

CAPE MAY COUNTY
MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY
NEW JERSEY
REPORT ON AUDIT OF
BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008
AND 2007

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
YEARS ENDED DECEMBER 31, 2008 AND 2007
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INTRODUCTORY SECTION

April 21, 2009

Chairman Betts and Authority Board Members:

Presented to you are the audited financial statements for the years ended December 31, 2008 and 2007. There are separate financial statements for the Wastewater Program and Solid Waste Program, as has been done in prior years. The financial statements are presented separately for each program as supplemental information because the programs are separate and distinct for ratemaking, operating and public financing purposes.

Government Auditing Standards and State law require that the Cape May County Municipal Utilities Authority publish a complete set of financial statements presented in conformance with accounting principles generally accepted in the United States of America ("GAAP") and audited in accordance with auditing standards generally accepted in the United States of America. The financial statements for the years ended December 31, 2008 and 2007, are presented as required.

In addition, and for the purposes of evaluating budget performance, staff has completed a *Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget*. This is more commonly referred to as the "Budget versus Actual" statements, and has been completed for both the Wastewater Program and Solid Waste Program.

The Management Discussion and Analysis ("MD&A") Report consists of management's representations concerning the finances of the Wastewater Program and Solid Waste Program. Management assumes full responsibility for the completeness and reliability of all the information presented in the MD&A.

Regarding the reliability of the statements presented, a reasonable internal control framework and procedures exist to protect the Cape May County Municipal Utilities Authority's assets from loss, theft or misuse. This internal control framework provides a basis that allows staff to compile sufficient and reliable information for the preparation of the Authority's financial statements in conformity with GAAP and for the audit by the Authority's independent auditor. Because the cost of internal controls should not outweigh their benefits, the internal controls cannot provide absolute assurance, but can provide reasonable assurance as to the credibility and accuracy of the financial statements.

The staff of the Authority prepared the basic financial statements and the supplemental financial statements and schedules discussed above. Ford, Scott and Associates, L.L.C., a firm of licensed certified public accountants, has audited and opined on the Authority's financial statements. The goal of an independent audit is to provide reasonable assurance as to the validity of the financial statements. This involves examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing any estimates and calculations utilized, assessing supplemental information provided or gathered by the auditors, and assessing the overall financial statement presentation. The auditors have opined that the basic financial statements which were prepared in accordance with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America present fairly, in all material respects, the financial position of the Cape May County Municipal Utilities Authority at December 31, 2008 and 2007.

Respectfully,

CAPE MAY COUNTY
MUNICIPAL UTILITIES AUTHORITY

Charles M. Norkis, P.E.
Executive Director

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
ROSTER OF OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Amount of Surety Bond</u>
Authority Members:		
George W. Betts	Chairman	
John J. Pantalone	Vice-Chairman	
William G. Burns, Jr.	Treasurer	\$200,000 (2)
Patricia A. Callinan	Corporate Secretary	
Thomas M. Phelan, Esq.	Member	
William J. McMahon, Jr.	Member	
Beatrice Payne	Member	
Other Officials:		
Charles M. Norkis, P.E.	Executive Director	
Manley C. Solheim, P.E.	Chief Engineer	
John R. Baron	Solid Waste Program Manager	
William W. Cathcart, P.E.	Wastewater Program Manager	
Robert P. Donato, CPA	Chief Financial Officer	\$200,000 (1)

(1) Bond is with the Western Surety Company.

(2) Bond is with RLI Insurance Company.

All employees are covered by an "Employee Dishonesty Policy" to the limits of \$50,000 for the policy period and an "Excess Policy" for any excess over the \$50,000 with a limit of \$1,000,000. The policy is with New Jersey Utilities Authorities Joint Insurance Fund.

FINANCIAL SECTION

The Honorable Chairman and Members
of the Cape May County Municipal
Utilities Authority
Cape May Court House
New Jersey

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of the Cape May County Municipal Utilities Authority, a component unit of the County of Cape May, State of New Jersey, as of and for the years ended December 31, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in compliance with audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Cape May County Municipal Utilities Authority as of December 31, 2008 and 2007, and the changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2009 on our consideration of the Cape May County Municipal Utilities Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis, OPEB schedule of funding progress and schedule of employer contributions, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and the presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Cape May County Municipal Utilities Authority, State of New Jersey, taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and is not a required part of the financial statements. The supplemental schedules and the schedule of expenditures of state financial assistance as listed in the table of contents have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Glen J. Ortman
Certified Public Accountant
Registered Municipal Accountant
No. 427

April 21, 2009

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (“MD&A”) of the Cape May County Municipal Utilities Authority (“Authority” / “CMCMUA”) provides an introduction to the major issues affecting the operations of the Authority’s wastewater management program and solid waste management program. The MD&A also provides an introduction and overview to the financial performance and statements of the Authority for the fiscal years ended December 31, 2008 and 2007. The information contained in the MD&A should be considered in conjunction with the Authority’s financial statements.

The Authority’s basic financial statements comprise two components: 1) consolidating proprietary fund financial statements, and 2) notes to those financial statements which are essential to a full understanding of the data contained in the financial statements. The supplementary information following the basic financial statements and notes thereto contains detailed and separate information pertaining to the Authority’s wastewater management and solid waste management programs.

Regarding supplementary information, of particular note the Authority reports a *Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget* for both the Wastewater Program (Schedule 1) and Solid Waste Program (Schedule 3). These schedules compare the “actual” revenue and expenses to “budget” revenue and expenses, including operating revenues and expenses, and non-operating revenues and expenses. Principal and Interest are reported in these schedules as expenses, and depreciation is not reported as an expense. This is a departure from the Authority’s basic financial statements, prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), where only the Interest Expense component of debt service is reported as an expense, and where depreciation is also reported as an expense.

The “Budget versus Actual” statement for each of the Authority’s programs is a very important tool for staff, as it measures the Authority’s actual financial and operational performance, and compares it to the Annual Budget as adopted by the Authority Board and approved by the State of New Jersey, Department of Community Affairs.

For the purpose of the Management Discussion and Analysis, the ensuing discussion will review the official statements of the Cape May County Municipal Utilities Authority, those prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) applicable to enterprise or proprietary funds of state and local governments. These are the Authority’s basic financial statements discussed above.

Pronouncement

The Governmental Accounting Standards Board ("GASB") issued Governmental Accounting Standards Board Statement ("GASBS") No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and the Authority adopted GASBS No. 34 effective January 1, 2003, consistent with the adoption timetable established by GASB. This Statement established financial reporting requirements for state and local governments throughout the United States. All of the Authority's financial statements are prepared in accordance with generally accepted accounting principles, consistent with GASBS No. 34.

The MD&A will provide comparative analyses of key elements of the total enterprise funds.

Wastewater Management Program

The Cape May County Municipal Utilities Authority was created by the Board of Chosen Freeholders of the County of Cape May in August of 1972, pursuant to the Municipal and County Utilities Authority Law (N.J.S.A. 40:14B-1 et seq.) for, among other things, the purpose of providing "...relief of waters in, bordering or entering the district from pollution or threatened pollution, and the consequent improvement of conditions affecting the public health...". Pursuant to said designation, the CMCMUA has designed and placed into operation a comprehensive water pollution control system (the "System") which utilizes a multi-regional approach to address wastewater management within the Authority's jurisdictional area. The Authority established and adopted regional planning areas throughout the County. The regional planning areas delineated by the CMCMUA to receive wastewater treatment services are: the Ocean City Service Region, Cape May Service Region, Seven Mile Beach/Middle Service Region, and Wildwood/Lower Service Region. All major components of the Authority's four regional service areas were placed into operation between 1982 and 1988. Currently, the CMCMUA provides wastewater conveyance, treatment and disposal services for all, or a portion of, 13 of the 16 municipalities within Cape May County (the "Participants").

Each service region, as constructed by the CMCMUA, provides a regional conveyance system/network into which the local sewage collection systems of the participating municipalities connect. Each CMCMUA regional system, in turn, conveys, treats and disposes of the wastewater generated by the Participants which are located within such service region. Wastewater sludge which is generated by each of the Authority's wastewater treatment facilities is treated at the CMCMUA's centralized sludge composting facility. Following treatment, effluent from the Authority's four regional wastewater treatment facilities, along with wastewater from the Lower Township Municipal Utilities Authority's wastewater treatment facility, is discharged into the Atlantic Ocean through three Authority-owned ocean outfalls. Each ocean outfall is approximately one mile in length.

The approximate initial cost of the CMCMUA's Wastewater Management System was \$384,000,000. Federal and State grant participation in the planning, design and construction of the system was \$183,391,738.

The buildings and main infrastructure of the Authority's wastewater treatment and conveyance facilities have been designed to handle, or are capable of being expanded to handle, the peak seasonal flow (i.e., summer flow) projected for the Year 2020. However, the process equipment and tanks were sized to handle a lower peak seasonal flow. At some point in the future, additional modular tanks and process equipment will be added to the existing facilities if the wastewater flows significantly increase. Based on current wastewater flows received by the System, the CMCMUA does not anticipate the need for any significant capital expenditures to further increase the capacity of the System within the foreseeable future.

As the age of much of the wastewater treatment equipment and facilities now exceed 25 years, during 2008 a great deal of labor and expenditures were required to replace/renovate pumps, motors, roofs, blowers and other treatment equipment. Whenever possible equipment was replaced with energy efficient models such as variable frequency drives on the larger motors. The older chemical odor control process at the Composting facility was replaced with a modern designed biofilter at a construction cost of \$650,000 which commenced operation during 2008. Early evaluations indicate that the odor levels being emitted from the sludge composting facility were of lower intensity. The system that recycles filtrate from the sludge processing building was reconfigured to allow two belt filter presses to operate simultaneously which will allow a more efficient use of available manpower.

While the Authority's talented labor forces represent its biggest asset, it also represents its biggest single expense. Therefore, the Authority took advantage of the retirement of some wastewater treatment supervisory personnel during 2008 to reorganize its entire wastewater management and operation staff. The reorganization resulted in the elimination of two positions through attrition, more efficient deployment of staff, the commitment for the development of the new human machine interface (HMI) software and the placement of more responsibility for the replacement and renovation of equipment on the project crew.

The CCMUA continues to follow a previously established multi-year rate stabilization program with the goal of minimizing the annual increase in service charges to Participants by utilizing the proceeds gained from a 1999 Forward Bond Refunding and the remaining Construction Fund. For fiscal year 2009, service/user charges to the Authority's participating municipalities, net of other revenue sources, will total \$29,155,864. The success of the Authority's rate stabilization program is reflected in the fact that the CCMUA's service charges to its full service municipal Participants have, on the average, increased by less than 3.0% per year, over the past five years.

Escalating fuel, chemical and power costs, the requirement to fund pension contributions at a higher level, and the need to maintain and/or replace aging equipment, will cause the Authority to adjust historical annual increases to its Participants slightly upward. Based on current projections of revenues and expenses, the CCMUA foresees modest increases ranging less than 4% per year in the service charges to its Participants.

