

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

REPORT OF AUDIT

FOR THE YEARS ENDED

DECEMBER 31, 2014 AND 2013

TABLE OF CONTENTS

	<u>Page</u>
Report of Independent Auditors	1-3
Management's Discussion and Analysis	4-15
Financial Statements	
Comparative Statement of Net Position	16-17
Comparative statement of Changes in Net Position	18
Comparative Statement of Cash Flows	19
Notes to Financial Statements	20-37
Supplementary Information	
Schedule of Changes in Required Funds	38
Schedule of Appropriations compared to Budget	39-42
Compliance	
Independent Auditor's Report - Government Auditing Standards	43-44
Schedule of Findings and Responses	45
Status of Prior Year Findings	45

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

FINANCIAL SECTION



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

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, 2014 and 2013, 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 due 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, 2014 and 2013, 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 11, 2015 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 11, 2015

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

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 net 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 activities* 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:

- Total assets at year-end were \$65,339,355 and exceeded liabilities net of the loss on refunding of long-term debt in the amount of \$45,395,579 (i.e. net position). Of the \$7,567,270 classified as unrestricted the total amount was available to support short-term operations. Total assets decreased \$2,036,097 and total net position increased by \$393,594.
- For fiscal year 2014, the Authority pumped approximately 4,820 million gallons of water, compared to 4,744 million gallons of water in 2013.
- Operating revenues were \$15,174,108 a slight decrease from the year 2013 in the amount of \$49,864. Total operating revenues were \$169,229 lower than budget projections.
- Operating expenses were \$239,636 lower than last year.
- Operating income for the year was \$522,021.
- Connection Fee income recognized in 2014 amounted to \$399,996 compared to \$452,177 in 2013.
- Investment income was \$46,830 higher than budget. Actual investment income for 2014 amounted to \$101,008 which was \$6,537 higher than last year.

The Authority's financial condition has not changed materially in the current fiscal year. Operating revenues decreased slightly due to a minimal decrease in sales as a result of the closure of several casinos during the year. Operating expenses decreased due to a slight decline in the costs of providing services and depreciation expense, overall resulting in 2014 Operating Income in the amount of \$522,021.

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 2014 totaled \$9,271,632 compared to \$7,107,956 in 2013. The increase amounted to \$2,163,676 and resulted primarily from an increase in Cash and Investments. A significant decline in the 2015 debt service payments allowed for a reduction in the established reserve for Debt Service, thus allowing for an increase in available cash and investments.

Total Restricted Assets- Total Restricted Assets for 2014 totaled \$5,200,402 compared to \$8,031,150 in 2013. This decrease amounted to approximately \$2,830,748 and resulted primarily from the use of funds for capital projects.

Net Capital Assets – Net Capital Assets for 2014 totaled \$50,867,321 compared to \$52,236,346 in 2013. This decrease of \$1,369,025 resulted from an increase in accumulated depreciation that amounted to \$2,778,707, partially offset by 2014 capital additions.

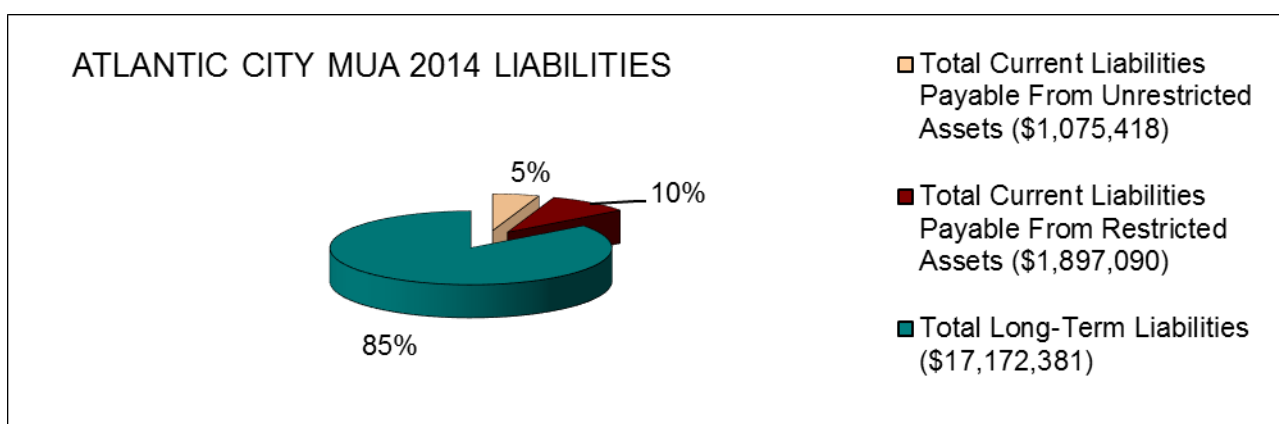
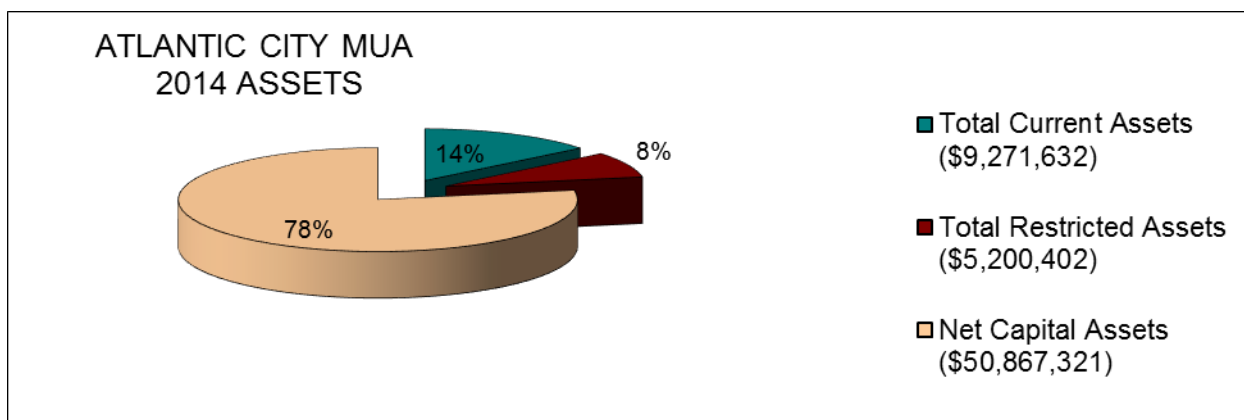
Total Current Liabilities Payable From Unrestricted Assets - Total Current Liabilities Payable From Unrestricted Assets for 2014 totaled \$1,075,418 compared to \$1,068,797 in 2013. This slight increase was due primarily to an increase in customer overpayments, partially offset by a decline in payments due to vendors.

