

**Middlesex County Utilities  
Authority - Solid Waste Division**

Financial Statements  
and Supplementary Information

December 31, 2013 and 2012



# **Middlesex County Utilities Authority - Solid Waste Division**

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December 31, 2013 and 2012

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## Independent Auditors' Report

Board of Commissioners  
Middlesex County Utilities Authority - Solid Waste Division

### Report on the Financial Statements

We have audited the accompanying financial statements of Middlesex County Utilities Authority-Solid Waste Division (the "Authority"), which comprise the statement net position as of December 31, 2013 and 2012, and the related statements of revenues and expenses, changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Middlesex County Utilities Authority-Solid Waste Division as of December 31, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 2 to the financial statements, the Authority adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* which provided guidance for the classification and treatment of items previously reported as assets and liabilities as of December 31, 2012.

## **Report on Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 4 through 6 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information (other than the Management Discussion and Analysis) listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the 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 April 29, 2014 on our consideration of Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Parente Beard LLC".

Clark, New Jersey  
April 29, 2014

## **Middlesex County Utilities Authority - Solid Waste Division**

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Management's Discussion and Analysis  
Year Ended December 31, 2013  
(Unaudited)

This section presents management's discussion and analysis of the Solid Waste Division's financial condition and activities for the fiscal year ending December 31, 2013. This information should be read in conjunction with the basic financial statements.

### **Financial Highlights**

- The Authority's total net position decreased by 6.8%. This is primarily the result of the amortization of landfill costs. This also included an additional 25,000 unbudgeted tons of waste accepted in 2013.
- Tipping fees increased 5.4%, mainly due to additional waste from hurricane debris (see Other Financial Information).
- Operating expenses showed a minimal decrease of 1.8%.
- Excluding depreciation and amortization, operating income was \$8,774,828 for 2013.

### **Overview of the Financial Statements**

The Authority is a body politic and corporate and an instrumentality of the State of New Jersey. The Solid Waste Division is supported by tipping fees from waste generated and disposed of in Middlesex County. The basic financial statements report information using full accrual accounting methods. The Authority has been subject to GAAP (generally accepted accounting principles) since 1986 as promulgated by GASB; hence, the depreciation and amortization schedules are now and have been an integral part of the financial statements enumerated below.

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

The **statement of revenues and expenses and the statement of changes in net position** present the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving to the change occurs, regardless of the timing of the related cash flows.

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 basic 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.

## Middlesex County Utilities Authority - Solid Waste Division

Management's Discussion and Analysis  
Year Ended December 31, 2013  
(Unaudited)

**Supplementary information** comparing the budget to actual expenses, as well as important debt coverage data, is provided.

The basic financial statements were prepared by the Authority's staff from the detailed books and records of the Authority. The basic financial statements were audited and adjusted, if material, during the independent external audit process.

### Financial Analysis of the Authority

The following comparative condensed analyses should be used in conjunction with the complete exhibits included in the basic financial statements.

### Net Position

	December 31,	
	2013	2012
Current unrestricted assets	\$ 6,884,605	\$ 9,004,739
Capital assets	111,124,221	124,690,385
Restricted assets	117,888,172	114,627,656
<b>Total assets</b>	<b>235,896,998</b>	<b>248,322,780</b>
Current liabilities	10,887,347	10,379,813
Long-term debt	47,866,916	55,152,385
Fund held in trust	1,748,594	1,755,180
Unamortized original issues premiums	652,283	725,631
Closure and post-closure liabilities	64,864,799	63,734,994
Other post-employment benefits	6,178,955	5,277,583
<b>Total liabilities</b>	<b>132,198,894</b>	<b>137,025,586</b>
<b>Total net position</b>	<b>\$ 103,698,104</b>	<b>\$ 111,297,194</b>

### Capital Assets

	December 31,	
	2013	2012
Land	\$ 55,366,747	\$ 55,366,747
Landfill expansion	226,375,471	225,111,294
Building and improvements	10,725,352	10,729,412
Improvements other than buildings	6,955,877	7,084,179
Machinery and equipment	4,349,438	2,893,058
Furniture and fixture	-	12,594
<b>Total cost of capital assets</b>	<b>303,772,885</b>	<b>301,197,284</b>
Less: accumulated depreciation and amortization	192,648,664	176,506,899
<b>Net capital assets</b>	<b>\$ 111,124,221</b>	<b>\$ 124,690,385</b>

## Middlesex County Utilities Authority - Solid Waste Division

Management's Discussion and Analysis  
Year Ended December 31, 2013  
(Unaudited)

Amortization for the landfill itself is based on estimated "air space" remaining before the landfill has to be closed and capped.

### Outstanding Debt

	December 31,	
	2013	2012
2007 NJEIT bonds	\$ 36,768,587	\$ 42,451,729
2009A NJEIT bonds	18,383,798	19,858,279
Total outstanding principal	\$ 55,152,385	\$ 62,310,008

### Other Financial Information

- Although incoming tonnage has shown a decrease over the past few years, volumes have increased for 2013, leading to the 5.4% increase in tipping fees. Due to the massive damage caused by Hurricane Sandy, the New Jersey Department of Environmental Protection mandated that the landfill be open 7 days per week, with extended operating hours during the normal 5 ½ day work week, for debris clean-up and disposal by affected municipalities. This mandate was in effect through February 2013. The increase in tipping fees and annual tonnage is the result of this county-wide clean-up.
- Since these extended hours were a result of a State Mandate, the Middlesex County Utilities Authority – Solid Waste Division has submitted a Project Worksheet for the Federal Emergency Management Agency (FEMA) to try to recoup a percentage of the extra man-hours and equipment usage for that time period.

### Financial Contact

The Authority's financial statements are designed to present users (citizens, taxpayers, investors, and creditors) with a general overview of the Authority's finances and to demonstrate the Authority's accountability for its resources. If you have questions about this report or need additional information, contact the Authority's Comptroller at Middlesex County Utilities Authority, P.O. Box 159, 2571 Main Street, Sayreville, New Jersey, 08872.



**Middlesex County Utilities Authority - Solid Waste Division**

Statement of Net Position

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u> <u>(As Restated)</u>
<b>Assets</b>		
<b>Unrestricted Current Assets</b>		
Cash and cash equivalents	\$ 5,740,158	\$ 5,784,847
Accounts receivable	1,144,447	1,572,311
Interest receivable	-	100,915
MCIA loan receivable	-	1,546,666
	<u>6,884,605</u>	<u>9,004,739</u>
<b>Restricted Current Assets</b>		
Cash and cash equivalents	66,392,222	84,596,410
Investments	38,065,485	16,847,998
Loan receivable, Wastewater Division	13,100,000	13,100,000
Interest receivable	330,465	83,248
	<u>117,888,172</u>	<u>114,627,656</u>
Total current assets	124,772,777	123,632,395
<b>Capital Assets, net</b>	<u>111,124,221</u>	<u>124,690,385</u>
Total assets	<u>\$ 235,896,998</u>	<u>\$ 248,322,780</u>