Solid Waste Management Program

The Cape May County Municipal Utilities Authority was designated by the Board of Chosen Freeholders of the County of Cape May as the implementing agency for solid waste management for the County pursuant to the provisions of the New Jersey Solid Waste Management Act (N.J.S.A. 13:1E-1 et. seq.), as amended and supplemented (the "Act").

As an initial step in meeting its responsibilities under the Act, in September 1979, the Authority completed a County Solid Waste Management Plan (the "Plan"). The Plan was subsequently adopted by the Cape May County Board of Chosen Freeholders and on February 5, 1981, the New Jersey Department of Environmental Protection ("NJDEP") issued a "Certificate of Approval for the Cape May County Solid Waste Management Plan". In order to enable the County to meet its long-term solid waste disposal requirements, consistent with the NJDEP certified Plan, the Authority constructed a new sanitary landfill to replace the existing unlined disposal facilities in the County. The CCMUA also developed a county-wide source separation and recycling program (the "County Recycling Plan"), which was initially adopted by the County as a component of the Plan on December 8, 1987.

The Cape May County Solid Waste Management Plan has been amended and modified from time-to-time since its adoption, including an Amendment adopted by the County on February 13, 2007 which, among other things, reaffirmed a disposal strategy requiring that all solid waste generated within the County, which is not disposed of at an out-of-State facility, be disposed of at the Authority's Sanitary Landfill. This provision, provides greater stability to the County's Solid Waste Management Program. This Plan Amendment was approved by the NJDEP on July 25, 2007 and will remain in effect for a 10-year period.

The CCMUA currently has disposal contracts with all sixteen municipalities located within Cape May County. These contracts require that all solid waste collected and/or otherwise under the control of each municipality to be delivered to the Authority's Sanitary Landfill for disposal. These interlocal service agreements are not scheduled to expire until December 31, 2011. As in the past, the Authority will offer municipalities the opportunity to renew similar solid waste disposal contracts prior to their expiration.

The County Recycling Plan, which has also been amended from time-to-time with the approval of the NJDEP, currently mandates the recycling of 41 different materials and recommends the recycling of eight (8) additional materials. A prohibition on the disposal of designated recyclables at the Authority's Sanitary Landfill, as well as an extensive educational program, substantially contributes to the overall recycling success achieved in the County.

Major Components of the CCMUA Solid Waste System include the following:

1. The Sanitary Landfill which is located on a 457 acre site on the Woodbine Borough – Upper Township border. Only 93 acres of this area is currently dedicated to landfilling and based on tonnage projections, the Landfill will have adequate capacity for the disposal of the County’s non-recycled solid waste beyond the year 2027;
2. A solid waste transfer station, located in Middle Township, provides solid waste haulers and municipalities in the southern portion of the County with an alternative to the delivery of solid waste and source separated recyclables directly to the Authority’s Landfill;
3. An Intermediate Processing Facility, located at the Landfill, which receives, sorts, processes and markets in excess of 30,000 tons annually of various categories of source separated recyclables that are collected at curbside by the municipalities;
4. A Class “B” Recycling Facility which receives and processes source separated wood pallets, tree stumps and branches into recyclable components to be marketed;
5. A designated area on a portion of the Landfill site for receiving and composting source separated leaves and grass. Following composting, the material is marketed; and,
6. A Landfill Gas Recovery System, which recovers the gas generated by the decomposition of solid waste in the Authority’s Landfill. Initially constructed in 1996 as part of an emission control system, the Authority expanded the system in 1998 to collect and refine the landfill gas into a marketable product which now fuels the boilers at the Woodbine Developmental Center, a state-run facility owned by the New Jersey Department of Human Services.
7. The Authority completed the implementation of a project during 2007 that converts the energy from excess landfill gas, not utilized by the Woodbine Developmental Center, into electricity. The entire electrical needs of the Sanitary Landfill Complex are now met with an onsite electrical generating facility which saves approximately \$150,000 per year in electrical costs. The Authority secured a grant to finance 30% of the capital costs of construction for this project from the New Jersey Board of Public Utilities.

The Authority has been operating the Sanitary Landfill and Transfer Station since 1984. User fees for the disposal of Municipal Solid Waste and Construction and Demolition Waste (combined to constitute approximately ninety-five percent (95%) of the waste received for disposal) for the period 2000 to 2008 are shown below:

<u>Waste Type</u>	<u>User Fee (\$/Ton)</u>								
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Municipal Solid Waste	\$73.00	\$67.25	\$67.10	\$65.35	\$64.00	\$61.00	\$60.00	\$59.50	\$60.75
Construction and Demolition	\$53.75	\$50.00	\$53.00	\$57.00	\$59.00	\$61.00	\$64.50	\$67.00	\$68.35

The user fee increases in 2008 were a direct result of an increase in taxes charged by the State for all waste disposed within the New Jersey area.

Total tonnages received continued its downward trend since the year 2005 when 251,501 tons were landfilled. Last year only 173,734 tons were received, a 6% decrease compared to 2007, and a 31% decrease in tonnages compared to 2005.

Despite the reduction in revenues due to lower C&D tonnages received, the Authority was still able to make a small contribution to its Future Construction Reserve Fund at the end of 2008, largely due to revenues received from the increased beneficial use of landfill gas as a fuel.

The CMCMUA currently anticipates that the Authority's Sanitary Landfill will have adequate capacity for the continued disposal of all of Cape May County's non-recycled solid waste beyond the year 2027.

The Authority's Engineering and Solid Waste Staffs continued to pursue during 2008 the application for the landfill expansion submitted to the Solid Waste Division of the NJDEP in 2006 for approval. The expansion and the entire landfill site, was engineered to maximize available landfill capacity to the extent that the landfill will have capacity for the disposal of Cape May County's solid waste beyond the year 2067.

The Authority added a third electrical generator fueled with landfill gas during 2008. The three generators produce sufficient electricity to power the entire landfill site as well as sell substantial quantities of electricity onto Atlantic City Electric's power grid. The Authority also commissioned an engineering study to determine the best uses for anticipated increased landfill gas quantities. The development and operation of the landfill gas system has provided substantial revenues to the Authority during 2008. These revenues include more than \$1,250,000 from the Woodbine Developmental Center for using landfill gas in their boilers, rebates from Atlantic City Electric, renewable energy credits and carbon credits. The Authority also terminated its contract with U.S. Energy Biogas for the operation of the gas extraction wells and the Woodbine Developmental Center fuel system during 2008. The Authority now operates these systems with its own forces while not increasing manpower at the landfill. This has resulted in a substantially more cost efficient gas management program for the Authority.

As a result of continued strong markets for the sale of recycled processed secondary materials during the first nine (9) months of 2008, the Authority's Cape May County Intermediate Processing Facility (IPF) experienced a net profit for the fiscal year ending December 31, 2008. In order to encourage municipal recycling, participating municipalities may deliver to the IPF for processing, free of charge, commingled containers and mixed paper collected from their residents. In a further effort to encourage recycling, the Authority has agreed to pay as a recycling rebate, in the form of a check to each participating municipality, all net material revenues received by the Authority for the sale of Cape May County generated recyclables which are processed at the IPF in excess of annual IPF expenses. All such net material revenues are distributed to each participating municipality in proportion to the municipality's share of the total quantity of mixed paper and commingled cans and bottles delivered by the municipality to the Authority's IPF during the previous calendar year. The municipal recycling rebates to be provided for calendar year 2008 will exceed \$900,000, which is based upon the final audited revenues and expenses for the Authority's Intermediate Processing Facility as set forth in Schedule 5 herein.

Surplus revenue from 2008 will be applied to the Future Construction Reserve Fund. Budgeted contributions to the Authority Equipment Reserve Fund are projected to be sufficient to provide for the on-going scheduled replacement of all major equipment in the Solid Waste Program.

Financial Highlights

- User charges billed for wastewater treatment provided to the Authority's Participants were \$28,072,109 for 2008, consistent with the *CMCMUA User Charge System Rate Setting Report, 2008*. User charges, or the adopted rate, for 2008 reflected a 3.66% increase over the 2007 adopted rate.
- Income from Solid Waste Tipping Fees was \$11,066,146 for 2008 as compared to \$11,717,487 for 2007. This 5.6% decrease in tipping fee revenue is directly related to a decrease in solid waste tons received for disposal. Total tons received for disposal decreased by 6.0% (173,734 tons for 2008 versus 183,207 tons for 2007). Since 2005 total annual tons received for disposal have decreased by 30.9%. Construction and Demolition Waste received for disposal in 2008 was 54,268 tons, a 19.7% decrease from the 67,619 tons received in 2007. The decrease in C&D material received for disposal is indicative of the decrease in housing and other construction activity being experienced throughout the county. The Authority anticipated a decrease in C&D material during the 2008 budget process and as

such there was no negative effect on the 2008 budget. A similar budget strategy is in place for the 2009 year.

- On May 15, 2003, the Authority issued \$19,610,000 Solid Waste System Revenue Bonds (County Solid Waste Agreement, Refunding Series 2003) (the "2003 Refunding Bonds") pursuant to the Solid Waste Resolution in order to refund and defease all of the Authority's then outstanding \$34,745,000 Solid Waste Refunding Bonds (County Solid Waste Agreement, Refunding Series 1993). The refunding allowed the Authority to benefit from lower interest rates, which for the 2003 Refunding Bonds range from 2.00% to 3.25% over the life of the bonds.
- On February 25, 2009, the Authority issued \$4,195,000 Solid Waste System Revenue Bonds (County Solid Waste Agreement, Refunding Series 2009) (the "2009 Refunding Bonds") pursuant to the Solid Waste Resolution in order to refund and defease all of the Authority's outstanding \$4,475,000 Solid Waste Refunding Bonds (County Solid Waste Agreement, Refunding Series 1997). The refunding allowed the Authority to benefit from lower interest rates, which for the 2009 Refunding Bonds range from 2.25% to 4.00% over the life of the bonds. The refunding resulted in a net present value savings of \$155,786., or 3.48%. The 2009 Refunding Bonds, together with the 2003 Refunding Bonds, the Authority's only other outstanding solid waste bond series, will reach final maturity in a little more than three (3) years (August 1, 2012).
- Effective with the December 31, 2008, financial statements, the Authority implemented Governmental Accounting Standards Board ("GASB") Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. For these other postemployment benefits ("OPEB"), GASB 45 requires measurement, recognition, and financial reporting using an actuarial cost method to determine the annual required contribution of the employer, as well as presentation of funded status and funding progress information. As discussed in note 16 of the notes to the basic financial statements, the Authority offers postemployment healthcare to its qualifying retirees; it is these costs which are the subject of GASB Statement No. 45. As of December 31, 2008, the actuarially-determined annual required contribution was \$1,918,678. The Authority paid \$74,348 in retiree health benefit premiums in 2008; therefore the net OPEB obligation at December 31, 2008, was \$1,844,330.

Required Financial Statements

The Financial Statements are intended to report information about the Authority using accounting methods similar to those used by private sector companies, consistent with New Jersey statutes. Specifically, the financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by GASB. Accordingly, the Authority recognizes revenues when earned, not received. Expenses are recognized when incurred, not when they are paid.

