 2013 due to a decrease in Long-Term Debt Outstanding, which resulted from principal payments made on outstanding bonds and NJEIT loans. Also the amortization of the loss on refundings of $40,724 and $37,822 for the years 2013 and 2012, respectively is included.

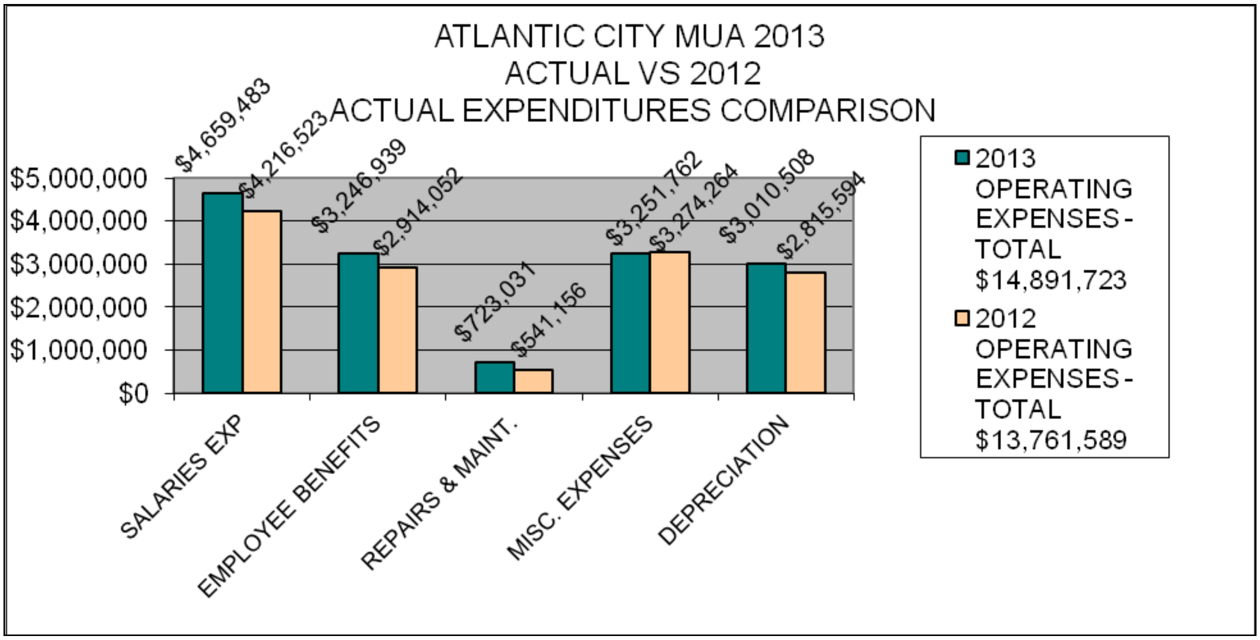
CONDENSED COMPARATIVE STATEMENT OF CHANGES IN NET POSITION

	BUDGET 2013	DECEMBER 31, 2013	RESTATED DECEMBER 31, 2012	DECEMBER 31, 2011
Total Operating Revenues	$15,228,980	$15,223,972	$14,930,926	14,025,094
Operating Expenses:				
Total Salaries Expenses	$4,738,734	4,659,483	4,216,523	4,122,532
Total Employee Benefits	3,316,806	3,246,939	2,914,052	2,732,161
Total Repairs & Maintenance	855,230	723,031	541,156	518,421
Total Miscellaneous Expenses	3,591,587	3,251,762	3,274,264	3,220,774
Depreciation	0	3,010,508	2,815,594	2,861,907
Total Operating Expenses	$12,502,357	14,891,723	13,761,589	13,455,795
Non-Operating Revenues (Expenses)				
Connection Fee Income	0	452,177	293,032	355,830
Connection Fee Refunds	0	(752,916)	(27,250)	0
Interest Income	72,643	94,471	82,820	122,960
NJEIT Grant Revenue	0	0	0	867,892
Contributed Capital –CRDA	0	$0	9,650	41,249
Interest Expense	(608,082)	(641,783)	(746,502)	(785,828)
Principal Payments	(2,408,829)	(2,408,829)	(2,289,598)	(2,189,321)
Net Change in FMV of Invest.	0	(59,157)	(5,035)	20,270
Miscellaneous Income	0	4,230	9,828	(56,227)
Reserves	$217,645	0	0	0
Total Non-Operating Revenues (Expenses) Net	($2,726,623)	(3,311807)	(2,673,055)	(1,623,175)
Increase (Decrease) in Net Assets	$0	(2,979,558)	(1,503,718)	(1,053,876)

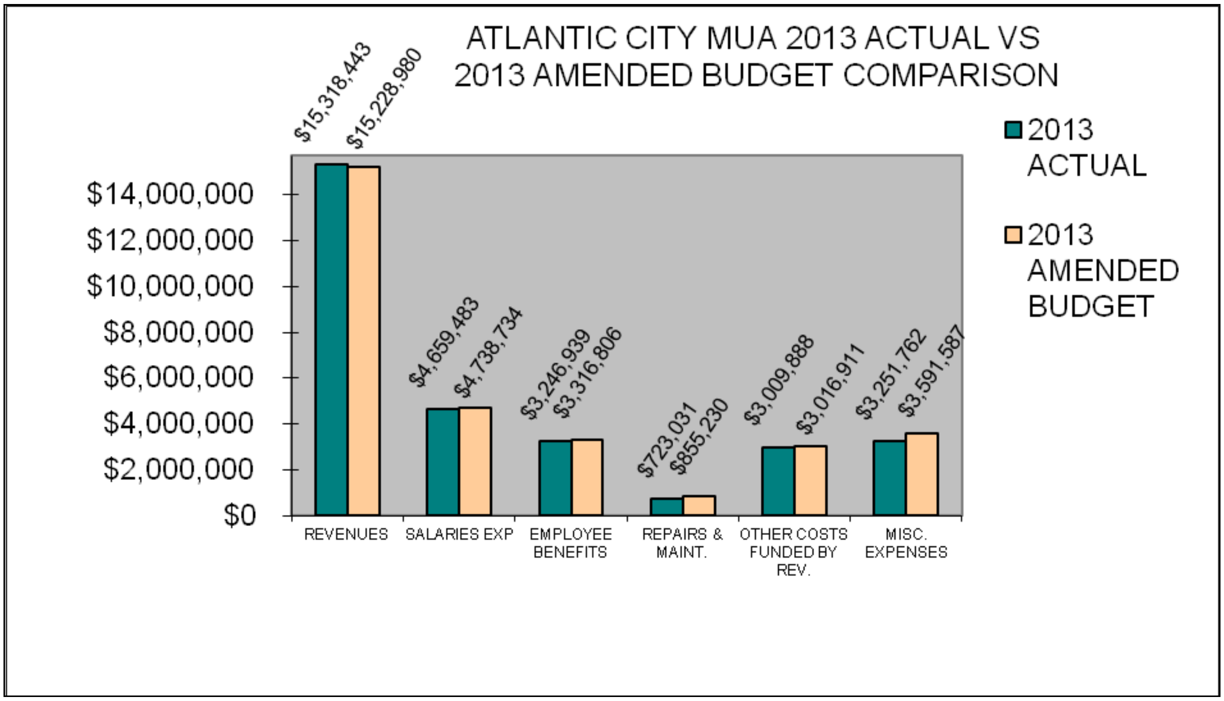
The following table shows the composition of operating expenses by major classification of expense for the last three years:

	2013	**%**	**2012**	**%**	**2011**	**%**
Salaries	$4,659,483	31.29%	4,216,523	30.64%	4,122,532	30.64%
Employee Benefits	3,246,939	21.80%	2,914,052	21.18%	2,732,161	20.30%
Repairs & Maint.	723,031	4.86%	541,156	3.93%	518,421	3.85%
Miscellaneous	3,251,762	21.84%	3,274,264	23.79%	3,220,774	23.94%
Depreciation	3,010,508	20.21%	2,815,594	20.46%	2,861,907	21.27%
Total	$14,891,723	100%	13,761,589	100%	13,455,795	100%





CONDENSED SCHEDULE OF APPROPRIATIONS COMPARED TO AMENDED BUDGET– Total Revenues for 2013 totaled $15,318,443 compared to Budgeted Revenues of $15,228,980. Revenues include all revenues, except connection fee revenues. Actual revenues were slightly higher than budgeted revenues. This increase compared to budget resulted primarily from the recognition of higher user fees than anticipated. Expenses from Administration and Operations for 2013 totaled $11,881,215 compared to budgeted expenses of $12,502,357. Actual expenses for 2013 were $621,142 lower than the projected expenditures. Some of the larger fluctuations fell in the categories of salaries expense, employee benefits expense, chemical and gases expense and street openings expense. Contributing to lower than anticipated salaries expense was the failure to fill vacant positions that were included in the 2013 budget. Health benefits costs recognized during the year were also lower than the projected budget. Chemical and gases expense was lower than budget due to the use of less chemicals than anticipated in the water treatment process. Street openings expense was also lower than projected due to less severe winter weather than anticipated.



MANAGEMENT'S ANALYSIS OF 2013 CAPITAL ASSETS & LONG TERM DEBT ACTIVITY:

Capital assets increased approximately $1,757,353 during 2013. Property and equipment in service increased by $503,636 in 2013. Impacting this increase were the 2013 additions and the transfer of assets from construction in progress. Currently, the major components of construction in progress are the Aquifer Storage and Recovery Wellhouse Project and the painting of the 2MG Absecon Boulevard water storage tank.

CAPITAL ASSETS

	2013	2012	2011
Treatment and Distribution	$89,188,202	$88,853,085	$83,494,499
Land and Improvements	1,811,009	1,811,009	1,811,009
Vehicles & Equipment	4,941,397	4,781,791	4,645,075
Office Building	3,877,030	3,877,030	3,877,030
Furniture and Fixtures	458,351	449,438	443,337
Construction in Progress	3,439,156	2,185,439	6,647,466
Total	$103,715,145	$101,957,792	$100,918,416

Long-term Debt. At the end of the current fiscal year, the Authority had total bonded debt outstanding of $20,816,500.

	2013	2012	2011
Revenue Bonds	$13,310,000	$15,180,000	$14,805,000
New Jersey EIT Loans	$7,506,500	$8,045,329	$8,564,117

OTHER SELECTED INFORMATION:

Selected Data for Analysis	2013	2012	Change Amount	Change %
Employees at Year End	79	83	(4)	(4.8%)
Number of Customers Year End	8,204	8,288	(84)	(1.0%)
Water Pumped (millions of gallons)	4,744	4,688	56	1.2%
Revenues per 1,000 gallons pumped	3.2	3.1	.1	N/A
Expenses per 1,000 gallons pumped:				
Expenses Excluding Depreciation	2.5	2.3	.2	N/A
Total Operating Expenses	3.1	2.9	.2	N/A

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

ACMUA Customer Base

Increases in water usage in Atlantic City continued into the early 1990's, but then water demand slowed as the Authority's leak detection and control program yielded results and the City's population began to decrease. A significant decline in residential accounts has been recognized over the last ten years. However, the loss of significant additional accounts through demolition is not anticipated to continue. In fact, many housing and casino projects throughout town have been completed. Since the opening of the Borgata in 2003, usage has remained steady with a balance of new projects and demolition or renovation of other facilities, such as the closing of the Sands and the opening of The Walk.

Somewhat recent additions to our water system include: the Harrah's expansion opened in March 2008. The Borgata Tower expansion opened June 2008. A segment of the Taj Mahal Tower expansion opened September 2008. In addition, Revel Entertainment a mega casino including two hotel towers opened in May 2012. A substantial increase in billable water consumption was recognized in 2012 due to the opening of the new casino and hotel towers.

Atlantic Club Hotel and Casino closed in January 2014 after 33 years in existence. The property was brought by Tropicana Entertainment and Caesars Entertainment and no immediate plans are on the horizon for the 801 room hotel.

New Jersey American Water Company (NJAWC) has been a major customer of the ACMUA since 2001. At present, the ACMUA has a contractual agreement with NJAWC, which specifies that they must purchase a minimum average daily flow of 1.5 million gallons per day (gpd). Additionally, NJAWC is limited to a maximum daily purchase of 5 million gpd.

ACMUA Rates

Effective January 1, 2011, the ACMUA incorporated a net increase in rates of 2%. It was applied as a 5% increase in base charges to all rate classes and no increase in the excess rate. The increase raised the average residential bill by approximately $5.20 per year. In 2012, the MUA's net increase in rates was 5%. The increase was applied as a 6% increase in the base rate and a 3.5% increase in the excess rate. This increase raised the average residential bill by approximately $11.00 per year. In 2013, the MUA's net increase in rates was 2%. The increase was applied as a 2% increase in the base rate and a 2.0 % increase in the excess rate. This increase raised the average residential bill by approximately $5.84 per year. Effective January 1, 2014 an additional rate increase was incorporated into the rate structure. A 2% increase was applied as a $1.00 increase in the quarterly charge to all residential units and a 2% increase in excess charges fort all users. This increase raised the average residential bill by approximately $5.71 per year. The connection fee is recalculated each year as required by State Law. For 2014, the connection fee rate was increased to $12.1279 per gallon.

Legislation with potential impact to the ACMUA

There are two (2) major pieces of legislation that have been working their way through the legislature for several years that would have a major financial impact upon the ACMUA.