*See notes to financial statements*

**Middlesex County Utilities Authority - Solid Waste Division**

Statement of Net Position

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u> <u>(As Restated)</u>
<b>Liabilities and Net Position</b>		
<b>Current Liabilities Payable from Unrestricted Assets</b>		
Accounts payable	\$ 1,972,733	\$ 1,609,672
Accrued liabilities	246,392	62,309
Unearned service revenue	<u>841,650</u>	<u>955,276</u>
Total current liabilities payable from unrestricted assets	3,060,775	2,627,257
<b>Current Liabilities Payable from Restricted Assets</b>		
Accrued interest payable	541,103	594,933
Current portion of bonds payable	<u>7,285,469</u>	<u>7,157,623</u>
Total current liabilities	10,887,347	10,379,813
<b>Long-Term Liabilities</b>		
Bonds payable net of current portion	47,866,916	55,152,385
Liability for other post employment benefits	6,178,955	5,277,583
Closure and postclosure liabilities	64,864,799	63,734,994
Unamortized original issue premium	652,283	725,631
Funds held in escrow	<u>1,748,594</u>	<u>1,755,180</u>
Total liabilities	<u>132,198,894</u>	<u>137,025,586</u>
<b>Net Position</b>		
Invested in capital assets, net of related debt	55,971,836	62,380,377
Unrestricted	21,975,057	24,270,961
Restricted-funded reserves:		
Environmental self-insurance	20,273,896	20,230,898
Public liability insurance	1,997,510	1,993,274
Auto, workers compensation and general liability insurance	<u>3,479,805</u>	<u>2,421,684</u>
Total net position	<u>103,698,104</u>	<u>111,297,194</u>
Total liabilities and net position	<u><u>\$ 235,896,998</u></u>	<u><u>\$ 248,322,780</u></u>

See notes to financial statements

## Middlesex County Utilities Authority - Solid Waste Division

Statement of Revenue and Expenses  
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u> <u>(As Restated)</u>
<b>Revenues</b>		
Tipping fees	\$ 33,774,595	\$ 32,055,623
Soil program income	1,225,670	1,353,287
Miscellaneous income	435,394	297,250
	<u>35,435,659</u>	<u>33,706,160</u>
<b>Operating Expenses</b>	<u>26,660,831</u>	<u>27,160,742</u>
Operating income before depreciation and amortization	8,774,828	6,545,418
<b>Depreciation and Amortization</b>	<u>16,236,587</u>	<u>15,162,697</u>
Operating loss	(7,461,759)	(8,617,279)
<b>Nonoperating Income (expense)</b>		
Interest income	297,001	215,759
Interest expense	<u>(1,386,499)</u>	<u>(1,505,342)</u>
	<u>(1,089,498)</u>	<u>(1,289,583)</u>
Net loss	<u>\$ (8,551,257)</u>	<u>\$ (9,906,862)</u>

See notes to financial statements

## Middlesex County Utilities Authority - Solid Waste Division

### Statement of Changes in Net Position

Years Ended December 31, 2013 and 2012

	Invested in Capital Assets Net of Related Debt	Unrestricted	Restricted	Total
<b>Balance, January 1, 2012 (As Restated)</b>	\$ 69,948,603	\$ 27,089,637	\$ 24,847,519	\$ 121,885,759
Net income (loss)	(15,236,045)	5,249,143	80,040	(9,906,862)
Net transfers from reserves	7,667,819	(8,067,819)	400,000	-
Net claim reimbursements from restricted funded reserves	-	-	(681,703)	(681,703)
<b>Balance, December 31, 2012 (As Restated)</b>	62,380,377	24,270,961	24,645,856	111,297,194
Net income (loss)	(16,309,935)	7,705,490	53,188	(8,551,257)
Net transfers from reserves	9,901,394	(10,001,394)	100,000	-
Insurance and FEMA reimbursements, net of claims of \$332,629	-	-	952,167	952,167
<b>Balance, December 31, 2013</b>	<u>\$ 55,971,836</u>	<u>\$ 21,975,057</u>	<u>\$ 25,751,211</u>	<u>\$ 103,698,104</u>

See notes to financial statements

## Middlesex County Utilities Authority - Solid Waste Division

### Statement of Cash Flows

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u> <u>As Restated</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 34,142,591	\$ 32,542,139
Miscellaneous income from customers and vendors	3,165,681	6,585,133
Cash payments for goods and services	(23,209,452)	(27,609,079)
Cash payments to employees	(2,501,945)	(2,519,448)
	<u>11,596,875</u>	<u>8,998,745</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Additions to capital assets	(2,743,771)	(627,635)
Interest paid	(1,440,329)	(1,551,066)
Claims paid from funded reserves	952,167	(681,703)
Repayments of bonds payable	(7,157,623)	(7,040,183)
	<u>(10,389,556)</u>	<u>(9,900,587)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of investment securities	(28,149,837)	(17,075,700)
Proceeds from sale and maturities of investments	6,932,350	19,937,423
Loan repayments from Wastewater Division	-	1,000,000
Repayment of MCIA loan receivable	1,546,666	773,333
Interest income received on investments	214,625	173,535
	<u>(19,456,196)</u>	<u>4,808,591</u>
Net cash (used in) provided by investing activities	<u>(19,456,196)</u>	<u>4,808,591</u>
(Decrease) increase in cash and cash equivalents	(18,248,877)	3,906,749
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>90,381,257</u>	<u>86,474,508</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 72,132,380</u>	<u>\$ 90,381,257</u>
<b>Summary of Cash and Cash Equivalents at End of Year</b>		
Unrestricted assets	\$ 5,740,158	\$ 5,784,847
Restricted assets	<u>66,392,222</u>	<u>84,596,410</u>
	<u>\$ 72,132,380</u>	<u>\$ 90,381,257</u>

See notes to financial statements

## Middlesex County Utilities Authority - Solid Waste Division

Statement of Cash Flows

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u> <u>As Restated</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>		
Operating loss	\$ (7,461,759)	\$ (8,617,279)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	16,236,587	15,162,697
Changes in operating assets and liabilities		
Accounts receivable	427,864	172,407
Accounts payable, accrued liabilities and retainage payable	547,144	(400,220)
Unearned service revenue	(113,626)	290,995
Liability for other post employment benefits	901,372	1,020,078
Accrued closure and postclosure liabilities	1,065,879	1,346,841
Funds held in trust	(6,586)	23,226
	<u>\$ 11,596,875</u>	<u>\$ 8,998,745</u>

See notes to financial statements

# **Middlesex County Utilities Authority - Solid Waste Division**

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Notes to Financial Statements  
December 31, 2013 and 2012

## **1. Organization**

The Middlesex County Utilities Authority (the "Authority") is a public body, politic and corporate of the State of New Jersey. As a public body under existing statute, the Authority is exempt from both federal and state income taxes.

The Authority has two divisions: the Solid Waste Division and the Wastewater Division. The two divisions are operated as separate enterprises with the assets, liabilities, net position, revenues and expenses of each segregated from the other. Certain common expenses are allocated between the divisions. Each division prepares separate sets of financial statements.

### **The Solid Waste Division**

The Solid Waste Division (the "Division") commenced landfill operations on January 1, 1988, and is responsible for the implementation of the principal elements of the County's Solid Waste Management Plan.

### **The Wastewater Division**

The Wastewater Division is authorized and empowered to construct, maintain and operate sewage and sludge treatment facilities and to issue revenue bonds payable from the annual charges collected from the Authority's participants. Such sewer revenue bonds are secured solely by revenues derived from the operation of the Wastewater Division and have no lien or claim upon any of the assets or revenues of the Solid Waste Division.

## **2. Summary of Significant Accounting Policies**

These financial statements include the operations of the landfill and the Division's activities relative to the implementation of the principal elements of Middlesex County's Solid Waste Management Plan, but exclude the assets, liabilities, net position and operations of the Wastewater Division.