The *Statement of Net Assets*, the first required statement, and the *Statement of Revenues, Expenses and Changes in Net Assets*, the second required statement, report information about the Authority's financial condition. The Authority's net assets, i.e., the difference between assets and liabilities, are a measure of financial health or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. Net assets increase both when revenues exceed expenses and when the Authority's assets increase without a corresponding increase to the Authority's liabilities. It is important to point out depreciation is shown as an expense which has a negative impact on net assets. Depreciation decreases the Authority's net assets even though it is a non-cash expense.

The third and final required financial statement, the *Statement of Cash Flows*, provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital financing activities. It also provides information regarding sources of cash, uses of cash, and the changes in the cash balance during the reporting period.

Financial Analysis

Table 1
Combined Condensed Statement of Net Assets
December 31, 2008 and 2007

	December 31, 2008				December 31, 2007
	Wastewater Treatment Project	Solid Waste Disposal Project	Net OPEB Adjustment	Total	
Current Assets	\$ 17,016,086	\$ 5,961,118	\$ -	\$ 22,977,204	\$ 22,264,269
Restricted Assets	22,257,996	24,307,421		46,565,417	47,697,150
Capital Assets, net	95,821,316	37,258,540		133,079,856	139,217,699
Other Noncurrent Assets		10,855		10,855	32,566
Total Assets	\$ 135,095,398	\$ 67,537,934	\$ -	\$ 202,633,332	\$ 209,211,684
Current Nonrestricted Liabilities	\$ 1,128,451	\$ 3,144,582	\$ -	\$ 4,273,033	\$ 4,000,908
Current Restricted Liabilities	12,632,895	3,398,598		16,031,493	14,020,759
Other Current Liabilities	533,712	476,926	1,844,330	2,854,968	1,056,769
Long Term Debt Outstanding	93,923,280	7,550,084		101,473,364	112,767,842
Total Liabilities	108,218,338	14,570,190	1,844,330	124,632,858	131,846,278
Net Assets:					
Investment in Capital Assets, net of	(7,253,076)	27,253,456		20,000,380	16,065,413
Restricted	34,130,136	24,203,464		58,333,600	60,457,148
Unrestricted		1,510,824	(1,844,330)	(333,506)	842,845
Total Net Assets	26,877,060	52,967,744	(1,844,330)	78,000,474	77,365,406
Total Liabilities and Net Assets	\$ 135,095,398	\$ 67,537,934	\$ -	\$ 202,633,332	\$ 209,211,684

Analysis of Net Assets (Table 1)

The Authority's assets exceeded its liabilities (*net assets*) at the end of December 31, 2008, by approximately \$78.0 million. Of this amount, approximately \$1.5 million was unrestricted and available to be used to meet the Authority's ongoing obligations to its customers and creditors; however, when offset by the recognition of the net OPEB obligation of \$1.8 million as part of the implementation of GASB Statement No. 45, a negative amount of unrestricted net assets results. Since the Authority did not fund the net OPEB obligation at December 31, 2008, the \$1.5 million remains available. The net restricted assets amount of \$58.3 million includes approximately \$27.3 million restricted for debt service, \$4.9 million restricted for future landfill closure expenses, \$3.8 million restricted for equipment replacements and other renewal and replacements, \$5.0 in operations and maintenance reserves, and \$17.3 million restricted for rate stabilization and future projects, including future landfill cell construction projects.

Table 2
Combined Condensed Statement of Revenues, Expenses, and Changes in Net Assets
December 31, 2008 and 2007

	December 31, 2008				December 31, 2007
	Wastewater Treatment Project	Solid Waste Disposal Project	Net OPEB Adjustment	Total	
Operating Revenues:					
User Service Agreements	\$ 28,072,109	\$ 11,066,146	\$ -	\$ 39,138,255	\$ 39,065,672
Septage/Leachate Disposal	902,223			902,223	656,347
Dry Sludge Processing				-	138,840
Landfill Cover Fees		167,055		167,055	254,800
Methane Gas Sales		1,351,281		1,351,281	1,491,776
Wood Product Sales		845,328		845,328	812,443
Sale of Scrap Metal		65,052		65,052	50,233
Environmental Credits		476,512		476,512	
Electricity Generation		158,433		158,433	
Operating Grants		156,003		156,003	125,313
Other	169,497	589,286		758,783	587,190
Total Operating Revenues	29,143,829	14,875,096	-	44,018,925	43,182,614
Operating Expenses:					
Personnel	7,974,322	4,662,762		12,637,084	11,448,427
Other Postemployment Benefits			1,844,330	1,844,330	
Administrative	1,157,510	1,281,699		2,439,209	2,495,283
Operations and Maintenance	5,538,209	3,510,364		9,048,573	8,836,856
Enforcement and Compliance		2,210		2,210	1,429
Depreciation	7,642,622	2,710,563		10,353,185	10,230,548
Landfill Closure Expenses		4,208		4,208	
Construction Fund Expenses	1,776,322	648,866		2,425,188	1,586,220
Total Operating Expenses	24,088,985	12,820,672	1,844,330	38,753,987	34,598,763
Operating Income	5,054,844	2,054,424	(1,844,330)	5,264,938	8,583,851
Nonoperating Revenue (Expense):					
Interest Income	944,209	881,580		1,825,789	3,050,187
Interest Expense	(5,854,849)	(436,889)		(6,291,738)	(6,759,222)
Grant Revenue	546,800			546,800	432,849
Amortization of Bond Discount		(21,711)		(21,711)	(21,711)
Deferred Amount on Refunding	(82,403)	(229,231)		(311,634)	(311,635)
New Jersey Clean Energy Rebate				-	285,000
Disposal of Fixed Assets	(2,694)	(374,682)		(377,376)	(245,598)
Total Nonoperating Revenue (Expense)	(4,448,937)	(180,933)	-	(4,629,870)	(3,570,130)
Change in Net Assets	605,907	1,873,491	(1,844,330)	635,068	5,013,721
Total Net Assets, Beginning of Year	26,271,153	51,094,253		77,365,406	72,351,685
Total Net Assets, End of Year	\$ 26,877,060	\$ 52,967,744	\$ (1,844,330)	\$ 78,000,474	\$ 77,365,406

Analysis of Changes in Net Assets (Table 2)

The Authority's financial performance remained strong in 2008, with net assets of \$78.0 million, an increase over 2007 of \$600,000. Operating income was \$5.3 million, a decrease of \$3.3 million from 2007.

Operating and Nonoperating Revenue

Wastewater Management Program

The Authority's Wastewater Management Program employs a rate-setting plan whereby the sum of all charges to its municipal users are to be sufficient to pay for operational expenses, repair and maintenance costs of the entire system, including extensions and alterations of the system, principal and interest on outstanding debt, and for any deficits created by nonpayment from any user. The Authority considers all these expenses and contingencies when setting an annual rate, while also considering offsetting revenues from interest income, septage disposal fees, compost product sales, as well as Authority contributions from its rate stabilization fund. This annual rate-setting process culminates in a public hearing where the following year's proposed rates are presented and discussed, and comments from the public are heard. Following this public hearing, and after consideration of any comments received, the Authority's governing board adopts the proposed rates for the following year.

Consistent with prior years, the Authority's wastewater management program operated successfully under the rates set in the beginning of 2008. Interest income realized was 24.1% less than budgeted, due to lower than anticipated interest rates. However, this was mostly offset by higher than anticipated revenue from septage and leachate disposal.

Operating and Nonoperating Revenue

Solid Waste Management Program

Pursuant to the Cape May County Solid Waste Management Plan, all non-recycled solid waste generated within Cape May County is to be disposed of at the Authority's Sanitary Landfill or transported out-of-state for disposal at a properly permitted solid waste facility. This plan, as approved by the New Jersey Department of Environmental Protection, is consistent with recent Federal and State court decisions regarding designation of solid waste facilities when such designation does not interfere with interstate commerce.

The Authority strives to maintain a series of tipping fees for various waste classification types consistent with market conditions in and around the southern New Jersey area, and beyond. The Authority's goal is to provide solid waste disposal opportunities to both its constituent municipalities and the private sector at large which are fair and reasonable in cost, yet provide the greatest protection to the environment as possible. Similar to its wastewater management program, the Authority annually develops a series of tipping fees by waste type, being mindful of its annual debt service requirements, as well as its obligations within the framework of its Interlocal Service Agreements with Cape May County municipalities. The Authority holds a public hearing on the proposed tipping fees, after which the Authority Board formally adopts the final tipping fees for the coming year.

For 2008, the Authority's solid waste management program experienced less than anticipated quantities of solid waste being delivered to the Sanitary Landfill in Woodbine Borough/Upper Township and the transfer station in Middle Township. However, this decrease of tons delivered, and the resulting loss of revenue, was more than offset by the sale of carbon credits established by using landfill gas (methane) as fuel in the nearby Woodbine State School boilers, as fuel in the onsite electric generators, and well as flaring off the excess methane. Additionally, the Authority received revenue for selling excess electricity generated by the methane to Atlantic City Electric.

Net assets in the solid waste program increased by \$1.9 million over 2007. This is due in large part to the excess revenue discussed above.

Authority-Wide Expenses

Operating expenses increased by \$4.1 million over 2007. A detailed analysis of operating expenses follows:

- The implementation of GASB Statement No. 45 created an additional expense for 2008 of \$1.8 million; this amount represents the current year postretirement benefit obligation.
- Personnel expenses were \$12.6 million in 2008, a \$1.1 million increase over last year. This 10.4% increase is due to an 11.6% increase in the cost of employee health benefits, coupled with the annual Authority-wide salary increase, ranging from 4.00% to 4.25%.
- Operations and maintenance expenses were \$9.0 million in 2008, an increase of \$200,000 from 2007. Noteworthy changes from 2007 include: an increase of \$200,000 in solid waste management repair and maintenance costs; a \$115,000 increase in solid waste taxes payable to the State of New Jersey, and a \$50,000 decrease in chemical usage at the wastewater treatment plants.

Nonoperating revenues and expenses are highlighted as follows:

- Interest expense was \$6.3 million in 2008, a \$500,000 reduction from 2007. As the outstanding bond issues continue to be paid down, amounts payable as principal will increase as the amounts payable as interest will decrease.
- Interest income was \$1.8 million in 2008, a \$1.2 million decrease from 2007. Interest rates were less than half of what was originally anticipated for 2008. Interest rates averaged 2.8% for 2008; the average for 2007 was 5.1%.

Table 3
Combined Condensed Statement of Cash Flows
December 31, 2008 and 2007

	December 31, 2008			December 31, 2007
	Wastewater Treatment Project	Solid Waste Disposal Project	Net OPEB Adjustment	
Cash Flows Provided by (Used in):				
Operating Activities	\$ 12,864,058	\$ 5,193,288	\$ -	\$ 18,057,346
Noncapital Financing Activities	(300,177)	246,781		(53,396)
Capital and Related Financing Activities	(14,990,301)	(5,104,847)		(20,095,148)
Investing Activities	859,035	(980,885)		(121,850)
Net Increase (Decrease) in Cash and and Cash Equivalents	(1,567,385)	(645,663)	-	(2,213,048)
Cash and Cash Equivalents, Beginning of Year	38,355,545	23,689,305		62,044,850
Cash and Cash Equivalents, End of Year	\$ 36,788,160	\$ 23,043,642	\$ -	\$ 59,831,802

Analysis of Cash Flows (Table 3)

The Authority made all of its debt service payments on time and in the required amounts. In both the wastewater management program and solid waste management program, cash used in capital related financing activities exceeded the cash provided by operations because reserve funds were used to pay for certain Authority-wide renewals and replacements.