The first piece of legislation is a State Water Tax. This tax was previously slated at four cents (4¢) per thousand gallons of water sold by the ACMUA. However, the proposed legislation has been modified from four cents per thousand to forty cents per thousand. This is a pass through tax and will appear on all utility bills. Although this will not affect the ACMUA's financial situation directly, it will increase the water bills to the MUA's users and thus, will have an impact on the public perception of this utility.

The second is a series of legislative initiatives to eliminate fire service fees. During the past several years, fire service fees have been prohibited to health care facilities, and most recently, to small residential properties. The MUA raises approximately half a million dollars every year from fire service fees. It is anticipated that the legislature may continue to prohibit these types of fees, and thus, the MUA will either search for alternate sources of revenues or be forced to raise its rates to compensate.

All relevant factors mentioned above were considered in preparing the Authority's budget for the 2014 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Authority, ACMUA, and PO BOX 117,ATLANTIC CITY, NJ 08404-0117. The telephone number is 609-345-3315. The ACMUA Administration offices are located at 401 N. Virginia Avenue, Atlantic City, NJ.

BASIC FINANCIAL STATEMENTS

EXHIBIT A

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
COMPARATIVE STATEMENT OF NET POSITION

ASSETS

	DECEMBER 31, 2013	DECEMBER 31, RESTATED 2012
Current assets:		
Cash	$ 1,537,016	$ 4,928,649
Investments	3,954,441	1,321,661
Accounts receivable	1,020,769	1,009,475
Other current assets	2,501	11,951
Inventories	501,904	459,720
Accrued interest receivable	45,401	126,086
Prepaid expenses	45,924	43,395
Total current assets	7,107,956	7,900,937
Restricted assets:		
Investments	7,099,286	8,066,356
Receivable - NJ EIT	931,864	997,833
Total restricted assets	8,031,150	9,064,189
Capital assets:		
Land and improvements	1,811,009	1,811,009
Construction in progress	3,439,156	2,185,439
Depreciable capital assets, net of depreciation	46,986,181	49,412,967
Total captial assets	52,236,346	53,409,415
Total assets	$ 67,375,452	$ 70,374,541
Deferred Outflow of Resources:		
Loss on Refunding of Long-Term Debt	241,836	282,560

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

EXHIBIT A

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
COMPARATIVE STATEMENT OF NET POSITION

LIABILITIES AND NET POSITION

	DECEMBER 31, 2013	DECEMBER 31, RESTATED 2012
Current liabilities:		
Accounts payable	$ 600,054	$ 611,558
Accrued payroll and taxes	27,555	27,299
Other current liabilities	1,090	673
Unearned income	378,070	369,944
Prepaid user charges	62,028	86,740
Total current liabilities	1,068,797	1,096,214
Current liabilities payable from restricted assets		
Accrued interest payable	91,916	98,939
Revenue bonds payable	2,458,812	2,408,829
Total current liabilities payable from restricted assets	2,550,728	2,507,768
Long term liabilities:		
Compensated absences	638,089	663,905
Revenue bonds (net of unamortized discounts)	18,357,689	20,816,500
Total long term liabilities	18,995,778	21,480,405
Total liabilities	22,615,303	25,084,387
Net Position		
Net investment in capital assets	32,501,629	31,365,540
Restricted for capital activity and debt service	7,099,286	8,066,356
Unrestricted	5,401,070	6,140,818
Total net position	$ 45,001,985	$ 45,572,714

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

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
COMPARATIVE STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED

	DECEMBER 31,	
	2013	RESTATED 2012
Operating revenues:		
User Charges	$ 15,127,388	$ 14,831,950
Rental Income	2,500	10,000
Miscellaneous	94,084	88,976
Total operating revenues	15,223,972	14,930,926
Operating expenses :		
Administrative and General	2,894,641	2,773,403
Cost of Providing Services	8,986,574	8,172,592
Depreciation	3,010,508	2,815,594
Total operating expenses	14,891,723	13,761,589
Operating income	332,249	1,169,337
Non-operating revenue (expense):		
Investment Income	94,471	82,820
Connection Fees	452,177	265,782
Connection Fees (Returned)	(752,916)	-
Contributed Capital	-	9,650
Gain on Disposal of Assets	4,230	9,828
Net change in fair value of investments	(59,157)	(5,035)
Bond and Note Interest	(641,783)	(746,502)
Total non-operating expense	(902,978)	(383,457)
Increase(decrease) in net position	(570,729)	785,880
Adjustment for Restatement	0	75,059
Net position at beginning of year	45,572,714	44,711,775
Net position at end of year	$ 45,001,985	$ 45,572,714

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

EXHIBIT C

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED

	DECEMBER 31, 2013	RESTATED 2012
Cash flows from operating activities:		
Cash received from customers	$ 15,099,508	$ 14,752,001
Cash received from others	96,584	98,976
Cash paid to employees	(4,764,550)	(4,542,573)
Cash paid to suppliers	(7,188,575)	(6,607,148)
Net cash provided by operating activities	3,242,967	3,701,256
Cash flows from investing activities:		
Investment Income	175,156	41,408
Transferred (to) investments	(1,665,710)	(1,557,538)
Net cash provided by investing activities	(1,490,554)	(1,516,130)
Cash flows from capital and related financing activities:		
Purchase of property plant and equipment	(1,892,365)	(1,201,616)
Bond Proceeds		7,030,000
Deposit to escrow for refunding		(4,528,042)
NJEIT Receivable	65,969	280,379
Cost of bond issue costs		(151,135)
Connection fees	452,177	265,782
Connection fees Returned	(752,916)	-
Interest paid on debt	(608,082)	(731,951)
Principal paid on debt	(2,408,829)	(2,289,598)
Net cash provided by capital and related activities	(5,144,046)	(1,326,181)
Increase(decrease) in cash and cash equivalents	(3,391,633)	858,945
Cash and cash equivalents at beginning of year	4,928,649	4,069,704
Cash and cash equivalents at end of year	$ 1,537,016	$ 4,928,649
Reconciliation to balance sheet:		
Unrestricted Cash	1,537,016	4,928,649
Restricted Cash	-	-
	$ 1,537,016	$ 4,928,649
Reconciliation of operating income to net cash provided by operating activities:		
Operating Income	$ 332,249	$ 1,169,337
Adjustments:		
Depreciation	3,010,508	2,815,594
Change in Assets and Liabilities:		
(Increase) in Accounts Receivable	(11,294)	(121,545)
(Increase)decrease in Other Current Assets	9,450	(11,951)
(Increase) in Inventory	(42,184)	(127,198)
(Increase) in Prepaid Expenses	(2,529)	(3,086)
(Decrease) in Accounts Payable	(11,504)	(25,047)
Increase(Decrease) in Accrued Payroll Taxes	256	(1,922)
Increase in Other Current Liabilities	417	666
Increase in Unearned Income	8,126	20,679
Increase (decrease) in Prepaid User Charges	(24,712)	20,917
(Decrease) in Compensated Absences	(25,816)	(35,188)
Net cash provided by operating activities	$ 3,242,967	$ 3,701,256

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

Note 1. Organization

The Atlantic City Municipal Utilities Authority (the "Authority") was created in accordance with the State Municipal Utilities Authorities Law (P.L. 1957, c. 183), by Ordinance No. 63 of 1978 of the City of Atlantic City (the "City") adopted September 14, 1978.