### **General Statement**

The accounting and reporting policies of the Division included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America as applicable to local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (the "GASB") and by the Financial Accounting Standards Board (the "FASB"), where applicable, in accordance with GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

### **Basis of Presentation**

The operations of the Solid Waste Division are accounted for as a proprietary fund. The accompanying financial statements of the Solid Waste Division have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America applicable to proprietary funds as defined by the Governmental Accounting Standards Board ("GASB").

## **Middlesex County Utilities Authority - Solid Waste Division**

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Notes to Financial Statements  
December 31, 2013 and 2012

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Subsequent Events**

The Authority has evaluated subsequent events through April 29, 2014, which is the date the financial statements were available to be issued.

### **Operating Revenues and Expenses**

Operating revenues, which result from providing landfill facilities, are principally derived from receipts of funds from customers. Operating expenses for these operations include all costs related to providing the services. All other revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

### **Cash Equivalents**

Cash equivalents include certificates of deposit and a cash management fund. The Solid Waste Division considers investments with original maturities of three months or less at the date of purchase to be cash equivalents.

### **Accounts Receivable**

Accounts receivable consist of receivables at original invoice amounts. Credit is generally extended on a short-term basis; thus, receivables do not bear interest. Receivables are periodically evaluated for collectability based on past credit history with customers and their current financial condition. Changes in the estimated collectability of receivables are recorded in the results of operations for the period in which the estimate is revised. No allowance for doubtful accounts was required at December 31, 2013 or 2012.



## Middlesex County Utilities Authority - Solid Waste Division

Notes to Financial Statements  
December 31, 2013 and 2012

### Restricted Assets

Restricted assets consist of funds provided from issuance of bonds and/or revenues and are restricted for specific purposes under the resolution authorizing the issuance of the bonds or the Authority budget. Restricted assets were as follows at:

<u>Purpose</u>	<u>2013</u>	<u>2012</u>
Acquisition or construction of property, plant and equipment and related improvements	\$ 23,543,601	\$ 22,899,653
Landfill closure and post-closure	64,864,799	63,351,198
Future contingencies	27,731,178	26,621,625
Funds held in escrow	1,748,594	1,755,180
	<u>\$ 117,888,172</u>	<u>\$ 114,627,656</u>

### Investments

Investments are purchased with the intent to hold to maturity. Investments consist of certificates of deposit and U.S. Government obligations which are stated at cost (adjusted for accumulated amortization/accretion of any premium or discounts) which approximates fair value.

### Capital Assets

Property, plant and equipment are stated at cost or estimated historical cost. Cost includes interest expense, net of related interest income on tax-exempt borrowings obtained to finance construction projects. Landfill improvements are amortized based on the units of airspace used during the year.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Building and improvements	3 - 20
Machinery and equipment	3 - 10
Furniture and fixtures	3 - 10

### Accrued Closure and Post-Closure Liabilities

Landfill site closure and post-closure cost liabilities are funded based on estimates of closure and post-closure costs to be incurred and units of airspace filled during the period.

### Insurance Reserves

The Authority self insures for a portion of the losses that could arise during the normal course of its operations, such as losses from general liability, collision losses and workers' compensation claims. The Authority's policy is to set up funded reserves for claims that may arise and to purchase commercial insurance to cover the liability for claims in excess of self-insured amounts.

## Middlesex County Utilities Authority - Solid Waste Division

Notes to Financial Statements  
December 31, 2013 and 2012

### New Accounting Standard

As a result of adopting the new authoritative guidance of Government Accounting Standards Board Statement No. 65, *Items previously Reported as Assets and Liabilities* ("GASB 65"), the Authority restated its Statement of Net Position as of January 1, 2012, the beginning of the first period presented in the accompanying financial statements. The restatement decreased assets by eliminating recorded deferred financing costs and reduced net position by \$70,843. Additionally, amortization expense of \$5,060 was eliminated from the Statement of Revenues and Expenses for the year ended December 31, 2012. No other reclassifications or modifications were made to the Authority's financial statements as a result of adoption of GASB 65.

### 3. Cash and Cash Equivalents

The components of cash and cash equivalents are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<b>December 31, 2013</b>			
Cash on deposit	\$ 5,740,158	\$ 51,367,410	\$ 57,107,568
Cash equivalents	-	15,024,812	15,024,812
Total	<u>\$ 5,740,158</u>	<u>\$ 66,392,222</u>	<u>\$ 72,132,380</u>
<b>December 31, 2012</b>			
Cash on deposit	\$ 5,784,847	\$ 84,510,745	\$ 90,295,592
Cash equivalents	-	85,665	85,665
	<u>\$ 5,784,847</u>	<u>\$ 84,596,410</u>	<u>\$ 90,381,257</u>

The cash on deposit is partially insured by Federal deposit insurance in the amount of \$250,000 in each depository. At December 31, 2013 the Authority had on deposit, bank balances of approximately \$58,023,511 in two commercial banks, \$273,844 of which was covered by Federal deposit insurance. Balances above the Federal deposit insurance amount were insured by the Governmental Unit Deposit Protection Act ("GUDPA"), N.J.S.A. 17:9-41, et seq., which insures all New Jersey governmental units' deposits in excess of the Federal deposit insurance maximums. See Note 4 for risk disclosures.

### 4. Investments

The Authority's investment policy permits the investing of monies in the following types of investments:

- a) Any direct and general obligation of the United States of America.
- b) Negotiable or non-negotiable certificates of deposit issued by any bank, savings and loan association, or national banking association if qualified to serve as a depository for public funds under the provisions of the Governmental Unit Deposit Protection Act, N.J.S.A. 17:9-41 et seq.

## Middlesex County Utilities Authority - Solid Waste Division

Notes to Financial Statements  
December 31, 2013 and 2012

c) Deposits in the State of New Jersey Cash Management Fund.

The Authority's investments which are held in the Authority's name on the records of the various financial institutions are summarized below:

Type	December 31, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
United States Government obligations:				
FNMA and FHLMC obligations				
Short-term	\$ 8,220,000	\$ 8,266,158	\$ 6,778,000	\$ 6,825,491
Long-term	9,229,080	8,929,425	10,069,998	9,842,368
US Treasury Note				
Long-term	13,866,875	13,917,850	-	-
Certificates of deposit:				
Short-term	4,750,000	4,744,455	-	-
Long-term	1,999,530	2,005,343	-	-
Total	<u>\$ 38,065,485</u>	<u>\$ 37,863,231</u>	<u>\$ 16,847,998</u>	<u>\$ 16,667,859</u>

Pursuant to Governmental Accounting Standards Board Statement No. 40, *Deposits and Investment Risk Disclosures* ("GASB 40"), the Authority's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of a failure of the counterparty, the Authority would not be able to recover the value of its deposits or investments.) Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2013, all of the Authority's deposits were collateralized by securities held by the GUDPA collateral pool and, accordingly, are not exposed to Custodial Credit Risk.

**Credit Risk:** The Authority does not have an investment policy regarding the management of credit risk, because it is the Authority's policy to only invest in securities that are obligations of the U.S. Government or securities guaranteed by the U.S. Government. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments, except for obligations of the U.S. Government or investments guaranteed by the U.S. Government.

**Interest Rate Risk:** The Authority only invests in securities of, or guaranteed by, the U.S. Government, which it generally holds until maturity. As such, management believes that they do not have a significant exposure to interest rate risk, therefore, the Authority does not have a policy to limit interest rate risk.