Of the \$59.8 million in cash and cash equivalents at December 31, 2008, \$21.9 million is available for operations and current obligations, including current debt service obligations. The remaining \$37.9 million has been reserved or restricted for debt service, insurance deductibles, future construction projects, operating and maintenance reserves, and plant and equipment renewals, replacements and improvements.

Summary of Capital Assets

	Balance 12/31/2007	Additions	Deletions	Balance 12/31/2008
Wastewater Treatment Project (Net)	\$ 101,124,781	\$ (4,655,424)	\$ 648,041	\$ 95,821,316
Solid Waste Disposal Project (Net)	<u>38,092,918</u>	<u>(350,636)</u>	<u>483,742</u>	<u>37,258,540</u>
Total Capital Assets (Net)	<u>\$ 139,217,699</u>	<u>\$ (5,006,060)</u>	<u>\$ 1,131,783</u>	<u>\$ 133,079,856</u>

The above summary is net of depreciation. A more detailed analysis of capital assets appears in note 2D of the notes to the basic financial statements.

Summary of Bonds Payable

	Balance 12/31/2007	Payments	Balance 12/31/2008	Amounts Due Within One year
Wastewater Project	\$ 110,772,250	\$ 7,405,297	\$ 103,366,953	\$ 9,151,112
Solid Waste Project	<u>12,755,000</u>	<u>2,390,000</u>	<u>10,365,000</u>	<u>2,455,000</u>
Total Bonds Payable	<u>\$ 123,527,250</u>	<u>\$ 9,795,297</u>	<u>\$ 113,731,953</u>	<u>\$ 11,606,112</u>

Bonds payable are detailed on Notes 4 and 5 in the notes to the basic financial statements.

Contacting the Authority's Financial Management

This financial report is designed to provide the CCMUA's board members, customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact either the Authority's Executive Director or Chief Financial Officer at the Cape May County Municipal Utilities Authority, Post Office Box 610, Cape May Court House, New Jersey 08210, telephone 609/465-9026.

BASIC FINANCIAL STATEMENTS

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2008 AND 2007

	December 31, 2008				December 31, 2007		
	Enterprise Funds				Enterprise Funds		
	Wastewater Treatment Project	Solid Waste Disposal Project	Net OPEB Adjustment	Total	Wastewater Treatment Project	Solid Waste Disposal Project	Total
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	\$ 16,875,749	\$ 5,064,758	\$ -	\$ 21,940,507	\$ 16,465,197	\$ 4,331,546	\$ 20,796,743
Investments	81,362			81,362			
User charges receivable		366,058		366,058	9,410	354,845	364,255
Septage haulers fees receivable	73,257			73,257	3,262		3,262
Accounts receivable - other	1,072	557,351		558,423	8,198	1,134,214	1,142,412
Allowance for doubtful accounts (Note 11)	(15,354)	(27,049)		(42,403)	(15,354)	(27,049)	(42,403)
TOTAL CURRENT ASSETS	17,016,086	5,961,118	-	22,977,204	16,470,713	5,793,556	22,264,269
NONCURRENT ASSETS:							
Restricted Assets:							
Cash and cash equivalents	19,912,411	17,978,884		37,891,295	21,890,348	19,357,759	41,248,107
Investments	106,812	6,328,537		6,435,349	103,000	4,466,073	4,569,073
New Jersey trust loan receivable	12,641			12,641	15,170		15,170
Accounts receivable other	61,155			61,155			
Due from Solid Waste Disposal Project	2,164,977			2,164,977	1,864,800		1,864,800
TOTAL RESTRICTED ASSETS	22,257,996	24,307,421	-	46,565,417	23,873,318	23,823,832	47,697,150
CAPITAL ASSETS:							
Property, Plant and Equipment (Note 2)	355,540,599	85,976,175		441,516,774	353,574,237	84,821,015	438,395,252
Less accumulated depreciation	259,719,283	48,717,635		308,436,918	252,449,456	46,728,097	299,177,553
NET PROPERTY, PLANT AND EQUIPMENT	95,821,316	37,258,540	-	133,079,856	101,124,781	38,092,918	139,217,699
OTHER ASSETS:							
Unamortized bond discount		10,855		10,855		32,566	32,566
TOTAL ASSETS	\$ 135,095,398	\$ 67,537,934	\$ -	\$ 202,633,332	\$ 141,468,812	\$ 67,742,872	\$ 209,211,684

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2008 AND 2007
(CONTINUED)

	December 31, 2008				December 31, 2007		
	Enterprise Funds				Enterprise Funds		
	Wastewater Treatment Project	Solid Waste Disposal Project	Net OPEB Adjustment	Total	Wastewater Treatment Project	Solid Waste Disposal Project	Total
LIABILITIES							
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:							
Accounts payable - operations	\$ 1,128,451	\$ 784,676	\$	\$ 1,913,127	\$ 897,093	\$ 654,075	\$ 1,551,168
Host community benefits payable		18,735		18,735		506,170	506,170
Rebates due to users		929,960		929,960		730,670	730,670
Due Wastewater Treatment Project		1,411,211		1,411,211		1,212,900	1,212,900
TOTAL CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS	1,128,451	3,144,582	-	4,273,033	897,093	3,103,815	4,000,908
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:							
Accounts payable	560,700	23,598		584,298	121,947	3,405	125,352
Accrued interest payable	2,921,083	166,234		3,087,317	3,102,200	193,324	3,295,524
Deferred revenue - grants					152,686		152,686
Due Wastewater Treatment Project		753,766		753,766		651,900	651,900
Current maturities of long-term debt	9,151,112	2,455,000		11,606,112	7,405,297	2,390,000	9,795,297
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	12,632,895	3,398,598	-	16,031,493	10,782,130	3,238,629	14,020,759
Accrued compensated absences	303,082			303,082	295,817		295,817
Deferred revenue - prepaid user fees		170,854		170,854		167,492	167,492
Due to IRS - arbitrage rebate (Note 14)	230,630	306,072		536,702	230,630	362,830	593,460
Net OPEB Obligations (Note 16)			1,844,330	1,844,330			
LONG TERM OBLIGATIONS:							
Long term portion of bonds payable (Net of deferred amount on refunding of \$652,476 and \$964,110, respectively)	93,923,280	7,550,084		101,473,364	102,991,989	9,775,853	112,767,842
TOTAL LIABILITIES	108,218,338	14,570,190	1,844,330	124,632,858	115,197,659	16,648,619	131,846,278

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2008 AND 2007
(CONTINUED)

	December 31, 2008				December 31, 2007		
	Enterprise Funds				Enterprise Funds		
	Wastewater Treatment Project	Solid Waste Disposal Project	Net OPEB Adjustment	Total	Wastewater Treatment Project	Solid Waste Disposal Project	Total
NET ASSETS:							
Investment in Capital Assets, Net of Related Debt	\$ (7,253,076)	\$ 27,253,456		\$ 20,000,380	\$ (9,272,505)	\$ 25,337,918	\$ 16,065,413
Restricted For:							
Bond service	9,129,875			9,129,875	7,383,634		7,383,634
Bond reserve	15,339,475	2,855,319		18,194,794	15,339,475	2,855,319	18,194,794
Renewal and replacement	338,420			338,420	848,887		848,887
Rate stabilization	10,811	806,199		817,010	10,811	784,908	795,719
IPF rate stabilization		1,737,898		1,737,898		1,285,006	1,285,006
Landfill closure #1		4,875,929		4,875,929		4,466,073	4,466,073
Equipment reserve		2,319,302		2,319,302		2,595,753	2,595,753
Insurance		596,519		596,519		580,816	580,816
Building and site		316,827		316,827		316,826	316,826
IPF building and site		804,727		804,727		539,356	539,356
Future construction		7,380,421		7,380,421		8,264,857	8,264,857
Capital projects	6,476,600	315,296		6,791,896	9,125,896	1,029,549	10,155,445
Operating and Maintenance Reserve	2,834,955	2,195,027		5,029,982	2,834,955	2,195,027	5,029,982
Unrestricted		1,510,824	(1,844,330)	(333,506)		842,845	842,845
TOTAL NET ASSETS	26,877,060	52,967,744	(1,844,330)	78,000,474	26,271,153	51,094,253	77,365,406
TOTAL LIABILITIES AND NET ASSETS	\$ 135,095,398	\$ 67,537,934	\$ -	\$ 202,633,332	\$ 141,468,812	\$ 67,742,872	\$ 209,211,684

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	December 31, 2008				December 31, 2007		
	Enterprise Funds				Enterprise Funds		
	Wastewater Treatment Project	Solid Waste Disposal Project	Net OPEB Adjustment	Total	Wastewater Treatment Project	Solid Waste Disposal Project	Total
Operating revenues:							
User service agreements	\$ 28,072,109	\$ 11,066,146	\$	\$ 39,138,255	\$ 27,348,185	\$ 11,717,487	\$ 39,065,672
Septage haulers fees	405,714			405,714	409,378		409,378
Leachate disposal	496,509			496,509	246,969		246,969
Lower Township MUA debt service	60,000			60,000	60,000		60,000
Processing dry sludge					138,840		138,840
Compost sales	24,199			24,199	27,200		27,200
Tower rental	53,225			53,225			
Operating grants		156,003		156,003		125,313	125,313
SLF cover fees		167,055		167,055		254,800	254,800
Methane gas sales		1,351,281		1,351,281		1,491,776	1,491,776
Wood product sales		845,328		845,328		812,443	812,443
Sale of asbestos bags		12,921		12,921		12,332	12,332
Sale of scrap metal		65,052		65,052		50,233	50,233
Electric generation income		61,602		61,602		112,101	112,101
Sale of carbon credits		440,475		440,475			
Sale of Renewable Energy Certificates		36,037		36,037		15,468	15,468
Prior year payable canceled		279,295		279,295			
IPF tipping fee		85,294		85,294		100,150	100,150
Insurance Claims		54,723		54,723		15,328	15,328
Hazardous Waste		1,813		1,813		7,164	7,164
Miscellaneous	32,073	91,910		123,983	39,652	79,778	119,430
IPF electric reimbursement		65,866		65,866		69,097	69,097
SLF Electric Reimbursement		30,965		30,965		24,043	24,043
IPF Administrative Support Reimbursement		35,309		35,309			
Recycling income		28,021		28,021		24,877	24,877
TOTAL OPERATING REVENUES	29,143,829	14,875,096	-	44,018,925	28,270,224	14,912,390	43,182,614

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(CONTINUED)