Total Current Liabilities Payable From Restricted Assets - Total Current Liabilities Payable From Restricted Assets for 2014 totaled \$1,897,090 compared to \$2,550,728 in 2013. This significant decrease of \$653,638 was due to a decrease in current principal payments due in 2015 for the outstanding bond issues.

Total Long-Term Liabilities Payable From Restricted Assets- Total Long-Term Liabilities Payable From Restricted Assets for 2014 totaled \$17,172,381 compared to \$18,995,778 in 2013. This decrease of \$1,823,397 was due to a decrease in Long-Term Debt. This decrease was due primarily to the annual principal payments made in 2014.

CONDENSED COMPARATIVE STATEMENT OF NET ASSETS

	DECEMBER 31, 2014	DECEMBER 31, 2013	RESTATED DECEMBER 31, 2012
Total Current Assets	\$9,271,632	\$7,107,956	\$7,900,937
Total Restricted Assets	5,200,402	8,031,150	9,064,189
Net Capital Assets	<u>50,867,321</u>	<u>52,236,346</u>	<u>53,409,415</u>
Total Assets	<u>\$65,339,355</u>	<u>\$67,375,452</u>	<u>\$70,374,541</u>
Loss on Refunding of Long-Term Debt	<u>\$201,113</u>	<u>\$241,836</u>	<u>\$282,560</u>
Deferred Outflow of Resources			
Total Current Liabilities – Unrestricted	\$1,075,418	\$1,068,797	\$1,096,214
Total Current Liabilities – Restricted	1,897,090	2,550,728	2,507,768
Total Long-Term Liabilities	<u>17,172,381</u>	<u>18,995,778</u>	<u>21,480,405</u>
Total Liabilities	\$20,144,889	\$22,615,303	\$25,084,387
Net Position:			
Restricted or Net Invested in Capital Assets	\$37,828,309	\$39,600,915	\$39,431,896
Unrestricted	<u>7,567,270</u>	<u>5,401,070</u>	<u>6,140,818</u>
Total Net Position	<u>\$45,395,579</u>	<u>\$45,001,985</u>	<u>\$45,572,714</u>
Total Liabilities and Net Position	<u>\$65,540,468</u>	<u>\$67,617,288</u>	<u>\$70,657,101</u>



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, 2014	DECEMBER 31, 2013	DECEMBER 31, 2012
Total Operating Revenues	\$15,174,108	\$15,223,972	\$14,930,926
Net Cash Provided by Operating Activities	\$3,433,894	\$3,242,967	\$3,701,256
Net Operating Cash As A % Of Operating Revenue	22.63%	21.30%	24.79%

2014 Net Cash Provided by Operating Activities As Compared to 2013 – Net cash provided by operating activities increased by 5.9%. This increase resulted primarily from a decline in vendor payments in 2014. Also contributing to the increase, was the receipt of additional cash from customers which was due partly to the 2014 rate increase. These factors were partially offset by a decline in billing due to the various casino closings.

MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION:

CONDENSED COMPARATIVE STATEMENT OF ACTIVITIES – Total Revenues (excluding connection fees) for 2014 totaled \$15,275,116 compared to \$15,318,443 in 2013. Despite the various casino closings, the 2014 revenues only experienced a slight decline. Total operating expenses for 2014 totaled \$14,652,087 compared to \$14,891,723 in 2013. Total operating expenses decreased by 1.6%. Explanations of the fluctuations are as follows:

Operating Revenues – Operating Revenues for 2014 totaled \$15,174,108 compared to \$15,223,972 in 2013. The revenues decreased by approximately \$49,864. The decreased revenues recognized during the year resulted primarily from decreased miscellaneous revenues and a decline in billing, partially offset by the rate increase that went into effect in 2014.

Connection Fee Income and Refunds – Connection Fee Income for 2014 totaled \$399,996 compared to \$452,177 in 2013. The decrease recognized in 2014 was due to a slight decline in new construction, as experienced in the previous year. 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 2014 totaled \$101,008, compared to \$94,471 in 2013. The increase was due to the ability to secure more attractive interest rates when investing funds.

Salaries Expenses – Salaries Expenses for 2014 totaled \$4,546,412 compared to \$4,659,483 in 2013. The decline in salaries expense amounted to \$113,071. The 2013 expenses were higher than 2014 expenses due to the settlement of outstanding Blue Collar and White Collar Union Contracts in 2013.

Employee Benefits – Employee Benefits for 2014 totaled \$3,151,996 compared to \$3,246,939 in 2013. The decrease in employee benefits expense amounted to \$94,943. In 2011, Legislation was passed which required government employees to contribute a portion of their salary to cover health care premiums. The full employee contribution was phased-in over a four year period, with the fourth year occurring in 2014. As a result of the increased contributions experienced during the year, the Authority recognized a decline in health care expense. Somewhat offsetting the decline mentioned above, was the increase in health care premiums costs.

Repairs and Maintenance – Repairs and Maintenance expense for 2014 totaled \$722,009 compared to \$723,031 in 2013. A very slight decrease in repairs and maintenance expense was experienced during the year.

Miscellaneous Expenses – Miscellaneous Expenses for 2014 totaled \$3,452,963 compared to \$3,251,762 in 2013. The increase for the year approximated \$201,201 and resulted from fluctuations in various accounts. Chemical and gases expense increased in 2014 due to the purchase and replacement of Granular Activated Carbon Filters utilized during the water treatment process. Also, additional costs were recognized for street opening expense. Partially offsetting the increases, were decreased expenses for clothing allowances and decreased general insurance expenses.

Depreciation Expenses – Depreciation Expenses for 2014 totaled \$2,778,707 compared to \$3,010,508 in 2013. The decline in expense resulted primarily from assets that became fully depreciated during the year. The decline was partially offset by the depreciation expense recognized for the assets purchased and placed in service in 2014.