## Middlesex County Utilities Authority - Solid Waste Division

Notes to Financial Statements  
December 31, 2013 and 2012

### 5. MCIA Loan Receivable

The Authority loaned money to the Middlesex County Improvement Authority ("MCIA") under a renewable agreement. The loan interest rate was 2.0% per annum. The agreement expired in May 2013, and the loan was fully repaid by MCIA in June 2013.

### 6. Capital Assets

Property, plant and equipment consist of the following:

Purpose	2013	2012
Landfill and landfill expansion, including initial preparatory cost and construction in progress	\$ 279,532,138	\$ 279,532,138
Construction in progress	2,210,080	945,903
Buildings, machinery and equipment	22,030,667	20,719,243
	303,772,885	301,197,284
Less accumulated depreciation and amortization	192,648,664	176,506,899
	<u>\$ 111,124,221</u>	<u>\$ 124,690,385</u>

Depreciation expense on buildings, machinery and equipment amounted to \$1,588,294 and \$1,569,897 for the years ended December 31, 2013 and 2012, respectively. The amortization expense on landfill and landfill expansion was \$14,721,641 and \$13,666,148 for the years ended December 31, 2013 and 2012, respectively.

	Balance January 1, 2013	Increase	Decrease	Balance December 31, 2013
Landfill and landfill expansion	\$ 279,532,138	\$ -	\$ -	\$ 279,532,138
Construction in progress	945,903	1,264,177	-	2,210,080
Other assets	20,719,243	1,479,593	168,169	22,030,667
	<u>\$ 301,197,284</u>	<u>\$ 2,743,770</u>	<u>\$ 168,169</u>	<u>\$ 303,772,885</u>

	Balance January 1, 2012	Increase	Decrease	Balance December 31, 2012
Landfill and landfill expansion	\$ 279,532,138	\$ -	\$ -	\$ 279,532,138
Construction in progress	1,365,494	54,792	474,383	945,903
Other assets	21,742,961	1,047,226	2,070,944	20,719,243
	<u>\$ 302,640,593</u>	<u>\$ 1,102,018</u>	<u>\$ 2,545,327</u>	<u>\$ 301,197,284</u>

## Middlesex County Utilities Authority - Solid Waste Division

Notes to Financial Statements  
December 31, 2013 and 2012

### 7. Long-Term Debt

In 2007 the Authority borrowed \$64,962,245 from the New Jersey Environmental Infrastructure Trust. The bonds are payable in two separate portions. The Federal portion is payable in semi-annual principal amounts of approximately \$2,888,000 per year without interest. The State portion bears interest at rates ranging from 3.6% to 5.0% per annum and is payable in annual installments ranging from a current amount of \$2,890,000 to \$3,640,000 through August 2019. The current portion as of December 31, 2013 is \$5,775,988.

In 2009 the Authority borrowed \$23,537,398 in supplemental bond financing from the New Jersey Environmental Infrastructure Trust. The bonds are payable in two separate portions. The Federal portion is payable in semi-annual principal amounts aggregating approximately \$824,500 per year without interest. The State portion bears interest at rate ranging from 3.5% to 5.0% per annum and is payable in annual installments ranging from a current amount of \$685,000 to \$1,055,000 through August 2024. The current portion as of December 31, 2013 is \$1,509,482.

The following changes occurred in long-term debt obligations:

	<u>Balance January 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance December 31, 2013</u>
Bonds payable	\$ 62,310,008	\$ -	\$ 7,157,623	\$ 55,152,385

  

	<u>Balance January 1, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance December 31, 2012</u>
Bonds payable	\$ 69,350,191	\$ -	\$ 7,040,183	\$ 62,310,008

Annual repayments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
Years ended December 31:			
2014	7,285,469	1,310,040	8,595,509
2015	7,421,201	1,171,750	8,592,951
2016	7,611,392	986,250	8,597,642
2017	7,808,488	791,250	8,599,738
2018	8,013,298	586,500	8,599,798
2019 through 2023	15,363,556	917,400	16,280,956
2024	1,648,981	42,200	1,691,181
	<u>\$ 55,152,385</u>	<u>\$ 5,805,390</u>	<u>\$ 60,957,775</u>

## **Middlesex County Utilities Authority - Solid Waste Division**

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Notes to Financial Statements  
December 31, 2013 and 2012

### **8. Disclosures About Fair Value of Financial Instruments**

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

*Short-term investments:* The carrying amount approximates fair value because of the short maturity of those instruments.

*Long-term investments:* The fair value of long-term investments are estimated based on quoted market prices for those or similar investments. Additional information pertinent to the value of these investments is provided in Note 4.

*Long-term debt:* The Authority's long-term debt is stated at face value, which management believes approximates fair value based on the current rates available to the Authority and the remaining terms of the obligations.

### **9. Reservations on Net Position**

Under its budget practices, the Authority reserves the use of unexpended funds for Solid Waste Division's appropriations specifically earmarked for acquisition of property, plant and equipment and for future contingencies and liabilities. Certain of these reserves are restricted fund reserves and others are funded reserves of unrestricted net position.

### **10. Service Revenues**

Service revenues are generated from solid waste disposal activities at the Middlesex County Landfill site. Pre-approved municipal and private haulers that collect Middlesex County solid waste are the only haulers authorized to dispose of waste at the Middlesex County Landfill site. Private haulers are required to pay their tipping fees in advance and the Authority records these payments as unearned service revenue until such time as it receives waste from the haulers.

Solid waste is classified into three categories. Regular and contract waste consists of conventional residential, commercial or industrial waste. Special waste requires special testing or handling. Mixed waste which consists of transfer station residual waste, and waste from construction and demolition materials, is classified as I.D. 13.

The landfill rate structure per ton as adopted in the Authority's original 2013 budget is as follows:

## Middlesex County Utilities Authority - Solid Waste Division

Notes to Financial Statements  
December 31, 2013 and 2012

	Contract (Tier 1)	Contract (Tier II)	Regular	C&D	Special
Rates to cover operating costs, capital costs and reserves	\$ 48.48	\$ 51.48	\$ 54.98	\$ 54.98	\$ 85.98
Mandated taxes:					
DEP closure tax	1.00	1.00	1.00	1.00	1.00
State closure and contingency tax	0.50	0.50	0.50	0.50	0.50
State solid waste service tax	3.00	3.00	3.00	3.00	3.00
Host community tax	5.15	5.15	5.15	5.15	5.15
County tax	0.77	0.77	0.77	0.77	0.77
Adjoining host community tax	3.60	3.60	3.60	3.60	3.60
Total mandated taxes	14.02	14.02	14.02	14.02	14.02
Total rate per ton	<u>\$ 62.50</u>	<u>\$ 65.50</u>	<u>\$ 69.00</u>	<u>\$ 69.00</u>	<u>\$ 100.00</u>
2012 rates	<u>\$ 62.50</u>	<u>\$ 65.50</u>	<u>\$ 69.00</u>	<u>\$ 69.00</u>	<u>\$ 100.00</u>

### 11. Related Party Transactions

#### Management Fee

The operating expenses for the Solid Waste Division include management fees to the Wastewater Division, which amounted to \$1,341,000 and \$1,511,196 for the years ended December 31, 2013 and 2012, respectively.