	December 31, 2008				December 31, 2007			
	Enterprise Funds				Enterprise Funds			
	Wastewater Treatment Project	Solid Waste Disposal Project	Net OPEB Adjustment	Total	Wastewater Treatment Project	Solid Waste Disposal Project	Total	
Operating expenses:								
Salary and wages	\$ 5,599,043	\$ 3,322,879	\$	\$ 8,921,922	\$ 5,036,694	\$ 3,084,199	\$	\$ 8,120,893
Employee benefits	2,375,279	1,339,883		3,715,162	2,127,195	1,200,339		3,327,534
Other post-employment benefits (Note 16)			1,844,330	1,844,330				
Administrative expenses	1,157,510	1,281,699		2,439,209	1,180,724	1,314,559		2,495,283
Operations and maintenance	5,538,209	3,510,364		9,048,573	5,537,831	3,299,025		8,836,856
Enforcement and compliance		2,210		2,210		1,429		1,429
Depreciation	7,642,622	2,710,563		10,353,185	7,686,292	2,544,256		10,230,548
Landfill closure expenses		4,208		4,208				
Construction fund expenses	1,776,322	648,866		2,425,188	1,141,664	444,556		1,586,220
TOTAL OPERATING EXPENSES	24,088,985	12,820,672	1,844,330	38,753,987	22,710,400	11,888,363		34,598,763
Operating income	5,054,844	2,054,424	(1,844,330)	5,264,938	5,559,824	3,024,027		8,583,851
Nonoperating revenues (expenses):								
Interest income	944,209	881,580		1,825,789	1,751,888	1,298,299		3,050,187
Interest expense	(5,854,849)	(436,889)		(6,291,738)	(6,262,845)	(496,377)		(6,759,222)
Grant revenue	546,800			546,800	432,849			432,849
Amortization of bond discount		(21,711)		(21,711)		(21,711)		(21,711)
Deferred amount on refunding	(82,403)	(229,231)		(311,634)	(82,403)	(229,232)		(311,635)
NJ clean energy rebate						285,000		285,000
Disposal of fixed assets	(2,694)	(374,682)		(377,376)	(55,092)	(190,506)		(245,598)
TOTAL NONOPERATING REVENUES (EXPENSES)	(4,448,937)	(180,933)	-	(4,629,870)	(4,215,603)	645,473		(3,570,130)
Change in Net Assets	605,907	1,873,491	(1,844,330)	635,068	1,344,221	3,669,500		5,013,721
Net Assets - beginning	26,271,153	51,094,253		77,365,406	24,926,932	47,424,753		72,351,685
Net Assets - ending	\$ 26,877,060	\$ 52,967,744	\$ (1,844,330)	\$ 78,000,474	\$ 26,271,153	\$ 51,094,253		\$ 77,365,406

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	December 31, 2008				December 31, 2007			
	Enterprise Funds				Enterprise Funds			
	Wastewater Treatment Project	Solid Waste Disposal Project	Net OPEB Adjustment	Total	Wastewater Treatment Project	Solid Waste Disposal Project	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:								
Receipts from customers and users	\$ 28,883,917	\$ 13,048,943	\$ -	\$ 41,932,860	\$ 28,311,479	\$ 13,236,546	\$ -	\$ 41,548,025
Other operating cash receipts	145,298	2,391,804	-	2,537,102	99,652	1,634,030	-	1,733,682
Payments to employees	(7,974,321)	(4,662,763)	-	(12,637,084)	(7,163,889)	(4,284,539)	-	(11,448,428)
Payments to suppliers and vendors	(8,190,836)	(5,584,696)	-	(13,775,532)	(7,586,183)	(5,569,384)	-	(13,155,567)
Net cash provided by operating activities	12,864,058	5,193,288	-	18,057,346	13,661,059	5,016,653	-	18,677,712
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Prepayments received (returned)		3,363	-	3,363		13,731	-	13,731
Due to IRS - Arbitrage Rebate		(56,759)	-	(56,759)	(42,178)	-	-	(42,178)
Net transfers from (to) other funds	(300,177)	300,177	-	-	169,087	(169,087)	-	-
Net cash used by noncapital financing activities	(300,177)	246,781	-	(53,396)	126,909	(155,356)	-	(28,447)
CASH ACTIVITIES FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Purchase of capital assets	(1,945,681)	(2,250,868)	-	(4,196,549)	(2,150,905)	(1,822,809)	-	(3,973,714)
State grant received	396,643	-	-	396,643	408,159	-	-	408,159
NJ Clean Energy Rebate	-	-	-	-	-	285,000	-	285,000
Principal paid on capital debt	(7,405,297)	(2,390,000)	-	(9,795,297)	(8,397,463)	(2,335,000)	-	(10,732,463)
Interest paid on capital debt	(6,035,966)	(463,979)	-	(6,499,945)	(6,434,753)	(519,518)	-	(6,954,271)
Net cash used by capital and related financing activities	(14,990,301)	(5,104,847)	-	(20,095,148)	(16,574,962)	(4,392,327)	-	(20,967,289)
CASH FLOWS FROM INVESTING ACTIVITIES:								
Investments matured (purchased)	(85,174)	(1,862,464)	-	(1,947,638)	-	(88,571)	-	(88,571)
Loss of petty cash	-	-	-	-	-	-	-	-
Interest income	944,209	881,579	-	1,825,788	1,751,888	1,298,299	-	3,050,187
Net cash provided by investing activities	859,035	(980,885)	-	(121,850)	1,751,888	1,209,728	-	2,961,616
Net increase (decrease) in cash and cash equivalents	(1,567,385)	(645,663)	-	(2,213,048)	(1,035,106)	1,678,698	-	643,592
CASH AND CASH EQUIVALENTS, JANUARY 1	38,355,545	23,689,305	-	62,044,850	39,390,651	22,010,607	-	61,401,258
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 36,788,160	\$ 23,043,642	\$ -	\$ 59,831,802	\$ 38,355,545	\$ 23,689,305	\$ -	\$ 62,044,850

The Accompanying Notes to Financial Statements
are an Integral Part of this Statement

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(CONTINUED)

	December 31, 2008				December 31, 2007			
	Enterprise Funds				Enterprise Funds			
	Wastewater Treatment Project	Solid Waste Disposal Project	Net OPEB Adjustment	Total	Wastewater Treatment Project	Solid Waste Disposal Project	Total	
Reconciliation of operating income to net cash								
Provided by operating activities:								
Operating income	\$ 5,054,844	\$ 2,054,424	\$ (1,844,330)	\$ 5,264,938	\$ 5,559,824	\$ 3,024,027	\$ 8,583,851	
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation	7,642,622	2,710,563	-	10,353,185	7,686,292	2,544,256	10,230,548	
	12,697,466	4,764,987	(1,844,330)	15,618,123	13,246,116	5,568,283	18,814,399	
Changes in assets and liabilities:								
Receivables, net	(114,614)	565,651		451,037	148,166	(41,812)	106,354	
Accounts and other payables	281,206	(137,350)	1,844,330	1,988,186	266,777	(509,818)	(243,041)	
	<u>\$ 12,864,058</u>	<u>\$ 5,193,288</u>	<u>\$ -</u>	<u>\$ 18,057,346</u>	<u>\$ 13,661,059</u>	<u>\$ 5,016,653</u>	<u>\$ 18,677,712</u>	

NOTES TO FINANCIAL STATEMENTS

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. GENERAL

The Cape May County Municipal Utilities Authority, hereafter referred to as the "Authority," is a public body politic and corporate, constituting a political subdivision of the State of New Jersey organized and existing under the provisions of Municipal Utilities Authority Law, (New Jersey Revised Statutes 40:14B-1 et seq.), constituting Chapter 183 of the Pamphlet Laws of 1957, and was created by virtue of a resolution of the Board of Chosen Freeholders of the County of Cape May, hereafter referred to as the "County," adopted August 8, 1972. The Authority is a component unit of the County of Cape May, New Jersey, and was created to construct and operate a countywide wastewater treatment system in Cape May County. In December 1980, the County Freeholders designated the Authority as the agency to implement the County's Solid Waste Management Plan, which involved constructing a secure sanitary landfill and transfer station. As a public body, under existing statute, the Authority is exempt from both federal and state income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Financial Statements

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As permitted by accounting principles generally accepted in the United States of America, the Authority has elected to apply only Financial Accounting Standards Board ("FASB") Statements and interpretations issued on or before November 30, 1989.

B. Reporting Entity

The Authority's financial statements include the accounts of all operations of the Authority. The Authority, as a component unit of the County of Cape May, State of New Jersey, is financially accountable to the County. 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 County of Cape May. However, if the County presented its financial statements in accordance with accounting principles generally accepted in the United States of America, these financial statements would be includable with the County's on a blended basis.

C. Grants

Grants received from various sources are recorded when the grant is approved. Grants not externally restricted and utilized to finance operations are identified as operating revenues. Grants externally restricted for non-operating purposes are recorded as contributed capital and are increases to the Unrestricted Net Assets.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Wastewater Treatment Project:				
Capital assets, not being depreciated:				
Land	\$ 5,677,701	\$	\$	\$ 5,677,701
Construction in Progress	447,511	1,088,066	645,347	890,230
Total capital assets not being depreciated	<u>6,125,212</u>	<u>1,088,066</u>	<u>645,347</u>	<u>6,567,931</u>
Capital assets being depreciated:				
Land Improvements	6,701,402	400,102		7,101,504
Buildings and building improvements	132,386,937	32,600		132,419,537
Machinery and Equipment	79,573,317	1,466,430	375,489	80,664,258
Other capitalized costs	128,787,369			128,787,369
Total capital assets being depreciated at historical cost	<u>347,449,025</u>	<u>1,899,132</u>	<u>375,489</u>	<u>348,972,668</u>
Less:				
Accumulated depreciation	252,449,456	7,642,622	372,795	259,719,283
Total capital assets being depreciated, net of accumulated depreciation	<u>94,999,569</u>	<u>(5,743,490)</u>	<u>2,694</u>	<u>89,253,385</u>
Capital Assets, net	<u>\$ 101,124,781</u>	<u>\$ (4,655,424)</u>	<u>\$ 648,041</u>	<u>\$ 95,821,316</u>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Solid Waste Disposal Project:				
Capital assets, not being depreciated:				
Land	\$ 1,856,900	\$	\$	\$ 1,856,900
Construction in Progress	5,444,985	68,977	109,060	5,404,902
Total capital assets not being depreciated	<u>7,301,885</u>	<u>68,977</u>	<u>109,060</u>	<u>7,261,802</u>
Capital assets being depreciated:				
Land Improvements	33,255,835			33,255,835
Buildings and building improvements	9,698,758	43,044		9,741,802
Machinery and Equipment	12,508,820	2,247,906	1,095,707	13,661,019
Other capitalized costs	22,055,717			22,055,717
Total capital assets being depreciated at historical cost	<u>77,519,130</u>	<u>2,290,950</u>	<u>1,095,707</u>	<u>78,714,373</u>
Less:				
Accumulated depreciation	46,728,097	2,710,563	721,025	48,717,635
Total capital assets being depreciated, net of accumulated depreciation	<u>30,791,033</u>	<u>(419,613)</u>	<u>374,682</u>	<u>29,996,738</u>
Capital Assets, net	<u>\$ 38,092,918</u>	<u>\$ (350,636)</u>	<u>\$ 483,742</u>	<u>\$ 37,258,540</u>

All costs incurred by the Authority prior to any of the four regional sewer systems being placed in operation are capitalized and not considered as operating expenses.