Pursuant to the provisions of the law, the Authority is authorized to acquire, construct, maintain, operate or improve works for the accumulation, supply or distribution of water.

The Authority, as a component unit of the City of Atlantic City, is financially accountable to the City. As set forth in Government Accounting Standards Board (GASB) 14, financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The Authority, as a component unit, issues separate financial statements from the City. However, if the City presented its financial statements in accordance with accounting principal generally accepted in the United States of America, these financial statements would be includable with the City's on a blended basis.

As a public body, under existing statute, the Authority is exempt from both federal and state taxes.

Note 2. Summary of Significant Accounting Policies

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

Basis of Financial Statements

The Authority's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America.

The Authority has adopted GASB No. 1 through 66 and related interpretations issued through December 31, 2013.

The Authority has implemented GASB 62. As result of the implementation the prior year was restated to agree to the presentation requirements of GASB 62. This implementation had no effect on net position of the Authority.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e. total assets net of total liabilities) are segregated into “net investment in capital assets”; “restricted for capital activity and debt service”; and “unrestricted” components.

Accounting Changes

Change in Accounting Principles – As the result of implementing Governmental Accounting Standards Board (GASB) Statement Nos. 63 and 65, the Authority has restated the beginning net position in the Statement of Net Position, effectively decreasing net position as of January 1, 2012 by $238,391. The decrease results from no longer deferring and amortizing bond issuance costs. Further, the Authority has restated its long-term liabilities to reflect that a component of those liabilities as of December 31, 2012 – deferred charges on refunding – is now reported as a deferred ouflow of resources on the Statement of Net Position. The effect of this change, as of December 31, 2012, is an increase of $520,951 in long-term liabilities and an increase in deferred outflows of resources of $282,560. The financial information for the year December 31, 2012 was restated to reflect these changes.

Recent Accounting Pronouncements Not Yet Effective

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67 “Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25”. This statement, which is effective for fiscal periods beginning after June 15, 2013, will not have any effect on the entity’s financial reporting.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68 “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27”. This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the entity’s financial reporting. However, the provisions of this statement will require significant modifications to the disclosure requirements related to the entity’s proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

In January 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 69 "Government Combinations and Disposals of Government Operations". This statement, which is effective for fiscal periods beginning after December 15, 2013, will not have any effect on the entity's financial reporting.

In April 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees". This statement, which is effective for fiscal years beginning after June 15, 2013, will not have any impact on the entity's financial statements.

In November 2013, Governmental Accounting Standards Board (GASB) issued Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68". The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014. The impact of this statement on the net position of the entity is not presently determinable.

Budgets and Budgetary Accounting

An annual operating budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures in accordance with NJSA 40A:5A. The operating budget adopted annually covers the general fund activity only. The current operating budget details the Authority's plans to earn and expend funds for charges incurred for the operation, maintenance, certain interest and general functions, and other charges for the fiscal year.

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 certain estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

Risks of Loss

The Authority purchases commercial insurance policies on an annual basis to handle risks of loss associated with property, auto, liability, workers compensation, flood damage, and employee crime coverage. Any potential liability of the Authority with respect to loss claims would be equal to the deductibles associated with the policies and an event, which may exceed policy coverage limits.

Cash and Cash Equivalents

Cash and cash equivalents include various checking and money market accounts, U.S. obligations and certificates of deposit with maturities of three months or less.

Investments

Investments are carried at fair market value with associated premiums and discounts amortized over the term of the investment held.

Purchase of investments is limited by N.J.S.A. 40A:5-15.1 to bonds or obligations of or guaranteed by the federal government and to bonds or other obligations of federal or local units. These investments are required to have a maturity date not more than 397 days from the date of purchase.

Inventory

Material inventories for the Authority are made up of supplies that are directly related to customer accounts, such as water meters and accessories, and are stated at cost. Material inventories totaled $501,904 and $459,720 at December 31, 2013 and 2012, respectively. The inventory is presented using the LIFO method.

Restricted Assets

Restricted assets represent cash and investments maintained in accordance with bond resolutions, grant awards, and other resolutions and formal actions of the Authority or by agreement for the purpose of funding certain debt service payment, and improvements and extensions to the utility system.

Restricted net assets:

	12/31/2013	12/31/2012
Debt Service Fund	$ 3,019,993	3,016,910
Debt Service Reserve Fund	2,355,931	2,355,931
Capital Projects Fund	1,573,362	2,543,515
Improvement Fund	150,000	150,000
	$ 7,099,286	8,066,356

Funds

In accordance with the provisions of the Bond Resolution authorizing the issuance of the Revenue Bonds, revenues and expenditures are to be accounted for in the following funds:

General Fund - All revenues, except connection charges and operating expense charges, derived from the operations of the Authority are pledged to secure the payment of principal and interest on the Bonds. Transfers are made to funds in the following order:

1) Debt Service Fund
2) Debt Service Reserve Fund
3) Renewal and Replacement
4) Operating Fund

Operating Fund - Transfers are made equal to budgeted operating expenses for the current year. At year end, this fund is adjusted to reflect the actual expenses incurred.

Debt Service Fund - First transfers are made for an amount sufficient to meet the principal and interest requirements for the year. The amount reserved for all issue is as follows:

$3,019,993

Debt Service Reserve Fund - This fund is fully funded. As each series of bonds was issued an amount was transferred to this fund. The amount reserved for each issue is as follows:

$ 2,355,931

Bond Redemption & Improvement Fund - General Account - A reserve has been established based on a schedule in the 1999 bond documents. The amount varies each year in direct relationship with the debt service for the 1999 bond issue. The fund balance in the improvement fund is derived from budget appropriations. The fund will be used for future capital projects or the costs of extraordinary maintenance and repairs to the extent not provided for in the annual budget.

Capital Fund - The Authority's collection system, property and equipment which was constructed or acquired with the proceeds of the Revenue Bonds, are accounted for herein.

Allowance for Uncollectible Accounts Receivable

The allowance for uncollectible accounts receivable is 75% of the municipal liens.

	12/31/2013	12/31/2012
Municipal Liens	$ 390,924	$ 383,920
	x 75%	x 75%
	$ 295,462	$ 291,960

Municipal Liens can be foreclosed by the City of Atlantic City. If the liens are foreclosed the Authority will not receive any funds.