#### Note Receivable

The Solid Waste Division has loaned the Wastewater Division \$13,100,000. The note bears interest at the rate of 2.75% per annum and requires the Wastewater Division to make principal repayments at the discretion of the Board of Commissioners. There is no stated maturity date for the note. Interest income for the years ended December 31, 2013 and 2012 was \$359,037 and \$367,483, respectively.

### 12. Pension and Retirement Plans

#### Pension Plan

The Authority participates in the Public Employees' Retirement System of New Jersey, which is administered by the Division of Pensions in the Department of Treasury, State of New Jersey. This multiple-employer defined benefit pension plan is funded annually based on the projected benefit method with aggregate level normal cost and frozen initial unfunded accrued liability. The plan, which covers public employees throughout the state, does not maintain separate records for each reporting unit and, accordingly, the actuarial data specific to the employees of the Authority who are members of the plan is not available. Contributions for the years ended December 31, 2013 and 2012 aggregated \$258,392 and \$248,643, respectively.

## Middlesex County Utilities Authority - Solid Waste Division

Notes to Financial Statements  
December 31, 2013 and 2012

The Authority has adopted the provisions of the revision to Governmental Accounting Standards Board Statement No. 32, "Accounting for Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" ("GASB 32"), for both the deferred compensation and the discretionary supplemental retirement plans mentioned below, and has complied with the provisions of the Small Business Job Protection Act of 1996 (the "Act"). The Act requires that amounts deferred under this plan are to be held for the exclusive benefit of participating employees and are not accessible by the Authority or its creditors.

### Deferred Compensation

The Authority's deferred compensation program is offered to all Authority employees. The program was created in accordance with Sections 403(b) and 457 of the Internal Revenue Code. The program is offered by the Authority, through a program administrator, The Variable Annuity Life Insurance Company ("VALIC").

### Other Post Employment Benefits ("OPEB") - Retiree Welfare Plan

The Authority maintains a Retiree Welfare Plan which provides post retirement medical benefits to eligible retirees as described under the plan. During the year ended December 31, 2008 the Authority adopted the provisions of Statement of Governmental Accounting Standards No. 45 ("GASB 45") which requires that the Authority record an actuarially calculated liability and record its annual OPEB cost. The major actuarial assumptions, among others, were the use of a 4.5% discount rate and a computed Health Care Trend Rate ("HCTR") which ranged from 5% to 12% depending on the type of coverage. Tables were used for mortality, morbidity and disability variables in computing the HCTR. The Authority does not fund the actuarial cost of the plan and only contributes the amount necessary to pay for benefits of current retirees.

The Authority's annual OPEB cost is calculated based on the Annual Required Contribution ("ARC"), which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of time not to exceed thirty years. Also, the Authority elected to compute the Net OPEB Obligation ("NOO") at transition on a prospective rather than retroactive basis. The following table shows the components of the Authority's annual OPEB cost for the year ended December 31, 2013 and 2012, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation:

	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 444,397	\$ 436,631
Interest on Net OPEB obligation	273,510	187,498
Amortization on Net OPEB obligation	<u>337,650</u>	<u>522,371</u>
Annual OPEB cost	1,055,557	1,146,500
Contributions made	<u>154,185</u>	<u>126,422</u>
Increase in Net OPEB obligation	901,372	1,020,078
Net OPEB obligation - beginning of year	<u>5,277,583</u>	<u>4,257,505</u>
Net OPEB obligation - end of year	<u>\$ 6,178,955</u>	<u>\$ 5,277,583</u>



## Middlesex County Utilities Authority - Solid Waste Division

Notes to Financial Statements  
December 31, 2013 and 2012

### Funded Status and Funding Progress

The funded status of the plan as of January 1, 2013, the date of the most recent actuarial valuation, is as follows:

Actuarial Accrued Liability ("AAL")	\$ 11,578,452
Actuarial Value of Plan Assets	<u>-</u>
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 11,578,452</u>
Funded Ratio - Actuarial Value of Plan Assets/AAL	<u>0.0%</u>
Covered Payroll	<u>\$ 2,501,944</u>
UAAL as a percentage of covered payroll	<u>462.78%</u>

### Discretionary Supplemental Retirement Plan

The Authority's discretionary supplemental retirement plan is offered to all Authority permanent employees who have accrued the number of sick leave days, as determined by the Authority, provided that such employee is credited with at least 1,000 hours of service during the plan period. The program was created in accordance with Sections 401(a) and 403(b) of the Internal Revenue Code. The program is offered by the Authority through VALIC, which acts as its agent.

## 13. Commitments and Contingencies

### Acquisition of Property Interests in Edgeboro II

Pursuant to the County Solid Waste Management Plan, the Authority has undertaken the development and operation of an integrated solid waste management system, the principal long-term component of which is currently Edgeboro I. On May 10, 1991, the DEP issued a solid waste facility permit for Edgeboro II for five periods, the maximum allowable period under applicable law. As permitted, Edgeboro II was projected by the Authority to meet the County's landfill requirements at least through 2016.

In May 1994, after a series of condemnation hearings and negotiations, the Authority acquired an easement on certain sections "over the top" of the closed Edgeboro I and approximately 80 acres of vacant property for other public purposes.

### Host Community Benefit Agreements

*Township of East Brunswick:* Under the Host Community Benefit Statute, the Township of East Brunswick is entitled to host benefits in consideration for the location of an operating landfill within its borders. The benefits provided to the Township of East Brunswick, under the agreement currently in effect, are based on solid waste accepted at the landfill, at the per ton rate of \$5.15 with a minimum annual payment of \$3,090,000 and an annual basic payment of \$910,000, increased by the percentage increase on tipping for the period over that of 1988.

## **Middlesex County Utilities Authority - Solid Waste Division**

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Notes to Financial Statements  
December 31, 2013 and 2012

*Boroughs of Sayreville, South River and the Township of Edison:* Under the adjoining Host Community Benefit Statute, the Boroughs of Sayreville and South River and the Township of Edison are entitled to host benefits in consideration of these communities being located in close proximity to the landfill. The benefits under the agreements which are expensed as incurred are based on the following per ton rates applied to the previous period's total solid waste accepted for disposal in the landfill:

- For the Borough of Sayreville: \$1.20 per ton for the years 2003 - 2013.
- For the Borough of South River: \$1.50 per ton for the years 2003 - 2013.
- For the Township of Edison: \$0.90 per ton in 2003 - 2013.

### **MCIA Agreement**

On January 1, 2011, the Middlesex County Utilities Authority renewed a five-year agreement, to be renegotiated annually. Under the renegotiated agreement the Authority subsidizes the County of Middlesex Recycling Program in the amount of \$2,750,000 annually.

### **Closure and Post-Closure Care Cost**

In 1991 the Department of Environmental Protection ("DEP") and the Board of Public Utilities issued an order requiring Edgeboro Disposal Inc. ("EDI") to close the Edgeboro I landfill. The Authority and EDI share responsibility for the closure and post-closure work at Edgeboro I based on an agreement executed on October 10, 1991. Under the 1991 master plan developed for the facility permitting a comprehensive environmental management of the landfill, the closure and post-closure liabilities of Edgeboro I shall be funded principally by escrowed funds established by the owners of Edgeboro I under the terms of the rates (tipping fees) approved by the then Board of Public Utilities.

Federal and state laws and regulations require the Authority to place a final cover on each utilized area of the landfill site when the respective area stops accepting waste and to perform certain maintenance and monitoring functions at each site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that these landfill areas stop accepting waste, the Authority reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used each year. The \$64.9 million reported as landfill closure and post-closure care liability at December 31, 2013 represents the cumulative amount reported to date based on the use of approximately 86.5% of the estimated capacity of the landfill. Total costs are estimated to be approximately \$75 million.