Depreciation of the physical plant and equipment in operation is recorded on a straight-line basis. Depreciation on contributed capital has been recorded as a reduction of contributed capital. Depreciation is computed using estimated lives of between 6 and 45 years.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Restricted Accounts

1. Regional Wastewater Treatment Project

In accordance with the 1979 Sewer General Bond Resolution, as amended and supplemented, the Authority has established the following cash and investment accounts for the deposit of all revenue received by the Authority for the Regional Wastewater Treatment Project:

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
Construction	Proceeds of debt issued and Construction grants-in-aid	Expenses legally chargeable to bond proceeds.
Revenue	All revenues received for the Wastewater Treatment Project.	Operating expenses and transfers to the various Accounts described below.
Bond Service (Current Debt Service)	Amount needed to pay matured principal and interest due on or before the following January 1st.	Principal and interest on bonds.
Sinking Fund	Amount needed to pay sinking fund installments due on or before the established due dates for installments.	Purchase or redemption of Bonds. Installments commence January 1, 1992.
Bond Reserve (Future Debt Service)	Amount needed to increase the balance to equal the greatest amount of debt service due in any year.	To make up any deficiency in the Bond Service Account, if any.
Renewal and Replacement	Amount needed to increase the balance to equal the "System Reserve Requirement" as defined by the Bond Resolution.	Transfers to meet minimum levels required in the Bond Service, Sinking or Bond Reserve accounts or major repairs, renewals and extensions of the system.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Restricted Accounts (Continued)

1. Regional Wastewater Treatment Project (Continued)

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
General Account	Deposits will be made as funds are available after all other requirements are met.	Any lawful purpose of the Authority.

Pursuant to the provisions of the 1984 Supplemental Resolution and the 1985 Supplemental Resolution, the Authority was required to maintain a special sub-account in the General Account, designated the "Rate Stabilization Account." Those provisions are no longer in effect. The funds now on deposit in the Rate Stabilization Account are free of any restrictions and may be used for any lawful purpose of the Authority.

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
Escrow Accounts	Refunding bond proceeds and interest earned on investments.	Payment of bonds when due for which refunding bonds were issued and interest on refunding bonds until crossover dates.
Cost of Issuance Accounts	Refunding bond proceeds and interest earned on investments.	Costs and expenses incurred in connection with issuance and delivery and portion of bond insurance and such other fees with respect to refunding bonds issued prior to crossover date.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Restricted Accounts (Continued)

2. Solid Waste Project

In accordance with the 1986 Solid Waste Revenue Bond Resolution, as amended and supplemented, the Authority has established the following cash and investment accounts for the deposit of all revenues received by the Authority for the Solid Waste Project:

<u>Account</u>	<u>Amount</u>	<u>Use for</u> <u>Which Restricted</u>
Construction	Any moneys received, from any source, for the payment of construction costs or cost of the project.	Expenses legally chargeable to bond proceeds.
Revenue	All revenues received for the Solid Waste Project.	Operating expenses and transfers to the various accounts described below.
Bond Service (Current Debt Service)	Amount needed to pay matured principal and interest due on or before the due date of such bonds.	Principal and interest on bonds.
Bond Reserve (Future Debt Service)	Amount needed to increase the balance to equal the greatest amount of debt service due in any year.	To make up any deficiency in the Bond Service Account, if any.
Renewal and Replacement	Amount needed to increase the balance to equal the "Project Reserve Requirement" as defined by the Bond Resolution.	Transfers to meet minimum levels required in the Bond Reserve Account or major repairs, renewals and replacements of the project.
Landfill Closure	Amount needed to increase balance to equal the "Landfill Closure Requirement" and any additional amount deemed necessary by the Authority.	Reasonable and necessary expenses with respect to the proper closure of the Authority's secure landfill.
General	Deposits will be made as funds are available after all other requirements are met.	Any lawful purpose of the Authority.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Restricted Accounts (Continued)

2. Solid Waste Project (Continued)

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
Escrow Accounts	Refunding bond proceeds and interest earned on investments.	Payment of bonds when due for which refunding bonds were issued and interest on refunding bonds until crossover dates.
Cost of Issuance Accounts	Refunding bond proceeds and interest earned on investments.	Costs and expenses incurred in connection with issuance and delivery and portion of bond insurance and such other fees with respect to refunding bonds issued prior to crossover date.

In addition to the above, the Authority has also established the following restricted accounts for the Solid Waste Project:

- Equipment Reserve - An account set up to accumulate funds transferred from the revenue account. It is to be used to purchase large equipment.
- Insurance and Liability Reserve - The Authority has set up this account as a self insurance reserve to pay any possible claims not covered by current insurance policies.
- Building and Site Maintenance Reserve - Funds reserved from operating revenues to be used for the purchase or acquisition of various Capital items and/or improvements.
- Rate Stabilization Fund - The fund was established by the Authority to pay the Pinelands Commission the amount of \$2.04 per ton until the amount of \$2,250,000 had been paid to the Commission. This payment is per the prior agreement with the Pinelands Commission to allow the Cape May County Municipal Utilities Authority's Secure Sanitary Landfill to remain open. The remaining balance in the fund may be used for operating and other expenses.
- IPF Rate Stabilization Fund - The fund was established by the Authority with recycling income derived from Out-of-County recyclables. This fund is to be used as necessary to mitigate any loss by the Authority for the recycling of material at the Intermediate Processing Facility (IPF).

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Restricted Accounts (Continued)

2. Solid Waste Project (Continued)

- IPF Building and Site Maintenance Reserve – The fund was established by the Authority as required by the IPF contract with FCR Camden Inc. in order that funds will be available to perform all needed repairs and improvements to the Intermediate Processing Facility when required without burdening the solid waste operating budget.

F. Annual Budget

The Authority submits an annual budget to the State of New Jersey for the wastewater operations and for the solid waste operations. Once adopted, the Authority may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

The budgets are prepared on the accrual basis. Unaccrued appropriations for annually budgeted funds lapse at year-end.

G. Leave Policies

Employees are encouraged to use vacation leave during the year in which it is earned. However, employees may defer up to one (1) year's accrual of vacation leave into the succeeding year. Upon termination of employment for any reason, employees will be paid for any accrued, unused vacation leave.

Unused sick leave for union employees may accumulate from year to year to a maximum of two hundred sixty (260) days total. However, unused sick leave will not be paid to those employees terminating their employment with the Authority except for those employees retiring from the Authority who have a minimum of fifteen (15) years of continuous service, and that upon such retirement are eligible under the New Jersey Public Employees' Retirement System, based on years of service and/or age to immediately receive monthly retirement benefits, will be paid 50% of their unused sick leave, at the employee's annual salary rate at the time of his/her retirement not to exceed \$15,000.

Unused sick leave for non-bargaining unit employees may accumulate for an indefinite period. However, unused sick leave will not be paid to those employees terminating their employment with the Authority except for those employees retiring from the Authority who have a minimum of five (5) years of continuous service, and that upon such retirement are eligible under the New Jersey Public Employees' Retirement System, based on years of service and/or age to immediately receive monthly retirement benefits, will be paid 50% of their unused sick leave, at the employee's annual salary rate at the time of his/her retirement not to exceed \$15,000.

A portion of the monetary value of unused sick leave and vacation has been accrued by charges to operations. This liability may be affected by conditions which could preclude an employee from receiving full payment of the accrual. The accrual at December 31, 2008 is \$303,082 and the unrecorded balance of accrued sick leave and vacation at December 31, 2008 is \$921,040, assuming all employees are eligible at termination.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Post-Employment Health Benefits

Upon retirement from the Cape May County Municipal Utilities Authority, all eligible employees will be provided Authority-paid health benefits in accordance with the criteria for eligibility and the requirements as set forth below, and with the provisions of the health benefit plan or plans as provided to eligible Authority employees pursuant to the Authority policy.

Eligibility Criteria:

1. Employees who are fifty-five (55) years of age, or older, and retire from a New Jersey or locally administered retirement system with twenty-five (25) or more years of service credit and with twenty-five (25) or more years of service with the Authority, shall be eligible to receive Authority-paid health insurance benefits upon retirement from the Cape May County Municipal Utilities Authority; or
2. Employees who attain the age of sixty-five (65) years of age, or older, and retire from a New Jersey State or locally administered retirement system with twenty-five (25) or more years of service credit and with twenty (20) or more years of service with the Authority, shall be eligible to receive Authority-paid health insurance benefits upon retirement from the Cape May County Municipal Utilities Authority.

I. Cash, Cash Equivalents and Investments

The Authority's investments practices are governed by New Jersey State Statute 40A:5-15. Statutes authorize the Authority to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds and a maturity date not greater than 12 months from the date of purchase. In addition, the Authority can invest in direct debt securities of the United States or obligations guaranteed by the United States, bonds and other obligations of the local municipality or bonds or obligations of school districts of which the Authority is a part or within which the Authority is located unless such investments are expressly prohibited by law.

3. GENERAL BOND RESOLUTIONS

A. Regional Wastewater Collection and Treatment System

On April 4, 1979, the Authority authorized the issuance of revenue bonds (the "Sewer System Revenue Bonds") for the acquisition and construction of a wastewater collection and treatment system (the "Sewer System") pursuant to a resolution entitled "Resolution Authorizing the Issuance of Revenue Bonds of the Cape May County Municipal Utilities Authority," which resolution has been amended and/or supplemented from time to time (as amended and/or supplemented, the "Sewer Resolution").

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(CONTINUED)

3. GENERAL BOND RESOLUTIONS (CONTINUED)

A. Regional Wastewater Collection and Treatment System (Continued)

All of the Sewer System Revenue Bonds described below are direct and general obligations of the Authority payable from the revenues derived from the operation of the sewer system and are further secured by substantially similar agreements with certain municipalities located within Cape May County (the "County"), as well as the Township of Lower Municipal Utilities Authority and New Jersey – American Water Company. The Sewer System Revenue Bonds are also secured by an agreement dated as of October 16, 1974, as amended and supplemented, by and between the County and the Authority pursuant to which the County is obligated to make up any deficiencies in the sewer system revenues.

B. Regional Solid Waste System

On June 18, 1986, the Authority authorized the issuance of revenue bonds (the "Solid Waste System Revenue Bonds") for the acquisition and construction of a certain solid waste facilities (the "Solid Waste System") pursuant to resolution entitled "Resolution Authorizing the Issuance of Solid Waste Revenue Bonds (Landfill Project) of the Cape May County Municipal Utilities Authority," which resolution has been amended and/or supplemented from time to time (as amended and/or supplemented, the "Solid Waste Resolution").