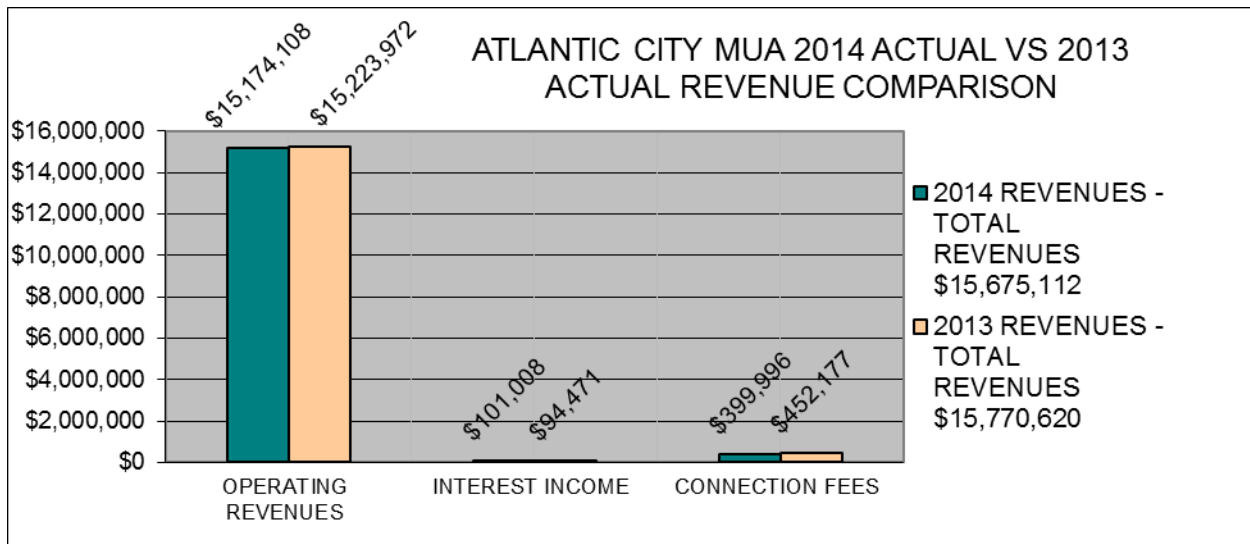
Interest Expenses—Expenses for 2014 totaled \$592,827 compared to \$641,783 in 2013. A decline in interest expense was recognized in 2014 due to a decrease in Long-Term Debt Outstanding, which resulted from principal payments made on outstanding bonds and NJEIT loans.

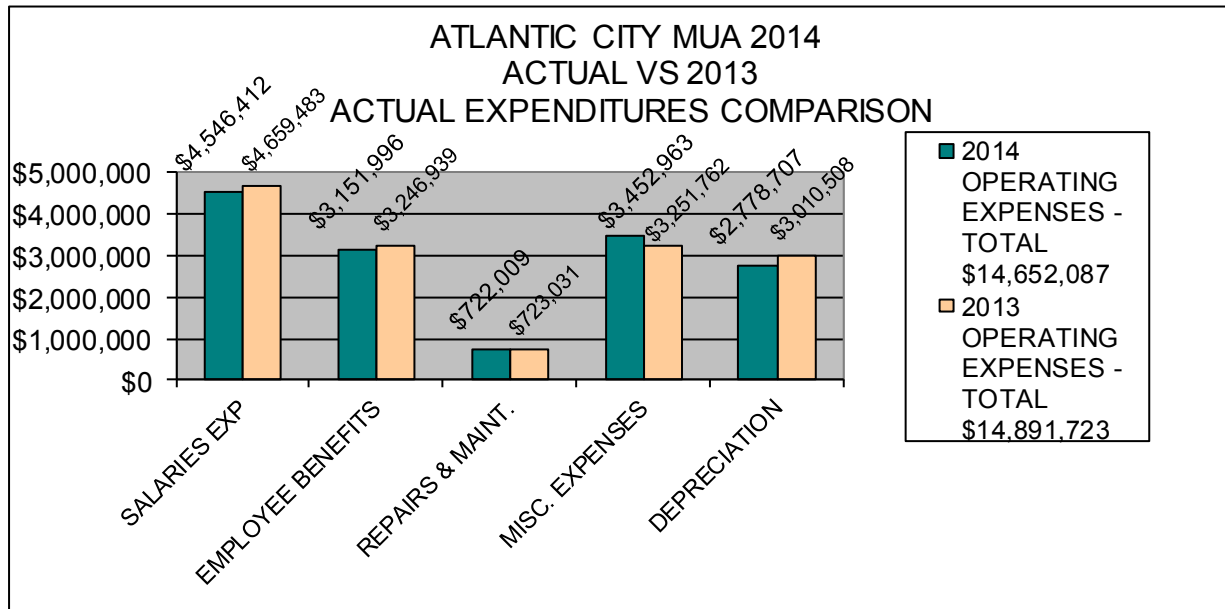
**CONDENSED COMPARATIVE STATEMENT
OF ACTIVITIES**

	BUDGET	DECEMBER	DECEMBER	RESTATED
	2014	31, 2014	31, 2013	DECEMBER 31, 2012
Total Operating Revenues	\$15,343,337	\$15,174,108	\$15,223,972	\$14,930,926
Operating Expenses:				
Total Salaries Expenses	\$4,766,898	\$4,546,412	\$4,659,483	\$4,216,523
Total Employee Benefits	\$3,292,948	\$3,151,996	\$3,246,939	\$2,914,052
Total Repairs & Maintenance	\$843,980	\$722,009	\$723,031	\$541,156
Total Miscellaneous Expenses	\$3,715,457	\$3,452,963	\$3,251,762	\$3,274,264
Depreciation	<u>0</u>	<u>\$2,778,707</u>	<u>\$3,010,508</u>	<u>\$2,815,594</u>
Total Operating Expenses	\$12,619,283	\$14,652,087	\$14,891,723	\$13,761,589
Non-Operating Revenues (Expenses)				
Connection Fee Income	\$0	\$399,996	\$452,177	\$293,032
Connection Fee Refunds	\$0	\$0	(\$752,916)	(\$27,250)
Interest Income	\$54,178	\$101,008	\$94,471	\$82,820
NJEIT Grant Revenue	0	0	0	0
Contributed Capital –CRDA	0	\$0	\$0	\$9,650
Interest Expense	(\$561,182)	(\$592,827)	(\$641,783)	(\$746,502)
Principal Payments	(\$2,458,812)	(\$2,458,812)	(\$2,408,829)	(\$2,289,598)
Net Change in FMV of Invest.	0	(\$36,557)	(\$59,157)	(\$5,035)
Miscellaneous Expense	0	(\$47)	\$4,230	\$9,828
Reserves	<u>\$241,762</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Non-Operating Revenues (Expenses) Net	(\$2,724,054)	(\$2,587,239)	(\$3,311,807)	(\$2,673,055)
Increase (Decrease) in Net Assets	<u>\$0</u>	<u>(\$2,065,218)</u>	<u>(\$2,979,558)</u>	<u>(\$1,503,718)</u>