Plant and Equipment

Plant and equipment in service and construction in progress are recorded at cost, if purchased or constructed. Internal engineering costs are capitalized to the extent of direct support and contribution to construction and expansion projects.

Maintenance and repairs, which do not significantly extend the value of life of plant and equipment, are expensed as incurred.

Depreciation is determined on a straight-line basis for all plant and equipment. Depreciation expense for 2013 and 2012 was $3,010,508 and $2,815,594, respectively. Depreciation is provided over the following estimated useful lives:

Vehicles, machinery and equipment, furniture and fixtures	5 - 15 years
Pumping station, distribution system, and land improvements	10 - 50 years
Filtration Plant	15 - 40 years
Office Building	40 years
Wellfields	50 years

Revenues and Rate Structure

Revenues from water services are recognized on the accrual basis as earned. Services are supplied to customers under a rate structure designed to produce revenues sufficient to provide for operating and maintenance costs, capital outlay, debt service, reserves and debt service coverage.

Capital Contributions

Contributions are recognized in the Statement of Changes in Net Position when earned. Contributions include capital grants, and other supplemental support by federal, state and local grants in support of system improvements.

Net Positions

Net positions comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net positions are classified in the following three components: invested in capital assets, net of related liabilities; restricted for capital activity and debt service; and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted for capital activity and debt service consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities. Unrestricted consists of all other net assets not included in the above categories.

Note 3. Investments

At year end, the Authority had the following investments and maturities:

		Investment Maturities (in Years)	
Investment Type	Fair Value	Less than 1	1 - 5
December 31, 2013			
Federated Treasury Obligations	$ 5,532,624	$ 5,532,624	
Fixed Income	$ 2,911,080		2,911,080
Certificates of Deposits	2,596,242	2,596,242	
	$ 11,039,946	$ 8,128,866	$ 2,911,080
December 31, 2012			
Federated Treasury Obligations	$ 5,049,869	$ 5,049,869	
Certificates of Deposits	4,338,148	4,338,148	
	$ 9,388,017	$ 9,388,017	-

Certificates of Deposit

As of December 31, 2013 the Authority has a certificate of deposit from the Capital Bank of New Jersey in the amount of $510,620 that matured on 1/30/2014 and bears interest at a rate of .65% per annum, Capital Bank of New Jersey in the amount of $ 1,330,000,000 that matured on 1/31/14 and bears interest at a rate of .65% per annum and Capital Bank of New Jersey in the amount of $155,622 that matured on 2/6/14 and bears interest at a rate of .65% per annum and Capital Bank of New Jersey in the amount of $600,000 that will mature on 3/18/14 and bears interest at a rate of .65% per annum. The certificates of deposit that matured on 1/30/2014, 2/6/14 and 1/31/14 were rolled over for another year.

As of December 31, 2012 the Authority has a certificate of deposit from the Capital Bank of New Jersey in the amount of $828,400 that matured on 1/30/2013 and bears interest at a rate of .90% per annum, Capital Bank of New Jersey in the amount of $ 1,850,000 that will mature on 5/14/13 and bears interest at a rate of 2.25% per annum and Capital Bank of New Jersey in the amount of $154,211 that matured on 2/3/13 and bears interest at a rate of .90% per annum and Capital Bank of New Jersey in the amount of $505,538 that matured on 3/15/13 and bears interest at a rate of .90% per annum and Capital Bank of New Jersey in the amount of $1,000,000 that will mature on 8/16/13 and bears interest at a rate of .75% per annum. The certificate of deposit that matured on 1/30/2013, 2/3/13 and 3/15/13 were rolled over for another year.

Fixed Income Investments – As of December 31, 2013 the Authority had two fixed income investments. $1,907,151 invested in a US Treasury Note maturing 1/16/2018 bearing interest at 1.625% per annum. And a Treasury Inflation Protection Securities Note maturing 8/15/2018 bearing interest at 5.00% per annum.

Interest Rate Risk. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investment to 397 days.

Credit Risk. New Jersey Statutes 40A:5-15.1(a) limits Authority investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the authority or the local units in which the authority is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk. The authority places no limit on the amount the authority may invest in any one issuer.

Note 4. Cash

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-151(a) that are treated as cash equivalents. As of December 31, 2013 and 2012, $0 of the government's bank balance of $1,633,350 and $5,108,370 respectively, was exposed to custodial credit risk.

Note 5. Deferred Loss on Refunding Issues

The 2007 advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old bonds of $193,907. The difference, reported in the accompanying financial statements as a Deferred Outflow of Resources, is being charged to operations through the year 2028 using the straight line method. The current amount charged was $8,816. The balance at December 31, 2013 is $ 135,479.

The 2012 advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old bonds of $151,116. The difference, reported in the accompanying financial statements as a Deferred Outflow of Resources, is being charged to operations through the year 2017 using the straight line method. The current amount charged was $31,907. The balance at December 31, 2013 is $ 106,358.

Note 6. Long-term Obligations

Long-term debt as of December 31, 2013 consisted of the following:

$1,510,000 Subordinated Water System Revenue Bonds, Series 2005A dated 11/10/05 payable in annual installments through 5/1/25. Interest is paid semi-annually at varying interest rates ranging from 4.00% to 5.00%. The balance at December 31, 2013 was $1,135,000

$4,033,215 Subordinated Water System Revenue Bonds, Series 2005B dated 11/10/05. The bonds bear no interest and the principal amount is due and payable on February 1 and August 1 each year, maturing on 8/1/25. The balance at December 31, 2013 was $2,693,233.

$660,000 Subordinated Water System Revenue Bonds, Series 2006A dated 11/9/06 payable in annual installments through 9/1/26. Interest is paid semi-annually at varying interest rates ranging from 4.00% to 4.960%. The balance at December 31, 2013 was $505,000

$1,389,065 Subordinated Water System Revenue Bonds, Series 2006B dated 11/9/06. During the current year the original amount issued, $1,789,103, was reduced by $309,038. The bonds bear no interest and the principal amount is due and payable on February 1 and August 1 each year, maturing on 8/1/26. The balance at December 31, 2013 was $915,519.

The Authority issued $8,830,000 Refunding Bonds dated 5/15/07 payable in annual installments through 2/15/24. The purpose was to redeem $8,455,000 of the 6/1/99 revenue bonds. The funds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of $8,455,000 general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statements of net assets. The reacquisition price exceeded the net carrying amount of the old debt by $375,000. This advance refunding was undertaken to reduce total debt service payment over the next 21 years by $435,574 and resulted in an economic gain of $579,132. Interest is paid semiannually at varying rates ranging from 3.65% to 4.2%. The balance as of December 31, 2013 was $7,810,000.