All of the Solid Waste System Bonds described below are direct and general obligations of the Authority payable from the revenues derived from the operation of the Solid Waste System and are further secured by an agreement dated as of July 8, 1990, as amended, by and between the County and the Authority pursuant to which the County is obligated to make up any deficiencies in the Solid Waste System revenues.

4. SEWER SYSTEM REVENUE BONDS

A. Sewer Revenue Refunding Bonds, Series 2002-A

On November 15, 2002, the Authority issued \$85,195,000 Sewer Revenue Refunding Bonds, Series 2002-A (the "2002-A Refunding Bonds") pursuant to the Sewer resolution in order to refund and defease certain of the Authority's \$88,075,000 Sewer Revenue Refunding Bonds, Series 1992-A.

The 2002-A Refunding Bonds mature on the dates and in the principal amounts and bear interest, which is payable on the first days of January and July, at the interest rates per annum which are set forth below.

<u>Year</u>		<u>Interest</u>		<u>Year</u>		<u>Interest</u>
<u>January 1</u>	<u>Amount</u>	<u>Rate</u>		<u>January 1</u>	<u>Amount</u>	<u>Rate</u>
2009	\$ 2,970,000	6.00%		2013	\$ 11,290,000	5.75%
2010	9,495,000	6.00%		2014	11,930,000	5.75%
2011	10,065,000	6.00%		2015	12,620,000	5.75%
2012	10,665,000	5.75%		2016	<u>13,345,000</u>	5.75%
				Total	\$ <u>82,380,000</u>	

The 2002-A Refunding Bonds are not subject to redemption prior to maturity.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(CONTINUED)

4. SEWER REVENUE BONDS (CONTINUED)

B. Sewer Revenue Refunding Bonds, Series 2002-B

On November 6, 2002, the Authority issued \$7,680,000 Sewer Revenue Refunding Bonds, Series 2002-B (the "2002-B Refunding Bonds") pursuant to the Sewer resolution in order to refund and defease certain of the Authority's \$13,465,000 Sewer Revenue Refunding Bonds, Series 1992.

The 2002-B Refunding Bonds mature on the dates and in the principal amounts and bear interest, which is payable on the first days of January and July, at the interest rates per annum which are set forth below.

Year	Amount	Interest Rate
<u>January 1</u>	<u>Amount</u>	<u>Rate</u>
2009	\$ 1,390,000	3.625%
Total	<u>\$ 1,390,000</u>	

The 2002-B Refunding Bonds are not subject to redemption prior to maturity.

C. Sewer Revenue Refunding Bonds, Series 2002-C

On November 6, 2002, the Authority issued \$42,085,000 Sewer Revenue Refunding Bonds, Series 2002-C (the "2002-C Refunding Bonds") pursuant to the Sewer Resolution in order to refund and defease certain of the Authority's \$73,815,000 Sewer Revenue Refunding Bonds, Series 1993-B.

The 2002-C Refunding Bonds mature on the dates and in the principal amounts and bear interest, which is payable on the first days of January and July, at the interest rates per annum which are set forth below.

<u>January 1</u>	<u>Amount</u>	<u>Rate</u>	<u>January 1</u>	<u>Amount</u>	<u>Rate</u>
2009	\$ 4,650,000	5.25%	2019	\$ 2,835,000	5.25%
2017	2,560,000	5.25%	2020	2,985,000	5.25%
2018	2,690,000	5.25%	2021	<u>3,140,000</u>	5.25%
			Total	<u>\$ 18,860,000</u>	

The 2002-C Refunding Bonds maturing on or after January 1, 2017 may be redeemed in whole or in part prior to their respective maturity dates upon terms set forth in the Sewer Resolution.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(CONTINUED)

4. SEWER REVENUE BONDS (CONTINUED)

D. Wastewater Treatment Trust Fund

1. Sewer Revenue Bonds, Series 1993-C

On June 23, 1993, the Authority issued \$1,255,000 Sewer Revenue Bonds, Series 1993-C (the "1993 C Bonds") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System. The 1993-C Bonds were issued to and registered in the name of the New Jersey Wastewater Treatment Trust (the "Trust").

The 1993-C Bonds mature, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest, which is payable on the first days February and August, at the interest rates per annum which are set forth below.

<u>Year</u> <u>February 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u> <u>February 1</u>	<u>Amount</u>	<u>Rate</u>
2009	\$ 80,000	4.75%	2011	\$ 85,000	4.80%
2010	85,000	4.80%	2012	90,000	4.80%
			2013	<u>95,000</u>	4.80%
				<u>\$ 435,000</u>	

2. Sewer Revenue Bonds, Series 1993-D

On November 10, 1993, the Authority issued \$1,190,668 Sewer Revenue Bonds, Series 1993-D (the "1993-D Bonds") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System. The 1993-D Bonds were issued to and registered in the name of the NJDEP.

The 1993-D Bonds mature, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 1993-D Bonds bear interest at the rate of zero percent (0%) per annum.

<u>Year</u> <u>February 1</u>	<u>Amount</u>
2009	\$ 61,111.97
2010	61,766.70
2011	59,246.62
2012	59,740.76
2013	<u>60,086.14</u>
	<u>\$ 301,952.19</u>

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4. SEWER REVENUE BONDS (CONTINUED)

Summary of Sewer System Revenue Bonds (as of December 31, 2008, The current principal, and long term principal, interest and total debt service, excluding those Sewer System Revenue Bonds that have been paid or defeased), is as follows:

<u>Issue</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Interest</u>	<u>Total</u>
2002-A Refunding Bonds	\$ 2,970,000	\$ 79,410,000	\$ 21,765,637	\$ 104,145,637
2002-B Refunding Bonds	1,390,000	-	25,194	1,415,194
2002-C Refunding Bonds	4,650,000	14,210,000	8,031,713	26,891,713
Wastewater Treatment Trust:				
1993 Series C	80,000	355,000	52,880	487,880
1993 Series D	61,112	240,841		301,953
	<u>\$ 9,151,112</u>	<u>\$ 94,215,841</u>	<u>\$ 29,875,424</u>	<u>\$ 133,242,377</u>

5. SOLID WASTE REVENUE BONDS

A. Solid Waste Refunding Bonds (County Solid Waste Agreement, Refunding Series 1997)

On December 11, 1997, the Authority issued \$5,170,000 Solid Waste Refunding Bonds (County Solid Waste Agreement, Refunding Series 1997) (the "1997 Refunding Bonds") pursuant to the Solid Waste Resolution in order to refund and defease certain prior Solid Waste System bonds of the Authority.

The 1997 Refunding Bonds mature, Subject to prior redemption, on the dates and in the principal amounts and bear interest, which is payable on the first days of February and August, at the interest rates per annum which are set forth below.

<u>Year August 1</u>	<u>Amount</u>	<u>Rate</u>
2009	\$ 375,000	4.75%
2010	1,300,000	4.80%
2011	1,365,000	4.90%
2012	<u>1,435,000</u>	4.90%
	<u>\$ 4,475,000</u>	

The 1997 Refunding Bonds maturing on and after August 1, 2008 may be redeemed in whole or in part prior to their respective maturity dates upon terms set forth in the Solid Waste Resolution.

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5. SOLID WASTE REVENUE BONDS (CONTINUED)

B. Solid Waste Refunding Bonds (County Solid Waste Agreement, Refunding Series 2003)

On May 15, 2003, the Authority issued \$19,610,000 Solid Waste Refunding Bonds (County Solid Waste Agreement, Refunding Series 2003) (the "2003 Refunding Bonds") pursuant to the Solid Waste Resolution in order to refund and defease ALL of the Authority's outstanding \$34,745,000 solid Waste Refunding Bonds (County Solid Waste Agreement, Refunding Series 1993).

The 2003 Refunding Bonds mature on the dates and in the principal amounts and bear interest, which is payable on the first days of February and August, at the interest rates per annum which are set forth below.

Year <u>August 1</u>	<u>Amount</u>	<u>Rate</u>
2009	\$ 2,080,000	3.000%
2010	1,235,000	3.000%
2011	1,270,000	3.125%
2012	<u>1,305,000</u>	3.250%
	<u>\$ 5,890,000</u>	

The 2003 Refunding Bonds are not subject to redemption prior to maturity.

Summary of Solid Waste Revenue Bonds (as of December 31, 2008, the current principal and long term principal, interest and total debt service, excluding those Solid Waste System Revenue Bonds that have been paid or defeased, is as follows):

<u>Issue</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Interest</u>	<u>Total</u>
1997 Solid Waste Refunding	\$ 375,000	\$ 4,100,000	\$ 624,527	\$ 5,099,527
2003 Solid Waste Refunding	2,080,000	3,810,000	425,212	6,315,212
	<u>\$ 2,455,000</u>	<u>\$ 7,910,000</u>	<u>\$ 1,049,739</u>	<u>\$ 11,414,739</u>

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6. PENSION AND RETIREMENT PLANS (PERS)

Plan Descriptions

Substantially all of the Authority's employees participate in the Public Employees' Retirement System (PERS), which has been established by state statute and are administered by the New Jersey Division of Pensions 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. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:3B. All benefits vest after eight to ten years of service, except for medical benefits, which vest after 25 years of service. Retirement benefits for age and service are available at age 60 and, under recently enacted legislation are generally determined to be 1/55 of final average salary for each year of service credit. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years service credit, or they may elect deferred retirement after achieving eight to ten years of service credit, in which case benefits would begin the first day of the month after the member attains normal retirement age.

Funding Policy

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate. In accordance with Chapter 415, P.L. 1999, the member rate was set at 5.0% of base salary effective July 1, 2004. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

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6. PENSION AND RETIREMENT PLANS (PERS) (CONTINUED)

For the Public Employees' Retirement System, the Authority's contribution was \$522,936 for 2008 and \$301,834 for 2007.

Three-Year Trend Information for PERS			
Funding Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/08	\$ 653,670	80%	\$ 522,936
12/31/07	503,057	60%	301,834
12/31/06	397,575	40%	159,030

7. REGIONAL WASTEWATER TREATMENT FACILITIES

The plan for the County creates four regions:

<u>Region</u>	<u>Date Commenced Operations</u>
Ocean City Region	February 1982
Cape May Region	February 1984
Seven Mile Beach/Middle Region	August 1987
Wildwood/Lower Region	May 1988

The Authority, in computing its annual charges, computes the amount which at all times will be sufficient to pay or provide for the expenses of the operation, repair and maintenance of the system, including insurance, renewals and replacements, the cost of extending the system not otherwise provided for, and principal of and interest on any and all bonds or other obligations of the Authority as the same become due, to provide for any deficits of the Authority resulting from failure to receive sums payable to the Authority from any other participant in the system, and to provide such revenues and maintain such reserves or sinking funds as may be required by the terms of any contract or other obligations of the Authority. The Service Contract may not be terminated as long as any bonds issued to finance the system have not been paid in full.

The balance of revenues is to be received from compost sales, septage and leachate disposal charges and interest received on investments.