The Authority has expensed \$813,051 and \$754,758 for closure and post-closure care costs for the years ended December 31, 2013 and 2012, respectively. These amounts are based on what it would cost to perform all closure and post-closure care for the Authority's share of closure costs. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

## Middlesex County Utilities Authority - Solid Waste Division

Notes to Financial Statements  
December 31, 2013 and 2012

The Authority also provides funding for closure and post-closure liabilities to meet regulatory requirements from tipping fee revenues. At December 31, 2013, investments with a cost of \$64,864,799, which approximates fair value, are held for these purposes. These are reported as restricted assets on the balance sheet. The Authority expects that future inflation costs will be paid from interest earnings on these annual contributions; however, if interest earnings are inadequate or additional post-closure care requirements are determined, due to changes in technology or applicable laws or regulations, for example, these costs may need to be covered by charges to future landfill users or from future tax revenues.

### Litigation

The Authority is a defendant in a number of legal proceedings. If these cases are decided against the Authority, the Authority will pay such amounts from future user fees and specific reserves. The Authority expects such amounts, if any, will not have a material adverse effect on the Authority's financial statements.

### Environmental Regulations

The Authority operates its landfill, subject to extensive Federal and state environmental regulations. Accordingly, the Authority is subject to the administrative directives, rules and regulations of the Federal and state regulatory agencies. Such administrative directives, rules and regulations are subject to change by acts of the Federal and state legislatures. Such changes may occur with little or no notice or inadequate funding to pay for the related costs, including the additional administrative burden, to comply with the change. The Authority's management is not aware of any violations or administrative changes that may have a material effect on the financial statements.

### 14. Reservations of Unrestricted Net Assets

The Authority, under its budgetary practice, has established the following reservations of its unrestricted net assets as of December 31:

	<u>2013</u>	<u>2012</u>
Land acquisition and improvements	\$ 21,239,796	\$ 21,004,767
Reconstruction and replacement	4,509,705	4,100,786
Future contingencies	<u>1,979,967</u>	<u>1,975,768</u>
Total	<u>\$ 27,729,468</u>	<u>\$ 27,081,321</u>

## Middlesex County Utilities Authority - Solid Waste Division

### Schedule of Changes in Unrestricted Cash and Cash Equivalents

Year Ended December 31, 2013

	<b>Operating Fund</b>
<b>Sources</b>	
Tipping fees	\$ 34,142,591
Interest income	96,581
Soil program income	1,225,660
Miscellaneous receipts	1,559,849
Enrollment fees	13,660
Service fee income	366,512
Expense reimbursement	29,764
	<hr/>
Total sources	37,434,617
	<hr/>
<b>Uses</b>	
Vouchers paid	28,305,862
Transfers to debt service, net	8,789,649
Transfers to restricted funds	383,795
	<hr/>
Total uses	37,479,306
	<hr/>
<b>Decrease for the Year</b>	(44,689)
	<hr/>
<b>Balance, Beginning of Year</b>	5,784,847
	<hr/>
<b>Balance, End of Year</b>	\$ 5,740,158
	<hr/>
<b>Balance comprised of</b>	
Cash	<u>\$ 5,740,158</u>

## Middlesex County Utilities Authority - Solid Waste Division

Schedule of Changes in Restricted Cash, Cash Equivalents and Investments  
Year Ended December 31, 2013

	<b>General Liability Insurance Fund</b>	<b>Collision Insurance Reserve</b>	<b>Workers Compensation Insurance</b>	<b>Land Acquisition and Improvement Reserve</b>
<b>Sources</b>				
Interest income	\$ 4,701	\$ 404	\$ 849	\$ 15,107
Escrow deposits	-	-	-	-
Miscellaneous income	-	-	-	-
Due from Wastewater Division	-	-	-	-
Expense reimbursement	1,032,455	-	252,342	-
Budget Appropriation	-	-	100,000	-
Transfers - unrestricted funds	-	-	-	-
	<u>1,037,156</u>	<u>404</u>	<u>353,191</u>	<u>15,107</u>
Total sources	<u>1,037,156</u>	<u>404</u>	<u>353,191</u>	<u>15,107</u>
<b>Uses</b>				
Bond principal paid	-	-	-	-
Bond interest paid	-	-	-	-
Claims paid	48,000	3,950	280,679	-
NJEIT administrative fee	-	-	-	-
Trustee fee	-	-	-	-
Due from WWD	-	-	-	13,100,000
Miscellaneous loss	-	-	-	-
Escrow withdrawals	-	-	-	-
DEP fee	-	-	-	-
	<u>48,000</u>	<u>3,950</u>	<u>280,679</u>	<u>13,100,000</u>
Total uses	<u>48,000</u>	<u>3,950</u>	<u>280,679</u>	<u>13,100,000</u>
<b>Increase (Decrease)</b>	989,156	(3,546)	72,512	(13,084,893)
<b>Balance, Beginning of Year</b>	<u>1,766,319</u>	<u>190,561</u>	<u>464,805</u>	<u>14,237,651</u>
<b>Balance, End of Year</b>	<u><u>\$ 2,755,475</u></u>	<u><u>\$ 187,015</u></u>	<u><u>\$ 537,317</u></u>	<u><u>\$ 1,152,758</u></u>
<b>Balance comprised of</b>				
Cash	\$ 2,755,475	\$ 187,015	\$ 537,317	\$ 1,152,758
Cash equivalents	-	-	-	-
Investments:				
Certificates of deposit	-	-	-	-
Treasury notes	-	-	-	-
Other government obligations	-	-	-	-
	<u><u>\$ 2,755,475</u></u>	<u><u>\$ 187,015</u></u>	<u><u>\$ 537,317</u></u>	<u><u>\$ 1,152,758</u></u>

## Middlesex County Utilities Authority - Solid Waste Division

Schedule of Changes in Restricted Cash, Cash Equivalents and Investments  
Year Ended December 31, 2013

	DEP Closure Phase I	Environmental Self Insurance	Closure/ Post- Closure I	Closure/ Post- Closure II
<b>Sources</b>				
Interest income	\$ 17,874	\$ 42,998	\$ 6,788	\$ 39,109
Escrow deposits	-	-	-	271,199
Miscellaneous income	-	-	-	148,809
Due from Wastewater Division	-	-	-	13,100,000
Expense reimbursement	-	-	-	-
Budget Appropriation	-	-	-	-
Transfers - unrestricted funds	-	-	-	383,795
	<u>17,874</u>	<u>42,998</u>	<u>6,788</u>	<u>13,942,912</u>
Total sources				
<b>Uses</b>				
Bond principal paid	-	-	-	-
Bond interest paid	-	-	-	-
Claims paid	-	-	-	-
NJEIT administrative fee	-	-	-	-
Trustee fee	-	-	-	10,366
Due from WWD	-	-	-	-
Miscellaneous loss	-	-	-	-
Escrow withdrawals	-	-	-	-
DEP fee	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,366</u>
Total uses				
<b>Increase (Decrease)</b>	17,874	42,998	6,788	13,932,546
<b>Balance, Beginning of Year</b>	<u>8,409,798</u>	<u>20,230,898</u>	<u>3,193,786</u>	<u>21,630,706</u>
<b>Balance, End of Year</b>	<u>\$ 8,427,672</u>	<u>\$ 20,273,896</u>	<u>\$ 3,200,574</u>	<u>\$ 35,563,252</u>
<b>Balance comprised of</b>				
Cash	\$ 8,427,672	\$ 20,273,896	\$ 3,200,574	\$ 26,019
Cash equivalents	-	-	-	14,920,828
Investments:				
Certificates of deposit	-	-	-	6,749,530
Treasury notes	-	-	-	13,866,875
Other government obligations	-	-	-	-
	<u>\$ 8,427,672</u>	<u>\$ 20,273,896</u>	<u>\$ 3,200,574</u>	<u>\$ 35,563,252</u>