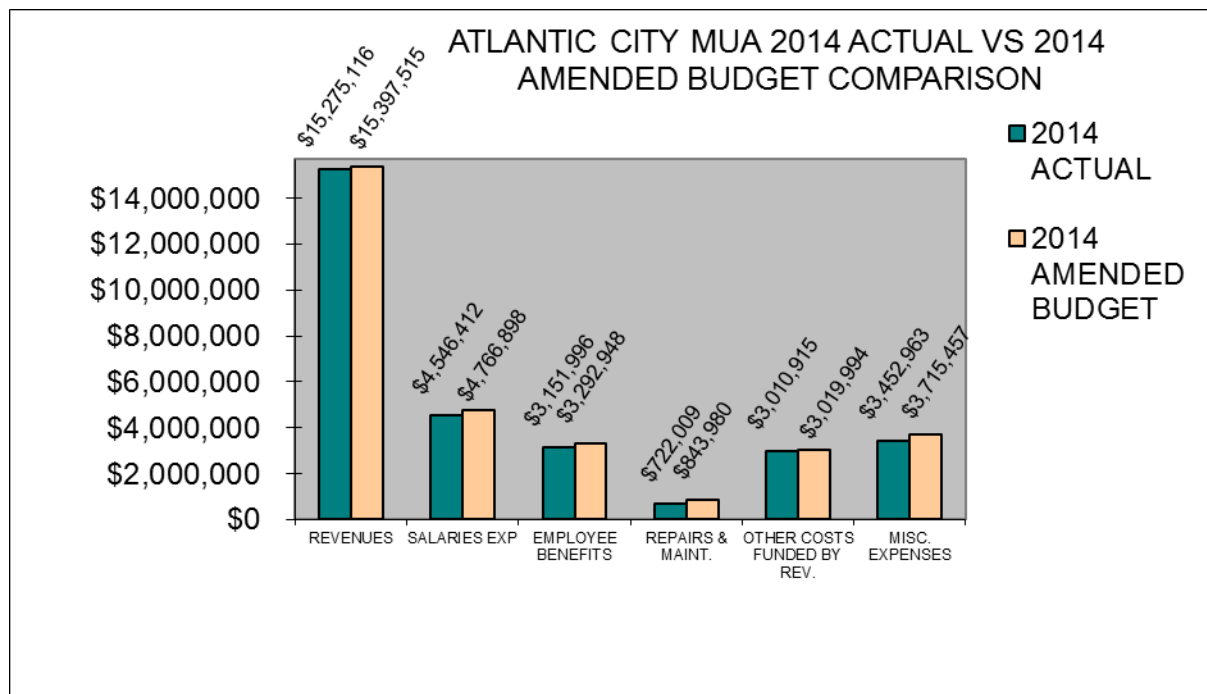
The following table shows the composition of operating expenses by major classification of expense for the last three years:

	2014	%	2013	%	2012	%
Salaries	\$4,546,412	31.03%	\$4,659,483	31.29%	\$4,216,523	30.64%
Employee Benefits	\$3,151,996	21.51%	\$3,246,939	21.80%	\$2,914,052	21.18%
Repairs & Maint.	\$722,009	4.93%	\$723,031	4.86%	\$541,156	3.93%
Miscellaneous	\$3,452,963	23.57%	\$3,251,762	21.84%	\$3,274,264	23.79%
Depreciation	<u>\$2,778,707</u>	<u>18.96%</u>	<u>\$3,010,508</u>	<u>20.21%</u>	<u>\$2,815,594</u>	<u>20.46%</u>
Total	<u>\$14,652,087</u>	<u>100%</u>	<u>\$14,891,723</u>	<u>100%</u>	<u>\$13,761,589</u>	<u>100%</u>





CONDENSED SCHEDULE OF APPROPRIATIONS COMPARED TO AMENDED BUDGET– Total Revenues for 2014 totaled \$15,275,116 compared to Budgeted Revenues of \$15,397,515. Revenues include all revenues, except connection fee revenues. Actual revenues were \$122,399 less than budgeted revenues. The slight decrease compared to budget resulted primarily from the recognition of less user fees revenue than anticipated. The minimal decrease resulted primarily from the various casino closings experienced during the year. Expenses from Administration and Operations for 2014 totaled \$11,873,380 compared to budgeted expenses of \$12,619,283. Actual expenses for 2014 were \$745,903 lower than the projected expenditures. Some of the larger fluctuations fell in the categories of salaries expense, employee benefits expense, and chemical and gases expense. Contributing to lower than anticipated salaries expense was the failure to fill vacant positions that were included in the 2014 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.



MANAGEMENT'S ANALYSIS OF 2012 CAPITAL ASSETS & LONG TERM DEBT ACTIVITY:

Capital assets increased approximately \$1,357,444 during 2014. Property and equipment in service increased by \$1,183,197 in 2014. Impacting this increase were the 2014 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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Treatment and Distribution	\$90,254,706	\$89,188,202	\$88,853,085
Land and Improvements	1,811,009	1,811,009	1,811,009
Vehicles & Equipment	5,057,118	4,941,397	4,781,791
Office Building	3,877,030	3,877,030	3,877,030
Furniture and Fixtures	459,323	458,351	449,438
Construction in Progress	<u>3,613,403</u>	<u>3,439,156</u>	<u>2,185,439</u>
Total	<u>\$105,072,589</u>	<u>\$103,715,145</u>	<u>\$101,957,792</u>

Long-term Debt. At the end of the current fiscal year, the Authority had total bonded debt outstanding of \$18,357,689.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenue Bonds	\$11,395,000	\$13,310,000	\$15,180,000
New Jersey EIT Loans	\$6,962,689	\$7,506,500	\$8,045,329

OTHER SELECTED INFORMATION:

Selected Data for Analysis	<u>2014</u>	<u>2013</u>	<u>Change Amount</u>	<u>Change %</u>
Employees at Year End	80	79	1	1.2%
Number of Customers Year End	8,065	8,204	(139)	(1.6%)
Water Pumped (millions of gallons)	4,820	4,744	76	1.6%
Revenues per 1,000 gallons pumped	3.0	3.2	(.2)	N/A
Expenses per 1,000 gallons pumped:				
Expenses Excluding Depreciation	2.5	2.5	-	N/A
Total Operating Expenses	3.0	3.1	(.1)	N/A

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

ACMUA Customer Base and 2015 Budget

Over the last several years, the Atlantic City Municipal Utilities Authority has seen its expenses rise, however, its water sales since 2006, has shown a steady and continual decline. The MUA attributes the decline to two primary factors. The first significant factor in the MUA's revenue decline is water conserving devices. Water conservation is always promoted in order to minimize the wasteful use of resources. Since 1992, the MUA has seen the average gallons per capita per day in Atlantic City for residential customers drop from 97 to 73, almost a twenty-five (25%) percent reduction

The second factor that has contributed to the decline of water sales is the removal of hotels and housing in Atlantic City through demolition. The MUA has forecasted in the 2015 budget a much more severe decline in sales. This is as a result of the closure of four casinos (Atlantic Club, Showboat, Revel, and Trump Plaza) since the beginning of the year. Regarding the Atlantic Club Hotel and Casino, a Pennsylvania Real Estate Company has agreed to purchase the facility with plans of utilizing it for residential development in the very near future. The Richard Stockton University of New Jersey purchased the former casino Showboat Atlantic City with the plan to transform the facility into an island campus and hotel. The hotel is scheduled to be operating in the late spring of 2015. Atlantic City's former Revel casino is still in the process of securing a buyer for the facility. During 2014, Bass Pro Shops 86,000-square-foot store was

under construction. The store will sell hunting, fishing, camping and outdoor merchandise and will be opening in the early spring of 2015.