The Authority issued $4,530,000 Refunding Bonds dated 7/19/12 payable in annual installments through 5/1/17. The purpose was to redeem $4,885,000 of the 3/26/02 revenue refunding bonds. The funds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of $4,885,000 bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statements of net assets. $435,447 of Debt Service Reserve Funds were used to partially fund the transaction. This advance refunding was undertaken to reduce total debt service payment over the next 6 years by $674,699 and resulted in an economic gain of $642,051. Interest is paid semiannually at varying rates ranging from 1.294% to 3.00%. The balance as of December 31, 2013 was $3,000,000.

$2,500,000 Water System Revenue Bonds, Series 2012 dated 7/19/12 payable in annual installments through 5/1/21. Interest is paid semi-annually at varying interest rates ranging from 2.125% to 4.00%. The balance at December 31, 2013 was $2,500,000.

$810,000 Subordinated Water System Revenue Bonds, Series 2009A dated 12/2/09 payable in annual installments through 8/1/29. Interest is paid semi-annually at varying interest rates ranging from 2.00% to 5.00%. The balance at December 31, 2013 was $720,000.

$774,039 Subordinated Water System Revenue Bonds, Series 2009B dated 12/2/09. The bonds bear no interest and the principal amount is due and payable on February 1 and August 1 each year, maturing on 8/1/29. The balance at December 31, 2013 was $663,462.

$505,000 New Jersey Environmental Infrastructure Bonds, Series 2010A dated 3/10/10 payable in annual installments through 9/1/29. Interest is paid semi-annually at varying interest rates ranging from 3.00% to 5.00%. The balance at December 31, 2013 was $450,000.

$495,000 New Jersey Environmental Infrastructure Bonds, Series 2010B dated 3/10/11. The bonds bear no interest and the principal amount is due and payable on February 1 and August 1 each year, maturing on 8/1/29. The balance at December 31, 2013 was $424,286.

Principal and interest requirements until maturity are as follows:

Year	Principal	Interest	Total
2014	2,458,812	561,181	3,019,993
2015	1,814,252	513,281	2,327,533
2016	1,824,289	467,706	2,291,995
2017	1,819,359	416,381	2,235,740
2018	1,290,619	372,881	1,663,500
2019-2023	6,305,882	1,346,247	7,652,129
2024-2028	4,490,303	543,900	5,034,203
2029	812,984	17,450	830,434
	$ 20,816,500	4,239,027	25,055,527

	Balance 12/31/12	Increase/ Adjustment	Decreased/ Adjustment	Balance 12/31/13	Due within one year
Revenue bonds	$ 15,180,000		$ 1,870,000	$ 13,310,000	$ 1,915,000
New Jersey EIT	8,045,329		538,829	7,506,500	543,812
Compensated Absences	663,907	512,321	538,139	638,089	
	$ 23,889,236	$ 512,321	$ 2,946,968	$ 21,454,589	$ 2,458,812

	Balance 12/31/11	Increase/ Adjustment	Decreased/ Adjustment	Balance 12/31/12	Due within one year
Revenue bonds	$ 14,805,000	$ 2,500,000	$ 2,125,000	$ 15,180,000	$ 1,870,000
New Jersey EIT	8,564,117		518,788	8,045,329	538,829
Compensated Absences	699,093	491,563	526,749	663,907	
	$ 24,068,210	$ 2,991,563	$ 3,170,537	$ 23,889,236	$ 2,408,829
		Refunded	$ 355,000		
		Payment	1,770,000		
			$ 2,125,000		

Note 7. Arbitrage

Periodic arbitrage calculations have been made for the various bond issues and the Authority has concluded that no reserve is necessary at December 31, 2013. Reserves will be established if future calculations warrant a revision. Future reserves will be established from the earnings on bond proceeds, as a reserve for the possible payment of arbitrage earnings to the Internal Revenue Service.

Note 8. Pension Plan

Description of Plans

Substantially all of the Authority’s employees are covered by the Public Employees’ Retirement System cost-sharing multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the report can be accessed on the internet at –
http://www.state.nj.us/treasury/pensions/annrpts.shtml

Public Employees' Retirement System

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees’ Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school Authority or public agency provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provide for employee contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 6.57% of covered payroll. The Authority's contributions to PERS for the years ending December 31, 2013, 2012 and 2011 were $437,465, $464,111 and $448,266 respectively, equal to the required contributions for each year.

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2013, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual

salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.

- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to $1/60^{th}$ from $1/55^{th}$, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also

requires the State to make its full pension contribution, defined a $1/7^{th}$ of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an $8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

Note 9. Property, Plant & Equipment

	Balance 12/31/2012	Additions	Deletions	Balance 12/31/2013
Nondepreciable Capital Assets				
Land and Improvements	$ 1,811,009			$ 1,811,009
Construction in Progress	2,185,439	1,346,788	93,070	3,439,157
Total Nondepreciable Capital Assets	3,996,448	1,346,788	93,070	5,250,166
Depreciable Capital Assets				
Treatment and Distributon Facilities	88,853,084	284,230	(50,886)	89,188,200
Equipment and Vehicles	4,781,792	241,127	81,521	4,941,398
Office Building	3,877,030			3,877,030
Furniture and Fixtures	449,438	9,391	478	458,351
Total Depreciable Capital Assets	97,961,344	534,748	31,113	98,464,979
Less: Accumulated Depreciation	(48,548,377)	(3,010,508)	(80,086)	(51,478,799)
Net Depreciable Capital Assets	49,412,967	(2,475,760)	(48,973)	46,986,180
Total Capital Assets, net	$ 53,409,415	(1,128,972)	44,097	52,236,346

	Balance 12/31/2011	Additions	Deletions	Balance 12/31/2012
Nondepreciable Capital Assets				
Land and Improvements	$ 1,811,009			$ 1,811,009
Construction in Progress	6,647,466	445,375	4,907,402	2,185,439
Total Nondepreciable Capital Assets	8,458,475	445,375	4,907,402	3,996,448
Depreciable Capital Assets				
Treatment and Distributon Facilities	83,494,499	578,381	(4,780,204)	88,853,084
Equipment and Vehicles	4,645,075	181,408	44,691	4,781,792
Office Building	3,877,030			3,877,030
Furniture and Fixtures	443,336	6,102		449,438
Total Depreciable Capital Assets	92,459,940	765,891	(4,735,513)	97,961,344
Less: Accumulated Depreciation	(45,777,474)	(2,815,594)	(44,691)	(48,548,377)
Net Depreciable Capital Assets	46,682,466	(2,049,703)	(4,780,204)	49,412,967
Total Capital Assets, net	$ 55,140,941	(1,604,328)	127,198	53,409,415

Note 10: Contingencies

In the normal course of business, the Authority may periodically be named as a defendant in litigation. In the opinion of management, supported by legal counsel, the impact of any such matters, if adversely determined, would not have a material adverse effect on the financial statement or operations of the Authority.