## Middlesex County Utilities Authority - Solid Waste Division

Schedule of Changes in Restricted Cash, Cash Equivalents and Investments

Year Ended December 31, 2013

	<u>Supplemental Fund</u>	<u>Public Liability Insurance Reserve</u>	<u>Aforce Escrow</u>	<u>Construction Reserve</u>
<b>Sources</b>				
Interest income	\$ 4,199	\$ 4,236	\$ 1,116	\$ 9,694
Escrow deposits	-	-	-	-
Miscellaneous income	-	-	-	-
Due from Wastewater Division	-	-	-	-
Expense reimbursement	-	-	-	-
Budget Appropriation	-	-	-	-
Transfers - unrestricted funds	-	-	-	-
	<u>4,199</u>	<u>4,236</u>	<u>1,116</u>	<u>9,694</u>
Total sources	<u>4,199</u>	<u>4,236</u>	<u>1,116</u>	<u>9,694</u>
<b>Uses</b>				
Bond principal paid	-	-	-	-
Bond interest paid	-	-	-	-
Claims paid	-	-	-	-
NJEIT administrative fee	-	-	-	-
Trustee fee	-	-	-	-
Due from WWD	-	-	-	-
Miscellaneous loss	-	-	-	-
Escrow withdrawals	-	-	-	-
DEP fee	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Increase (Decrease)</b>	4,199	4,236	1,116	9,694
<b>Balance, Beginning of Year</b>	<u>1,975,768</u>	<u>1,993,274</u>	<u>525,082</u>	<u>4,561,215</u>
<b>Balance, End of Year</b>	<u>\$ 1,979,967</u>	<u>\$ 1,997,510</u>	<u>\$ 526,198</u>	<u>\$ 4,570,909</u>
<b>Balance comprised of</b>				
Cash	\$ 1,979,967	\$ 1,997,510	\$ 526,198	\$ 4,570,909
Cash equivalents	-	-	-	-
Investments:				
Certificates of deposit	-	-	-	-
Treasury notes	-	-	-	-
Other government obligations	-	-	-	-
	<u>\$ 1,979,967</u>	<u>\$ 1,997,510</u>	<u>\$ 526,198</u>	<u>\$ 4,570,909</u>

## Middlesex County Utilities Authority - Solid Waste Division

Schedule of Changes in Restricted Cash, Cash Equivalents and Investments  
Year Ended December 31, 2013

	<b>Service Fee Escrow</b>	<b>Reconstruction Replacement Reserve</b>	<b>HMC Assoc., Inc. Escrow</b>	<b>Ozark Environmental Escrow</b>
<b>Sources</b>				
Interest income	\$ 1,510	\$ 8,919	\$ 739	\$ 1,107
Escrow deposits	1,947,053	-	-	-
Miscellaneous income	-	-	-	-
Due from Wastewater Division	-	-	-	-
Expense reimbursement	-	-	-	-
Budget Appropriation	-	400,000	-	-
Transfers - unrestricted funds	-	-	-	-
<b>Total sources</b>	<b>1,948,563</b>	<b>408,919</b>	<b>739</b>	<b>1,107</b>
<b>Uses</b>				
Bond principal paid	-	-	-	-
Bond interest paid	-	-	-	-
Claims paid	-	-	-	-
NJEIT administrative fee	-	-	-	-
Trustee fee	-	-	-	-
Due from WWD	-	-	-	-
Miscellaneous loss	-	-	-	-
Escrow withdrawals	2,012,477	-	-	-
DEP fee	-	-	-	-
<b>Total uses</b>	<b>2,012,477</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase (Decrease)</b>	<b>(63,914)</b>	<b>408,919</b>	<b>739</b>	<b>1,107</b>
<b>Balance, Beginning of Year</b>	<b>360,641</b>	<b>4,100,786</b>	<b>347,590</b>	<b>521,286</b>
<b>Balance, End of Year</b>	<b>\$ 296,727</b>	<b>\$ 4,509,705</b>	<b>\$ 348,329</b>	<b>\$ 522,393</b>
<b>Balance comprised of</b>				
Cash	\$ 296,727	\$ 4,509,705	\$ 348,329	\$ 522,393
Cash equivalents	-	-	-	-
Investments:				
Certificates of deposit	-	-	-	-
Treasury notes	-	-	-	-
Other government obligations	-	-	-	-
	<b>\$ 296,727</b>	<b>\$ 4,509,705</b>	<b>\$ 348,329</b>	<b>\$ 522,393</b>



## Middlesex County Utilities Authority - Solid Waste Division

Schedule of Changes in Restricted Cash, Cash Equivalents and Investments  
Year Ended December 31, 2013

	<u>DEP Closure Phase II</u>	<u>2009 Debt Service</u>	<u>2007 Debt Service</u>
<b>Sources</b>			
Interest income	\$ 270,414	\$ -	\$ -
Escrow deposits	542,395	-	-
Miscellaneous income	-	-	-
Due from Wastewater Division	-	-	-
Expense reimbursement	-	-	-
Budget appropriation	-	-	-
Transfers - unrestricted funds	-	2,016,429	6,773,220
	<u>812,809</u>	<u>2,016,429</u>	<u>6,773,220</u>
Total sources			
<b>Uses</b>			
Bond principal paid	-	1,474,482	5,683,141
Bond interest paid	-	447,150	993,179
Claims paid	-	-	-
NJEIT administrative fee	-	34,335	96,900
Trustee fee	39,056	-	-
Due from WWD	-	-	-
Miscellaneous loss	154,350	-	-
Escrow withdrawals	-	-	-
DEP fee	-	60,462	-
	<u>193,406</u>	<u>2,016,429</u>	<u>6,773,220</u>
Total uses			
<b>Increase (Decrease)</b>	619,403	-	-
<b>Balance, Beginning of Year</b>	<u>16,933,661</u>	<u>-</u>	<u>-</u>
<b>Balance, End of Year</b>	<u>\$ 17,553,064</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Balance comprised of</b>			
Cash	\$ -	\$ -	\$ -
Cash equivalents	103,984	-	-
Investments:			
Certificates of deposit	-	-	-
Treasury notes	2,017,984	-	-
Other government obligations	15,431,096	-	-
	<u>\$ 17,553,064</u>	<u>\$ -</u>	<u>\$ -</u>

## Middlesex County Utilities Authority - Solid Waste Division

Schedule of Changes in Restricted Cash, Cash Equivalents and Investments  
Year Ended December 31, 2013