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.

The 2015 Proposed Budget is a fully funded budget, providing for the continuation of all of the MUA'S major programs. The proposed appropriations for 2015 are anticipated to be approximately \$368,800 less than budgeted appropriations for 2014. The decline is due primarily to a 26% or \$644,560 decline in 2015 Debt Service principal payments. In addition, the 2015 interest payments will be lower than 2014 by \$47,900.

ACMUA Rates

The ACMUA rates are structured to ensure that the projected revenues will be sufficient to cover the anticipated appropriations for the 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. In 2014, the MUA's net increase in rates was 2%. The 2% increase was applied as a \$1.00 increase in the quarterly charge to all residential units and a 2% increase in excess charges for all users. This increase raised the average residential bill by approximately \$5.71 per year. Effective January 1, 2015 an additional rate increase was incorporated into the rate structure. The rate increase resulted in an increase between 6% and 7.5% for most customers other than residential. The increase was applied as an 8% increase in the excess charge and a 2% increase in the flat charge. The residential rates increased from a flat charge of \$30.00 a quarter to \$40.00 a quarter. In addition, residential customers that exceed their allowance will be subject to an 8% increase in their excess rate. The connection fee is recalculated each year as required by State Law. For 2015, the connection fee rate was increased to \$12.9597 per gallon.

Legislation with potential impact to the ACMUA

There is no known legislation that has been working its way through the legislature that would have a major financial impact upon the ACMUA.

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,	
	2014	2013
Current assets:		
Cash	\$ 2,643,466	1,537,016
Investments	5,150,312	3,954,441
Accounts receivable	958,049	1,020,769
Other current assets	2,403	2,501
Inventories	429,778	501,904
Accrued interest receivable	42,446	45,401
Prepaid expenses	45,178	45,924
Total current assets	<u>9,271,632</u>	<u>7,107,956</u>
Restricted assets:		
Investments	4,279,376	7,099,286
Receivable - NJ EIT	921,026	931,864
Total restricted assets	<u>5,200,402</u>	<u>8,031,150</u>
Capital assets:		
Land and improvements	1,811,009	1,811,009
Construction in progress	3,613,403	3,439,156
Depreciable capital assets, net of depreciation	<u>45,442,909</u>	<u>46,986,181</u>
Total capital assets	<u>50,867,321</u>	<u>52,236,346</u>
Total assets	\$ <u>65,339,355</u>	<u>67,375,452</u>
Deferred Outflow of Resources:		
Loss on Refunding of Long-Term Debt	<u>201,113</u>	<u>241,836</u>

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 NET POSITION

LIABILITIES AND NET POSITION

	DECEMBER 31,	
	2014	2013
Current liabilities:		
Accounts payable	\$ 577,897	600,054
Accrued payroll and taxes	16,246	27,555
Other current liabilities	2,625	1,090
Unearned income	380,118	378,070
Prepaid user charges	98,532	62,028
Total current liabilities	1,075,418	1,068,797
Current liabilities payable from restricted assets		
Accrued interest payable	82,838	91,916
Revenue bonds payable	1,814,252	2,458,812
Total current liabilities payable from restricted assets	1,897,090	2,550,728
Long term liabilities:		
Compensated absences	628,944	638,089
Revenue bonds (net of unamortized discounts)	16,543,437	18,357,689
Total long term liabilities	17,172,381	18,995,778
Total liabilities	20,144,889	22,615,303
Net Position		
Net investment in capital assets	33,548,933	32,501,629
Restricted for capital activity and debt service	4,279,376	7,099,286
Unrestricted	7,567,270	5,401,070
Total net position	\$ 45,395,579	45,001,985

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,	
	2014	2013
Operating revenues:		
User Charges	\$ 15,107,436	\$ 15,127,388
Rental Income	2,500	2,500
Miscellaneous	64,172	94,084
Total operating revenues	15,174,108	15,223,972
Operating expenses :		
Administrative and General	2,949,852	2,894,641
Cost of Providing Services	8,923,528	8,986,574
Depreciation	2,778,707	3,010,508
Total operating expenses	14,652,087	14,891,723
Operating income	522,021	332,249
Non-operating revenue (expense):		
Investment Income	101,008	94,471
Connection Fees	399,996	452,177
Connection Fees (Returned)	-	(752,916)
(Loss)/Gain on Disposal of Assets	(47)	4,230
Net change in fair value of investments	(36,557)	(59,157)
Bond and Note Interest	(592,827)	(641,783)
Total non-operating expense	(128,427)	(902,978)
Increase(decrease) in net position	393,594	(570,729)
Adjustment for Restatement	0	0
Net position at beginning of year	45,001,985	45,572,714
Net position at end of year	<u>\$ 45,395,579</u>	<u>\$ 45,001,985</u>

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

	<u>DECEMBER 31,</u>	
	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from customers	\$ 15,208,708	15,099,508
Cash received from others	66,672	96,584
Cash paid to employees	(4,776,043)	(4,764,550)
Cash paid to suppliers	(7,065,443)	(7,188,575)
Net cash provided by operating activities	<u>3,433,894</u>	<u>3,242,967</u>
Cash flows from investing activities:		
Investment Income	103,963	175,156
Transferred (to) investments	1,624,039	(1,665,710)
Net cash provided by investing activities	<u>1,728,002</u>	<u>(1,490,554)</u>
Cash flows from capital and related financing activities:		
Purchase of property plant and equipment	(1,446,287)	(1,892,365)
NJEIT Receivable	10,838	65,969
Connection fees	399,996	452,177
Connection fees Returned	-	(752,916)
Interest paid on debt	(561,181)	(608,082)
Principal paid on debt	(2,458,812)	(2,408,829)
Net cash provided by capital and related activities	<u>(4,055,446)</u>	<u>(5,144,046)</u>
Increase(decrease) in cash and cash equivalents	<u>1,106,450</u>	<u>(3,391,633)</u>
Cash and cash equivalents at beginning of year	<u>1,537,016</u>	<u>4,928,649</u>
Cash and cash equivalents at end of year	<u><u>2,643,466</u></u>	<u><u>1,537,016</u></u>
<u>Reconciliation to balance sheet:</u>		
Unrestricted Cash	2,643,466	1,537,016
Restricted Cash	-	-
	<u><u>2,643,466</u></u>	<u><u>1,537,016</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating Income	522,021	332,249
Adjustments:		
Depreciation	2,778,707	3,010,508
Change in Assets and Liabilities:		
(Increase) in Accounts Receivable	62,720	(11,294)
(Increase)decrease in Other Current Assets	98	9,450
(Increase) in Inventory	72,126	(42,184)
(Increase) in Prepaid Expenses	746	(2,529)
(Decrease) in Accounts Payable	(22,157)	(11,504)
Increase(Decrease) in Accrued Payroll Taxes	(11,309)	256
Increase in Other Current Liabilities	1,535	417
Increase in Unearned Income	2,048	8,126
Increase (decrease) in Prepaid User Charges	36,504	(24,712)
(Decrease) in Compensated Absences	(9,145)	(25,816)
Net cash provided by operating activities	<u><u>\$ 3,433,894</u></u>	<u><u>3,242,967</u></u>

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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 67 and related interpretations issued through December 31, 2014.