Note 11. Risk Management

The Authority is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property, and Liability Insurance – The Authority maintains commercial insurance for property, liability and surety bonds.

The Authority made no payments in excess of the insurance coverage during the fiscal year. Also, there was no decrease in insurance coverage. From time to time, the Authority may be a defendant in legal proceedings relating to its operations as a utility authority.

Note 12: Compensated Absences

The Authority has permitted employees to accrue unused vacation and sick time. The monetary value of these earned and unused employee benefits has been accrued by charges to operations. The total accrued value at December 31, 2012 and 2011 was $638,089 and $663,907.

Note 13. Net Position and Contributed Capital

Net position represent the difference between assets and liabilities. The restricted net assets amounts are as follows;

	December 31,		
	2013	Restated 2012	2011
Invested in Capital Assets, Net of related Liabilities			
Net plant and equipment in service	$ 52,236,346	53,409,415	55,140,941
Loss on refunding of long-term debt	241,836	282,560	
Debt	(20,816,501)	(23,225,329)	(23,369,118)
Bond issue costs			633,591
Grants receivable	931,864	997,833	1,295,748
Accrued interest payable	(91,916)	(98,939)	(122,210)
	32,501,629	31,365,540	33,578,952
Restricted for Capital Activity and Debt Service			
Restricted investments	7,099,286	8,066,356	5,626,031
	7,099,286	8,066,356	5,626,031
Unrestricted	5,401,070	6,140,818	5,839,573
Total net position	$ 45,001,985	$ 45,572,714	$ 45,044,556

Note 14. Deferred Compensation

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, which is administered by the Valic Retirement Services Company, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are not included in the books and accounts of the Authority in accordance Generally Accepted Accounting Principles.

Note 15. Unearned Income

Deferred income consists of the following:

	2013	2012
Advance billings	$378,070	$369,944

Note 16. Post Retirement Benefits

Plan Description The Authority contributes to the State Health Benefits Program (SHBP) a cost-sharing, multi-employer defined post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. The 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.

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. 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 State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at http://www.state.nj.us/treasury/pesnion/gasb-43-sept2008.pdf.

The Authority is a member of the SHBP and provides that its retirees will be covered if they have 25 years participation in PERS and been employed by the Authority for 10 years. During 2013, 2012 and 2011 the Authority paid the SHBP $2,062,794, $1,811,380, and $1,620,051 respectively for health care of employees and retirees. The amount paid for retirees was $633,705, $488,600 and $442,431 respectively.

Note 17. Subsequent Event

The Authority has evaluated subsequent events through March 17, 2014, the date which the financial statements were available to be issued and no items were noted for disclosure.

SUPPLEMENTARY INFORMATION

SCHEDULE 1

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
SCHEDULE OF CHANGES IN REQUIRED FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	General fund	Debt service fund	Debt service reserve fund	Improvement fund	Construction fund	Investment in capital assets	Totals 2013	Totals 2012
Operating Revenues:								
User Charges	$ 15,127,388	$	$	$	$	$	$ 15,127,388	$ 14,831,950
Rental Income	2,500						2,500	10,000
Miscellaneous	94,084						94,084	88,976
Total Operating Revenues	15,223,972						15,223,972	14,930,926
Operating Expenses								
Administrative and General	2,894,641						2,894,641	2,773,403
Cost of Providing Services	8,986,574						8,986,574	8,172,592
Depreciation						3,010,508	3,010,508	2,815,594
Total Operating Expenses	11,881,215					3,010,508	14,891,723	13,761,589
Operating Income	3,342,757					(3,010,508)	332,249	1,169,337
Non-Operating Revenues (Expenses)								
Investment Income	94,471						94,471	82,820
Connection Fees	452,177						452,177	265,782
Connection Fees Returned	(752,916)						(752,916)	
Contributed Capital							0	9,650
Net change in fair value of investments	(59,157)						(59,157)	(5,035)
Gain on Disposal of Assets	4,230						4,230	9,828
Bond Interest	(601,059)					(40,724)	(641,783)	(746,502)
Bond Payments	(2,408,829)					2,408,829	-	-
	(3,271,083)	-	-	-	-	2,368,105	(902,978)	(383,457)
Net Income (Loss) Before Transfers	71,674	-	-	-	-	(642,403)	(570,729)	785,880
Transfers Between Funds:								
Restricted Funds	(811,422)	3,083			(970,153)	1,778,492	-	-
Net increase (Decrease) in Fund Balance	(739,748)	3,083	-	-	(970,153)	1,136,089	(570,729)	785,880
Fund Equity January 1 RESTATED	6,140,818	3,016,910	2,355,931	150,000	2,543,515	31,365,540	45,572,714	44,711,775
Fund Equity December 31	$ 5,401,070	$ 3,019,993	$ 2,355,931	$ 150,000	$ 1,573,362	$ 32,501,629	$ 45,001,985	$ 45,497,655
<u>Ending Net Assets consists of:</u>								
Reserved Net Assets		3,019,993	2,355,931	150,000	1,573,362		7,099,286	8,066,356
Unreserved Net Assets	5,401,070						5,401,070	(1,128,819)
Designated by Board							0	7,269,637
Investment in Fixed Capital						32,501,629	32,501,629	31,365,540
Total Fund Equity December 31	$ 5,401,070	$ 3,019,993	$ 2,355,931	$ 150,000	$ 1,573,362	$ 32,501,629	$ 45,001,985	$ 45,572,714

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 BUDGET	2013 ACTUAL	UNEXPENDED BALANCE OR (EXCESS)	2012 ACTUAL
Revenues:				
User Charges and Fees	$ 15,071,588	15,127,388	(55,800)	14,831,950
Rental Income	10,000	2,500	7,500	10,000
Interest	72,643	94,471	(21,828)	82,820
Miscellaneous Income	74,749	94,084	(19,335)	88,976
	15,228,980	15,318,443	(89,463)	15,013,746
Expenses:				
Administration:				
Personnel Expenses:				
Salaries - Regular	1,055,024	1,016,938	38,086	941,812
Salaries - Overtime	2,000	445	1,555	364
Board Salaries	30,000	29,886	114	29,886
Total Personnel Expenses	1,087,024	1,047,269	39,755	972,062
Employee Benefits				
PERS	100,325	98,585	1,740	96,494
Social Security	81,672	76,997	4,675	72,434
Unemployment	7,632	7,536	96	7,400
Health Benefits	516,664	504,580	12,084	474,954
Total Employee Benefits	706,293	687,698	18,595	651,282
Operating Expenses:				
Administration:				
Postage	27,000	18,422	8,578	24,073
Office Supplies	13,000	10,219	2,781	11,434
Printing and Binding	10,000	8,815	1,185	5,757
Janitorial Supplies	3,500	2,543	957	1,999
Other	7,000	1,398	5,602	1,414
Telephone	23,500	23,232	268	22,344
Electric	38,000	37,055	945	39,334
Sewerage	3,000	1,648	1,352	1,516
Gas	20,000	13,262	6,738	17,027
Furniture and Equipment Rentals	500		500	
Other Rentals	1,000	105.00	895	385
Travel	4,500	4,199	301	3,993
Training	9,000	5,688	3,312	3,938
Data Processing	15,000	11,643	3,357	12,766
Janitorial Services	22,000	14,592	7,408	17,770
Outside Services	8,500	6,208	2,292	6,817
Accounting and Auditing	33,000	31,750	1,250	32,000
Legal	106,000	92,742	13,258	94,853
Other Professional Services	68,000	62,382	5,618	44,218
Total Operating Expenses	412,500	345,903	66,597	341,638