	<b>SWD Benefits Escrow</b>	<b>SWD FSA Escrow</b>	<b>Total</b>
<b>Sources</b>			
Interest income	\$ 48	\$ 4	\$ 429,816
Escrow deposits	52,573	2,300	2,815,520
Miscellaneous income	-	-	148,809
Due from Wastewater Division	-	-	13,100,000
Expense reimbursement	-	-	1,284,797
Budget Appropriation	-	-	500,000
Transfers - unrestricted funds	-	-	9,173,444
	<u>52,621</u>	<u>2,304</u>	<u>27,452,386</u>
Total sources			
<b>Uses</b>			
Bond principal paid	-	-	7,157,623
Bond interest paid	-	-	1,440,329
Claims paid	-	-	332,629
NJEIT administrative fee	-	-	131,235
Trustee fee	-	-	49,422
Due from WWD	-	-	13,100,000
Miscellaneous loss	-	-	154,350
Escrow withdrawals	-	560	2,013,037
DEP fee	-	-	60,462
	<u>-</u>	<u>560</u>	<u>24,439,087</u>
Total uses			
<b>Increase (Decrease)</b>	52,621	1,744	3,013,299
<b>Balance, Beginning of Year</b>	<u>21</u>	<u>560</u>	<u>101,444,408</u>
<b>Balance, End of Year</b>	<u>\$ 52,642</u>	<u>\$ 2,304</u>	<u>\$ 104,457,707</u>
<b>Balance comprised of</b>			
Cash	\$ 52,642	\$ 2,304	\$ 51,367,410
Cash equivalents	-	-	15,024,812
Investments:			
Certificates of deposit	-	-	6,749,530
Treasury notes	-	-	15,884,859
Other government obligations	-	-	15,431,096
	<u>\$ 52,642</u>	<u>\$ 2,304</u>	<u>\$ 104,457,707</u>

## Middlesex County Utilities Authority - Solid Waste Division

Schedule of Revenues - Budget and Actual  
Year Ended December 31, 2013

<u>Description</u>	<u>Annual Budget</u>	<u>Actual</u>	<u>Unrealized (Excess Over) Under Budget</u>
Tipping fees	\$ 30,147,000	\$ 33,774,595	\$ (3,627,595)
Unreserved retained earnings (1)	7,349,400	2,271,000	5,078,400
Interest income (2)	100,000	297,001	(197,001)
Soil program income	1,000,000	1,225,670	(225,670)
MCIA loan repayment (1)	770,000	-	770,000
Miscellaneous income	246,200	435,394	(189,194)
	<u>\$ 39,612,600</u>	<u>\$ 38,003,660</u>	<u>\$ 1,608,940</u>

(1) Not a revenue for GAAP purposes.

(2) Includes non-budgeted interest earned on restricted funds.

## Middlesex County Utilities Authority - Solid Waste Division

Schedule of Expenses - Budget and Actual  
Year Ended December 31, 2013

Description	Annual Budget	Actual	Unrealized (Excess Over) Under Budget
<b>Salaries and Wages</b>			
Administration	\$ 843,000	\$ 857,164	\$ (14,164)
Operations	1,691,000	1,623,948	67,052
Temporary Help	40,000	20,833	19,167
Total salaries and wages	<u>2,574,000</u>	<u>2,501,945</u>	<u>72,055</u>
<b>Administration</b>			
Public Employee Retirement System	267,400	258,392	9,008
Social Security tax	197,000	186,458	10,542
Employee benefits	836,200	1,787,050	(950,850)
Less: Nonbudgeted accrual for OPEB costs	-	(901,372)	901,372
Insurance	432,000	134,187	297,813
Professional fees	948,500	893,271	55,229
Regulatory fees and permits	170,000	83,775	86,225
General administrative expenses	1,447,000	1,474,301	(27,301)
Implementing agency fee	3,500,000	3,500,000	-
Total administration	<u>7,798,100</u>	<u>7,416,062</u>	<u>382,038</u>
<b>Landfill Operations</b>			
Host community benefits	5,157,000	6,055,299	(898,299)
Utilities	334,000	579,788	(245,788)
Maintenance	468,000	245,741	222,259
Operations	6,070,000	5,885,635	184,365
Transportation	52,000	70,589	(18,589)
Mandated charges	2,353,000	2,541,687	(188,687)
Total landfill operations	<u>14,434,000</u>	<u>15,378,739</u>	<u>(944,739)</u>
Budget subtotal	24,806,100	25,296,746	(490,646)
NJ - WWT and DEP - administrative fee	-	191,697	(191,697)
<b>Budget total before debt service capital outlay and reserves</b>	<u>\$ 24,806,100</u>	<u>\$ 25,488,443</u>	<u>\$ (682,343)</u>

## Middlesex County Utilities Authority - Solid Waste Division

Schedule of Expenses - Budget and Actual

Year Ended December 31, 2013

<u>Description</u>	<u>Annual Budget</u>	<u>Actual</u>	<u>Unrealized (Excess Over) Under Budget</u>
<b>Debt Service</b>			
Bond principal	7,157,600	7,157,623	(23)
Interest on bonds	<u>1,440,400</u>	<u>1,440,329</u>	<u>71</u>
Total debt service	<u>8,598,000</u>	<u>8,597,952</u>	<u>48</u>
<b>Capital Outlay</b>			
Landfill - capital	<u>5,571,000</u>	<u>2,744,688</u>	<u>2,826,312</u>
<b>Reserves</b>	<u>637,500</u>	<u>671,017</u>	<u>(33,517)</u>
Total budgetary expenses	<u>\$ 39,612,600</u>	<u>\$ 37,502,100</u>	<u>\$ 2,110,500</u>

## Middlesex County Utilities Authority - Solid Waste Division

### Roster of Officials

As of December 31, 2013

Authority Member	Position	Term	Amount of Surety
Ted H. Light, P.E.	Chairman	1/31/2017	None
John F. Wiley, Esq.	Vice Chairman	1/31/2018	None
Edward Cohen	Commissioner	1/31/2016	None
Antonio L. Cruz, Esq.	Commissioner	1/31/2014	None
Robert Karabinchak	Commissioner	1/31/2014	None
Joseph Juliano	Commissioner	1/31/2015	None
James M. Zullo	Commissioner	1/31/2016	None
The Honorable Linda Carter	Commissioner	1/31/2015	None
Jerome Convery, Esq.	Commissioner	1/31/2015	None
Wayne Hamilton	Commissioner	1/31/2018	None
Raymond Murray	Commissioner	6/30/2016	None

### Other Officials

Richard L. Fitamant, P.E.	Executive Director	1/31/2014	*
Paul Clark	Division Manager		*
Margaret M. Brennan, CPA	Comptroller/Treasurer	1/31/2014	\$1,000,000
Judith McCabe	Secretary	1/31/2014	*
John A. Hoffman, Esq.	Construction Counsel	Annual	
Camp, Dresser & McKee	Consulting Engineers	Annual	

### Surety Company

Fidelity and Deposit Co. of Maryland

\* Employer blanket policy for a total of \$1,000,000 for all employees. Comptroller's coverage is separate from the blanket coverage.

**Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance  
with *Government Auditing Standards***

The Board of Commissioners of  
Middlesex County Utilities Authority - Solid Waste Division  
Sayreville, New Jersey

We have audited, 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, the financial statements of Middlesex County Utilities Authority - Solid Waste Division (the "Authority"), which comprise the statement of net position as of December 31, 2013 and 2012, and the related statements of revenues and expenses, changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 29, 2014. Our report dated April 29, 2014, included an Emphasis of Matter, in relation to the adoption of new authoritative guidance.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 Middlesex County Utilities Authority - Solid Waste Division'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 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.

A handwritten signature in cursive script that reads "Parente Beard LLC".

Clark, New Jersey  
April 29, 2014