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.

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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.

Recent Accounting Pronouncements Not Yet Effective

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 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.

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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.

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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 \$429,778 and \$501,904 at December 31, 2014 and 2013, 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:

	12/31/2014	12/31/2013
Debt Service Fund	\$ 2,327,533	3,019,993
Debt Service Reserve Fund	1,675,781	2,355,931
Capital Projects Fund	126,062	1,573,362
Improvement Fund	150,000	150,000
	<u>\$ 4,279,376</u>	<u>7,099,286</u>

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.

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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:

\$2,327,533

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:

\$ 1,675,781

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 70% of the municipal liens.

	12/31/2014	12/31/2013
Municipal Liens	\$ 469,765	390,924
	<u>x 70%</u>	<u>x 70%</u>
	<u>\$ 334,883</u>	<u>295,462</u>

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.

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Depreciation is determined on a straight-line basis for all plant and equipment. Depreciation expense for 2014 and 2013 was \$2,778,707 and \$3,010,508, 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.

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 3. Investments

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

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than 1	1 - 5
December 31, 2014			
Federated Treasury Obligations	4,397,109	4,397,109	
Fixed Income	2,888,304		2,888,304
Certificates of Deposits	2,144,275	2,144,275	
	9,429,688	6,541,384	2,888,304
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

Certificates of Deposit

As of December 31, 2014 the Authority has a certificate of deposit from the Capital Bank of New Jersey in the amount of \$150,000 that matured on 2/6/2015 and bears interest at a rate of .60% per annum, Capital Bank of New Jersey in the amount of \$1,390,000 that matured on 1/31/15 and bears interest at a rate of .60% per annum and Capital Bank of New Jersey in the amount of \$604,275 that will mature on 3/19/15 and bears interest at a rate of .60% per annum. The certificates of deposit that matured on 2/6/15 and 1/31/15 were rolled over for another year.

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.

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Fixed Income Investments – As of December 31, 2014 the Authority had two fixed income investments. \$1,870,449 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, 2014 and 2013, \$0 of the government's bank balance of \$1,537,016 and \$1,633,350 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, 2014 is \$ 126,662.

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, 2014 is \$ 74,450.

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 6. Long-term Obligations

Long-term debt as of December 31, 2014 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, 2014 was \$1,060,000

\$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, 2014 was \$2,467,616.

\$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, 2014 was \$475,000

\$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, 2014 was \$820,310.

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, 2014 was \$7,455,000.

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, 2014 was \$1,440,000.

\$2,500,000 Water System Revenue Bonds, Series 2012 dated 7/19/12 payable in annual

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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, 2014 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, 2014 was \$690,000.

\$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, 2014 was \$621,996.

\$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, 2014 was \$430,000.

\$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, 2014 was \$397,768.

Principal and interest requirements until maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,325,580	339,569	1,665,149
2020-2024	6,046,006	1,179,003	7,225,009
2025-2029	4,237,584	389,025	4,626,609
	<u>\$ 18,357,689</u>	<u>3,677,846</u>	<u>22,035,535</u>

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

	Balance 12/31/13	Increase/ Adjustment	Decreased/ Adjustment	Balance 12/31/14	Due within one year
Revenue bonds	\$ 13,310,000		1,915,000	11,395,000	1,275,000
New Jersey EIT	7,506,500		543,812	6,962,688	539,252
Compensated Absences	638,089	503,369	512,513	628,945	
	<u>\$ 21,454,589</u>	<u>503,369</u>	<u>2,971,325</u>	<u>18,986,633</u>	<u>1,814,252</u>

	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	
	<u>\$ 23,889,236</u>	<u>512,321</u>	<u>2,946,968</u>	<u>21,454,589</u>	<u>2,458,812</u>

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, 2014. 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.

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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 6.85% of covered payroll. The Authority's contributions to PERS for the years ending December 31, 2014, 2013, and 2012 were \$ 420,388, \$437,465, and \$464,111, respectively, equal to the required contributions for each year.

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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 $\frac{1}{4}$ 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.

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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 $1/60^{\text{th}}$ from $1/55^{\text{th}}$, 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 PERS, 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 $1/7^{\text{th}}$ 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.

{This space intentionally left blank}

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 9. Property, Plant & Equipment

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
Nondepreciable Capital Assets				
Land and Improvements	\$ 1,811,009			1,811,009
Construction in Progress	3,439,157	638,120	463,874	3,613,403
Total Nondepreciable Capital Assets	5,250,166	638,120	463,874	5,424,412
Depreciable Capital Assets				
Treatment and Distribution Facilities	89,188,200	1,066,505		90,254,705
Equipment and Vehicles	4,941,398	168,005	52,285	5,057,118
Office Building	3,877,030			3,877,030
Furniture and Fixtures	458,351	973		459,324
Total Depreciable Capital Assets	98,464,979	1,235,483	52,285	99,648,177
Less: Accumulated Depreciation	(51,478,799)	(2,777,948)	(52,238)	(54,204,509)
Net Depreciable Capital Assets	46,986,180	(1,542,465)	47	45,443,668
Total Capital Assets, net	\$ 52,236,346	(904,345)	463,921	50,868,080

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

	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

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.

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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, 2014 and 2013 was \$628,945 and \$638,089.

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,		
	<u>2014</u>	<u>2013</u>	<u>Restated 2012</u>
Invested in Capital Assets, Net of related Liabilities			
Net plant and equipment in service	\$ 50,867,321	52,236,346	53,409,415
Loss on refunding of long-term debt	201,113	241,836	282,560
Debt	18,357,689	(20,816,501)	(23,225,329)
Bond issue costs			-
Grants receivable	-	931,864	997,833
Accrued interest payable	(82,838)	(91,916)	(98,939)
	<u>69,343,285</u>	<u>32,501,629</u>	<u>31,365,540</u>
Restricted for Capital Activity and Debt Service			
Restricted investments	4,959,526	7,099,286	8,066,356
	<u>4,959,526</u>	<u>7,099,286</u>	<u>8,066,356</u>
Unrestricted	<u>5,401,070</u>	<u>5,401,070</u>	<u>6,140,818</u>
Total net position	<u>\$ 79,703,881</u>	<u>\$ 45,001,985</u>	<u>\$ 45,572,714</u>

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

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the City of Atlantic City)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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:

	<u>2014</u>	<u>2013</u>
Advance billings	\$380,118	\$378,070

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 2014, 2013 and 2012 the Authority paid the SHBP \$2,075,500, \$2,062,794, and \$1,811,380, respectively for health care of employees and retirees. The amount paid for retirees was \$569,523, \$633,705, and \$488,600, respectively.