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2013

		2013 BUDGET	2013 ACTUAL	UNEXPENDED BALANCE OR (EXCESS)	2012 ACTUAL
Repair and Maintenance:					
Motor Vehicles	$	1,500	227	1,273	307
Buildings and Grounds		10,000	7,837	2,163	4,930
Machinery and Equipment		12,000	8,294	3,706	7,419
Miscellaneous Repairs		1,000		1,000	470
Total Repair and Maintenance		24,500	16,358	8,142	13,126
Miscellaneous Expenses:					
Insurance Deductibles		5,000		5,000	3,996
Advertisement		4,000	2,823	1,177	1,199
Membership Dues		9,500	8,411	1,089	8,501
Books and Peridicals		3,500	2,405	1,095	3,190
Computer Equipment Maintenance		30,000	19,892	10,108	27,047
Software License Fee		3,000	1,939	1,061	2,263
Administrative Fees		60,000	44,601	15,399	56,867
Municipal Approriation		692,580	692,468	112	668,082
Miscellaneous Expenses		32,000	24,874	7,126	24,150
Total Miscellaneous Expenses		839,580	797,413	42,167	795,295
Total Administrative Expenses		3,069,897	2,894,641	175,256	2,773,403
Expenses:					
Operating:					
Personnel Expenses:					
Salaries - Regular		3,508,629	3,478,299	30,330	3,100,130
Salaries - Overtime		143,081	133,914	9,167	144,331
Total Personnel Expenses		3,651,710	3,612,213	39,497	3,244,461
Employee Benefits:					
Pension		344,415	340,626	3,789	365,431
Social Security		280,518	275,002	5,516	249,841
Unemployment		28,110	27,398	712	26,228
Workers' Compensation		267,000	255,705	11,295	177,685
Health Benefits		1,690,470	1,660,510	29,960	1,443,585
Total Employee Benefits		2,610,513	2,559,241	51,272	2,262,770
Office Supplies:					
Postage		1,100		1,100	262
Office Supplies		6,900	6,632	268	5,466
Printing and Binding		1,000		1,000	
Other Supplies		1,500	763	737	769
Total Office Supplies		10,500	7,395	3,105	6,497

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 BUDGET	2013 ACTUAL	UNEXPENDED BALANCE OR (EXCESS)	2012 ACTUAL
Plant Expenses:				
Chemicals and Gases	$ 373,952	271,112	102,840	381,251
Fuel Oil	29,725	9,436	20,289	30,917
Gasoline	71,630	58,421	13,209	63,065
Other	53,000	25,306	27,694	26,796
Total Plant Expenses	528,307	364,275	164,032	502,029
Utilities:				
Telephone	15,000	7,716	7,284	14,405
Electricity	855,000	869,439	(14,439)	850,887
Sewerage	2,000	557	1,443	1,229
Gas	7,000	6,215	785	4,439
Total Utilities	879,000	883,927	(4,927)	870,960
Rentals:				
Construction Equipment	4,200	1,110	3,090	7,886
Other Rentals	5,200	2,732	2,468	11,558
Total Rentals	9,400	3,842	5,558	19,444
Outside Services:				
General Insurance	372,374	372,373	1	311,487
Advertising	2,499	1,990	509	1,261
Laboratory	90,000	81,676	8,324	73,243
New Jersey DEP	38,000	33,840	4,160	32,621
Engineering Fees	10,000	6,450	3,550	5,373
Other Outside Services	215,100	186,123	28,977	162,199
Miscellaneous	4,000	3,195	805	3,057
Total Outside Services	731,973	685,647	46,326	589,241
Training, Travel & Education:				
Training	19,000	16,404	2,596	17,502
Employee Travel	7,000	2,009	4,991	2,753
Total Training, Travel & Education	26,000	18,413	7,587	20,255
Dues and Subscriptions:				
Dues	4,500	4,028	472	4,350
Books and Publications	3,300	165	3,135	162
Total Dues and Subscriptions	7,800	4,193	3,607	4,512

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 BUDGET	2013 ACTUAL	UNEXPENDED BALANCE OR (EXCESS)	2012 ACTUAL
Taxes:				
Real Estate Taxes	$ 108,027	108,026	1	92,032
State Water Taxes	38,500	32,729	5,771	32,361
Total Taxes	146,527	140,755	5,772	124,393
Repairs and Maintenance:				
Electrical	31,500	26,398	5,102	8,935
Plumbing	35,750	12,110	23,640	25,297
Street Opening	423,000	380,552	42,448	241,919
Motor Vehicle	47,300	46,790	510	39,875
Building and Grounds	161,255	140,094	21,161	91,667
Machinery and Equipment	65,000	42,742	22,258	51,506
Clothing Allowance	48,000	43,012	4,988	9,761
Other Expenses	18,925	14,975	3,950	59,070
Total Repairs and Maintenance	830,730	706,673	124,057	528,030
Total Operations Expense	9,432,460	8,986,574	445,886	8,172,592
Total Administrative and Operations Expenses	12,502,357	11,881,215	621,142	10,945,995
Other Costs Funded by Revenues:				
Debt Service:				
Principal	2,408,829	2,408,829	-	2,289,598
Interest	608,082	601,059	7,023	708,680
	3,016,911	3,009,888	7,023	2,998,278
Total Costs Funded by Operating Revenues	$ 15,519,268	$ 14,891,103	$ 628,165	$ 13,944,273

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FORD - SCOTT
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Independent Auditor's Report

Members of the Board of Directors
Atlantic City Municipal Utilities Authority
Atlantic City, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Atlantic City Municipal Utilities Authority, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 17, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's 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.*

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* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ford Scott & Associates, LLC

Ford Scott & Associates, LLC

March 17, 2014

AUDIT FINDINGS AND RESPONSES

NONE

Status of Prior Year Findings and Questioned Costs
For the Year Ended December 31, 2012

NONE