Note 17. Subsequent Event

The Authority has evaluated subsequent events through March 11, 2015, 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, 2014

	General fund	Debt service fund	Debt service reserve fund	Improvement fund	Construction fund	Investment in capital assets	<u>Totals</u>	
							2014	2013
Operating Revenues:								
User Charges	\$ 15,107,436	\$	\$	\$	\$	\$	\$ 15,107,436	\$ 15,127,388
Rental Income	2,500						2,500	2,500
Miscellaneous	64,172						64,172	94,084
Total Operating Revenues	<u>15,174,108</u>						<u>15,174,108</u>	<u>15,223,972</u>
Operating Expenses								
Administrative and General	2,949,852						2,949,852	2,894,641
Cost of Providing Services	8,923,528						8,923,528	8,986,574
Depreciation						<u>2,778,707</u>	<u>2,778,707</u>	<u>3,010,508</u>
Total Operating Expenses	<u>11,873,380</u>					<u>2,778,707</u>	<u>14,652,087</u>	<u>14,891,723</u>
Operating Income	<u>3,300,728</u>					<u>(2,778,707)</u>	<u>522,021</u>	<u>332,249</u>
Non-Operating Revenues (Expenses)								
Investment Income	101,008						101,008	94,471
Connection Fees	399,996						399,996	452,177
Connection Fees Returned	0						0	(752,916)
Net change in fair value of investments	(36,557)						(36,557)	(59,157)
(Loss)/Gain on Disposal of Assets	(47)						(47)	4,230
Bond Interest	(552,103)					(40,724)	(592,827)	(641,782)
Bond Payments	(2,458,812)					2,458,812	-	-
	<u>(2,546,515)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,418,088</u>	<u>(128,427)</u>	<u>(902,977)</u>
Net Income (Loss) Before Transfers	<u>754,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(360,619)</u>	<u>393,594</u>	<u>(570,728)</u>
Transfers Between Funds:								
Restricted Funds	<u>1,411,987</u>	<u>(692,460)</u>	<u>(680,150)</u>		<u>(1,447,300)</u>	<u>1,407,923</u>	<u>-</u>	<u>-</u>
Net increase (Decrease) in Fund Balance	2,166,200	(692,460)	(680,150)	-	(1,447,300)	1,047,304	393,594	(570,728)
Fund Equity January 1	<u>5,401,070</u>	<u>3,019,993</u>	<u>2,355,931</u>	<u>150,000</u>	<u>1,573,362</u>	<u>32,501,629</u>	<u>45,001,985</u>	<u>45,572,714</u>
Fund Equity December 31	<u>\$ 7,567,270</u>	<u>\$ 2,327,533</u>	<u>\$ 1,675,781</u>	<u>\$ 150,000</u>	<u>\$ 126,062</u>	<u>\$ 33,548,933</u>	<u>\$ 45,395,579</u>	<u>\$ 45,001,986</u>
Ending Net Assets consists of:								
Reserved Net Assets		2,327,533	1,675,781	150,000	126,062		4,279,376	7,099,286
Unreserved Net Assets	7,567,270						7,567,270	5,401,070
Investment in Fixed Capital						<u>33,548,933</u>	<u>33,548,933</u>	<u>32,501,629</u>
Total Fund Equity December 31	<u>\$ 7,567,270</u>	<u>\$ 2,327,533</u>	<u>\$ 1,675,781</u>	<u>\$ 150,000</u>	<u>\$ 126,062</u>	<u>\$ 33,548,933</u>	<u>\$ 45,395,579</u>	<u>\$ 45,001,985</u>

SCHEDULE 2

sheet 1 of 4

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, 2014

	2014 BUDGET	2014 ACTUAL	UNEXPENDED BALANCE OR (EXCESS)	2013 ACTUAL
Revenues:				
User Charges and Fees	\$ 15,255,702	15,107,436	148,266	15,127,388
Rental Income	10,000	2,500	7,500	2,500
Interest	54,178	101,008	(46,830)	94,471
Miscellaneous Income	77,635	64,172	13,463	94,084
	<u>15,397,515</u>	<u>15,275,116</u>	<u>122,399</u>	<u>15,318,443</u>
Expenses:				
Administration:				
Personnel Expenses:				
Salaries - Regular	1,094,408	1,070,211	24,197	1,016,938
Salaries - Overtime	2,000	356	1,644	445
Board Salaries	30,000	29,886	114	29,886
Total Personnel Expenses	<u>1,126,408</u>	<u>1,100,453</u>	<u>25,955</u>	<u>1,047,269</u>
Employee Benefits				
PERS	100,625	97,529	3,096	98,585
Social Security	83,055	80,109	2,946	76,997
Unemployment	8,228	7,995	233	7,536
Health Benefits	504,785	491,913	12,872	504,580
Total Employee Benefits	<u>696,693</u>	<u>677,546</u>	<u>19,147</u>	<u>687,698</u>
Operating Expenses:				
Administration:				
Postage	25,000	20,832	4,168	18,422
Office Supplies	13,000	11,299	1,701	10,219
Printing and Binding	10,000	8,361	1,639	8,815
Janitorial Supplies	3,500	1,719	1,781	2,543
Other	2,000	880	1,120	1,398
Telephone	27,000	25,952	1,048	23,232
Electric	40,000	38,947	1,053	37,055
Sewerage	3,000	1,673	1,327	1,648
Gas	21,000	15,290	5,710	13,262
Furniture and Equipment Rentals	500	-	500	-
Other Rentals	1,000	-	1,000	105.00
Travel	4,000	1,373	2,627	4,199
Training	9,000	5,159	3,841	5,688
Data Processing	15,000	13,068	1,932	11,643
Janitorial Services	17,000	14,000	3,000	14,592
Outside Services	11,500	10,880	620	6,208
Accounting and Auditing	33,000	32,000	1,000	31,750
Legal	115,000	109,272	5,728	92,742
Other Professional Services	25,000	18,197	6,803	62,382
Total Operating Expenses	<u>375,500</u>	<u>328,902</u>	<u>46,598</u>	<u>345,903</u>

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, 2014

	2014 BUDGET	2014 ACTUAL	UNEXPENDED BALANCE OR (EXCESS)	2013 ACTUAL
Repair and Maintenance:				
Motor Vehicles	\$ 1,500	700	800	227
Buildings and Grounds	10,000	3,714	6,286	7,837
Machinery and Equipment	4,000	2,744	1,256	8,294
Miscellaneous Repairs	1,000	-	1,000	
Total Repair and Maintenance	16,500	7,158	9,342	16,358
Miscellaneous Expenses:				
Advertisement	5,000	4,452	548	2,823
Membership Dues	9,500	8,085	1,415	8,411
Books and Periodicals	3,500	2,307	1,193	2,405
Computer Equipment Maintenance	30,000	28,747	1,253	19,892
Software License Fee	3,000	1,848	1,152	1,939
Administrative Fees	62,500	50,857	11,643	44,601
Municipal Appropriation	718,004	718,004	-	692,468
Miscellaneous Expenses	25,000	21,493	3,507	24,874
Total Miscellaneous Expenses	856,504	835,793	20,711	797,413
Total Administrative Expenses	3,071,605	2,949,852	121,753	2,894,641
Expenses:				
Operating:				
Personnel Expenses:				
Salaries - Regular	3,459,662	3,283,674	175,988	3,478,299
Salaries - Overtime	180,828	162,285	18,543	133,914
Total Personnel Expenses	3,640,490	3,445,959	194,531	3,612,213
Employee Benefits:				
Pension	355,478	335,149	20,329	340,626
Social Security	281,557	256,995	24,562	275,002
Unemployment	30,112	26,508	3,604	27,398
Workers' Compensation	262,000	261,943	57	255,705
Health Benefits	1,667,108	1,593,855	73,253	1,660,510
Total Employee Benefits	2,596,255	2,474,450	121,805	2,559,241
Office Supplies:				
Postage	1,100	49	1,051	0
Office Supplies	6,900	4,699	2,201	6,632
Printing and Binding	1,000	0	1,000	0
Other Supplies	1,500	1,267	233	763
Total Office Supplies	10,500	6,015	4,485	7,395

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, 2014

	2014 BUDGET	2014 ACTUAL	UNEXPENDED BALANCE OR (EXCESS)	2013 ACTUAL
Plant Expenses:				
Chemicals and Gases	\$ 461,500	420,090	41,410	271,112
Fuel Oil	18,725	15,249	3,476	9,436
Gasoline	73,000	60,572	12,428	58,421
Other	54,000	33,226	20,774	25,306
	<u>607,225</u>	<u>529,137</u>	<u>78,088</u>	<u>364,275</u>
Total Plant Expenses				
	<u>607,225</u>	<u>529,137</u>	<u>78,088</u>	<u>364,275</u>
Utilities:				
Telephone	19,000	12,260	6,740	7,716
Electricity	928,000	902,509	25,491	869,439
Sewerage	2,000	1,193	807	557
Gas	8,000	7,340	660	6,215
	<u>957,000</u>	<u>923,302</u>	<u>33,698</u>	<u>883,927</u>
Total Utilities				
	<u>957,000</u>	<u>923,302</u>	<u>33,698</u>	<u>883,927</u>
Rentals:				
Construction Equipment	9,200	5,977	3,223	1,110
Other Rentals	9,200	6,435	2,765	2,732
	<u>18,400</u>	<u>12,412</u>	<u>5,988</u>	<u>3,842</u>
Total Rentals				
	<u>18,400</u>	<u>12,412</u>	<u>5,988</u>	<u>3,842</u>
Outside Services:				
General Insurance	365,000	347,231	17,769	372,373
Advertising	3,500	2,770	730	1,990
Laboratory	90,000	84,311	5,689	81,676
New Jersey DEP	38,000	35,367	2,633	33,840
Engineering Fees	10,000	2,952	7,048	6,450
Other Outside Services	197,000	178,077	18,923	186,123
Miscellaneous	4,000	2,732	1,268	3,195
	<u>707,500</u>	<u>653,440</u>	<u>54,060</u>	<u>685,647</u>
Total Outside Services				
	<u>707,500</u>	<u>653,440</u>	<u>54,060</u>	<u>685,647</u>
Training, Travel & Education:				
Training	18,000	14,988	3,012	16,404
Employee Travel	7,000	1,499	5,501	2,009
	<u>25,000</u>	<u>16,487</u>	<u>8,513</u>	<u>18,413</u>
Total Training, Travel & Education				
	<u>25,000</u>	<u>16,487</u>	<u>8,513</u>	<u>18,413</u>
Dues and Subscriptions:				
Dues	5,500	4,456	1,044	4,028
Books and Publications	800	170	630	165
	<u>6,300</u>	<u>4,626</u>	<u>1,674</u>	<u>4,193</u>
Total Dues and Subscriptions				
	<u>6,300</u>	<u>4,626</u>	<u>1,674</u>	<u>4,193</u>

SCHEDULE 2

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, 2014

	2014 BUDGET	2014 ACTUAL	UNEXPENDED BALANCE OR (EXCESS)	2013 ACTUAL
Taxes:				
Real Estate Taxes	\$ 113,028	112,325	703	108,026
State Water Taxes	38,500	30,524	7,976	32,729
	<u>151,528</u>	<u>142,849</u>	<u>8,679</u>	<u>140,755</u>
Total Taxes				
Repairs and Maintenance:				
Electrical	34,000	10,126	23,874	26,398
Plumbing	24,000	8,667	15,333	12,110
Street Opening	438,000	429,602	8,398	380,552
Motor Vehicle	64,300	62,804	1,496	46,790
Building and Grounds	141,255	138,013	3,242	140,094
Machinery and Equipment	64,000	40,653	23,347	42,742
Clothing Allowance	31,000	13,721	17,279	43,012
Other Expenses	30,925	11,265	19,660	14,975
	<u>827,480</u>	<u>714,851</u>	<u>112,629</u>	<u>706,673</u>
Total Repairs and Maintenance				
Total Operations Expense	<u>9,547,678</u>	<u>8,923,528</u>	<u>624,150</u>	<u>8,986,574</u>
Total Administrative and Operations Expenses	<u>12,619,283</u>	<u>11,873,380</u>	<u>745,903</u>	<u>11,881,215</u>
Other Costs Funded by Revenues:				
Debt Service:				
Principal	2,458,812	2,458,812	-	2,408,829
Interest	561,182	552,103	9,079	601,059
	<u>3,019,994</u>	<u>3,010,915</u>	<u>9,079</u>	<u>3,009,888</u>
Total Costs Funded by Operating Revenues	<u>\$ 15,639,277</u>	<u>\$ 14,884,295</u>	<u>\$ 754,982</u>	<u>\$ 14,891,103</u>

{THIS PAGE IS INTENTIONALLY LEFT BLANK}



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

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, 2014, 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 11, 2015.

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 11, 2015

AUDIT FINDINGS AND RESPONSES

NONE

**Status of Prior Year Findings and Questioned Costs
For the Year Ended December 31, 2013**

NONE