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8. DEFERRED COMPENSATION

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all eligible regular employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The Authority established the Deferred Compensation Program through the U.S. Conference of Mayors (USCM) on March 20, 1985. The USCM has amended its Deferred Compensation Plan Document to incorporate the requirements of the Small Business Job Protection Act of 1996, and said amended Plan Document has been approved by and filed with the State of New Jersey Department of Community Affairs. By adopting the USCM program, all regulatory, operational, administrative and fiduciary responsibilities were assumed by the Plan Administrator on behalf of the Authority.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights have been removed from the books and accounts of the Authority as they are no longer the property or rights of the Authority.

9. LITIGATION AND CONTINGENCIES

From time to time, the CMCMUA is a defendant or co-defendant in various lawsuits arising out of normal operations and construction activities of the CMCMUA. It is the opinion of management and the General Counsel to the CMCMUA that the resolution of these other pending lawsuits will not have a material adverse effect on the Authority's assets, liabilities or results of operations.

10. INTERMEDIATE PROCESSING FACILITY (I.P.F.)

The Cape May County Municipal Utilities Authority constructed the Cape May County Intermediate Processing Facility (IPF or Facility), which commenced operations in April 1990, for the purpose of processing and marketing recyclable materials. In the spring of 2002, the Authority concluded a public procurement process and contracted with FCR of Camden, Inc. to operate and maintain the IPF for the period of July 1, 2002 through June 30, 2007. The Authority pays monthly service fee payments and revenue sharing to FCR of Camden, Inc. as compensation for its expenses to operate and maintain the IPF. FCR of Camden, Inc. receives reimbursement from the Authority for capital repairs and replacements authorized by the Authority. During the fall of 2002, FCR of Camden, Inc. and the Authority completed a major renovation of the IPF, the first in a decade, which included the retrofit and replacement of the equipment used to process all bottle and can recyclables. In December 2004, the Authority entered into a new service agreement with FCR of Camden, Inc. while simultaneously terminating the previous service agreement. This new agreement is for a five-year period commencing on January 1, 2005 and expiring on December 31, 2009 and provides for a major retrofit of the IPF's commingled paper processing line to be financed, undertaken and maintained by FCR of Camden, Inc.

11. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance amounts in Solid Waste Operating (\$27,049) and Wastewater Operating (\$15,354) are contra asset amounts presented as reductions to User Charges Receivable, Composting Fees Receivable and Septage Haulers Fees Receivable, respectively.

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12. CLOSURE AND POST-CLOSURE CARE COST

State and federal laws and regulations require the Authority to place a final and impermeable cover on its sanitary landfill site once it stops accepting waste for disposal and to perform certain maintenance and monitoring functions at the site for thirty years after closure. To cover closure and post-closure care cost requirements that will be paid near or after the date that the landfill stops accepting waste, the Authority collects a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$4.87 million reported as restricted net assets/landfill closure account #1 at December 31, 2008, is in excess of the amount required to date based on the assumption that the landfill would permanently close in the year 2033. Based upon volume projections available in the landfill made by the Authority's Consulting Engineer, only 46.71% of the total landfill capacity has been utilized. These cumulative amounts are based on what it would cost to perform all closure and post-closure care in 2008. Actual closure and post-closure costs may be higher due to inflation, changes in technology, or changes in regulations.

The Authority is required by state and federal regulations to make annual contributions to a closure fund to finance closure and post-closure care. 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 additional costs may need to be covered by charges to future landfill users.

13. CASH AND CASH EQUIVALENTS AND INVESTMENTS

General Authorization

The Cape May County Utilities Authority's deposit and investment practices are governed by New Jersey State Statute 40A:5-15.

GASB Statement No. 3, amended by GASB Statement No. 40, requires disclosure of the level of custodial credit risk assumed by the Authority in its cash, cash equivalents and investments.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk; however, the State of New Jersey imposes certain collateral requirements for governmental units. These requirements are disclosed in detail as part of Note 1.

Deposits

The Authority's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC) or New Jersey's Governmental Unity Deposit Protection Act (GUDPA). GUDPA requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by FDIC.

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13. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. Operating cash, in the form various checking, savings and NOW Accounts, are held in the Authority's name by commercial banking institutions. At December 31, 2008, the carrying amount of the Authority's deposits was \$59,831,802 and the bank balance was \$60,184,417. Of the bank balance, \$1,158,122 was insured with Federal Deposit Insurance and \$59,026,295 was covered by GUDPA.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the Authority's bank accounts are profiled in order to determine exposure, if any to Custodial Credit Risk (risk that in the event of failure of the counterparty the Authority would not be able to recover the value of it's deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are uncollateralized (securities not pledged by the depositor), collateralized with securities held by the pledging 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, 2008, all of the Authority's deposits were insured with Federal Deposit Insurance or under the provisions of the Governmental Unit Deposit Protection Act (GUDPA) and not exposed to custodial credit risk. The Authority does not have a policy for custodial credit risk.

Investments

At December 31, 2008, the Authority had the following investments:

Investment Type	Average Credit/ Quality Ratings (1)	Face Amount	Carrying Amount	Investment Maturities (in Years)		
				Less Than 1	1-5	6-10
NJ Cash Management	Not Rated	\$ 1,640,782	\$ 1,640,782	\$ 1,640,782		\$
FHLMC MTN	AAA	100,000	99,858		99,858	
FNMA MTN	AAA	100,000	100,540		100,540	
Federal Farm Credit Bank	AAA	290,000	293,616		293,616	
First American Govt. Obligation Fund	AAA	18,284	18,284	18,284		
US Treasury Bonds	AAA	485,000	587,774		100,106	487,668
US Treasury Notes	AAA	3,713,000	3,775,857	527,074	2,067,939	1,180,844
		<u>\$ 6,347,066</u>	<u>\$ 6,516,711</u>	<u>\$ 2,186,140</u>	<u>\$ 2,662,059</u>	<u>\$ 1,668,512</u>

(1) Ratings are provided where applicable to indicate associated credit risk.

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(CONTINUED)

13. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk, however the State of New Jersey imposes certain collateral requirements for governmental units. These requirements are disclosed in detail as part of Note 1.

Credit risk – The Authority does not have an investment policy regarding the management of credit risk. 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 – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Authority does not have a policy to limit interest rate risk.

14. DUE TO IRS – ARBITRAGE REBATE

The amounts stated on the balance sheets of the Solid Waste Disposal Project (\$306,072) and the Regional Wastewater Treatment Project (\$230,630) have been established from earnings on bond proceeds, as reserves for the possible payment of arbitrage earnings to the Internal Revenue Service. Periodic arbitrage calculations have been made for the various bond issues and the Authority has concluded that the amounts established as reserves are sufficient at December 31, 2008. During 2008, \$56,759 was rebated to the Internal Revenue Service as arbitrage earnings on the 2003 Solid Waste Refunding Bonds. The reserves will be revised if future calculations warrant a revision.

15. RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY

Receivables and payables at December 31, 2008 are as follows:

<u>Amount</u>	<u>Due to Fund</u>	<u>Due from Fund</u>
\$ 1,411,211	Wastewater Construction	Solid Waste Operating
<u>753,766</u>	Wastewater Construction	Solid Waste Project
<u>\$ 2,164,977</u>		

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16. POST EMPLOYMENT HEALTHCARE PLAN

Plan Description

The Authority administers a single employer, defined benefit OPEB (Other Postemployment Benefits) plan which provides for health, prescription drug, vision, dental and life insurance coverage.

Eligibility

Bargaining and non-bargaining employees who have worked for Cape May County Municipal Utilities Authority, who have earned at least 25 years of service credit and have retired from a New Jersey State or locally administered Retirement System are eligible for postemployment OPEB benefits at or after age 55. The employee must retire from active service to receive the postemployment benefits and must also have worked at least 25 years for the Authority. The 25 years with the Authority requirement is reduced to 20 years for retirement on or after age 65. The benefits are the same as those provided to active employees. Service credits are measured as years of service credited to the Public Employees Retirement System. Membership of the plan consisted of the following at January 1, 2007, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	6	
Active Plan Members	155	
Total	161	

Funding Policy

As of January 1, 2007, the employer has no segregated assets. It is the intention of the Authority to pay the cost of the benefits as they come due each year (pay-as-you-go policy). Any contribution shortfall will create a net OPEB obligation. For the year ended December 31, 2008 the Authority contributed \$74,348 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC 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 (or funding excess) not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation:

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16. POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

	December 31, 2008
Annual required contribution	\$ 1,918,678
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (Expense)	<u>1,918,678</u>
Contributions made	<u>(74,348)</u>
Increase in net OPEB obligation	1,844,330
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u><u>\$ 1,844,330</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2006	N/A	N/A	N/A
12/31/2007	N/A	N/A	N/A
12/31/2008	\$ 1,918,678	3.87%	\$ 1,844,330

Funding Status and Progress

As of January 1, 2007, the most recent valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$21.7 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$21.7 million and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 0%. The covered payroll (annual payroll of active employees covered by the plan) was \$8.2 million, and the ratio of the UAAL to the covered payroll was 263.9 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

The State of New Jersey has not provided statutory authority that would allow the OPEB costs to be funded at this time.

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16. POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal with a level dollar allocation method. The actuarial assumptions included a 5.0 percent investment rate of return, compounded annually, net of investment expenses. All postemployment medical rates are assumed to increase 12% in the first year, 11 % in the second year, 10% in the third year, and continuing a 1% decline in each subsequent year to an ultimate rate of 5% in the eighth year. All postemployment prescription drug trend rates are assumed to increase 14% in the first year, 13% in the second, 12% in the third year and continue a 1% decline in each subsequent year to an ultimate rate of 5% in the tenth year. Dental and vision care costs are assumed to increase 5% per year. Retirement copayments, if any, are assumed to increase at the medical trend rate. The amortization period is 30 years for the initial unfunded actuarial accrued liability. Because there is only one amortization base, the equivalent single amortization period is also 30 years.

17. LONG TERM OBLIGATIONS

Changes in long-term obligations for the year ended December 31, 2008 are as follows:

	<u>Balance</u> <u>12/31/2007</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>12/31/2008</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Compensated					
Absences	\$ 295,817	\$ 7,265	\$	\$ 303,082	\$ -
Deferred Revenue	167,492	3,362		170,854	-
Due to IRS - Arbitrage					
Rebate	593,460		56,758	536,702	-
Net OPEB Obligation					
Payable		1,918,678	74,348	1,844,330	
Bonds Payable:					
Wastewater Project	110,772,250		7,405,297	103,366,953	(1) 9,151,112
Solid Waste Project	12,755,000		2,390,000	10,365,000	(1) 2,455,000
	<u>\$ 124,584,019</u>	<u>\$ 1,929,305</u>	<u>\$ 9,926,403</u>	<u>\$ 116,586,921</u>	<u>\$ 11,606,112</u>

(1) The Bonds Payable above are not reduced by the Deferred Amount on Refunding of \$292,560 for Wastewater and \$359,916 for Solid Waste.

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18. SUBSEQUENT EVENTS

On February 25, 2009, the Authority issued \$4,195,000 in Solid Waste Revenue Bonds. The bonds are dated February 25, 2009. Payments vary from \$145,000 in 2009 to \$1,395,000 in 2012. Interest rates vary from 2.25% to 4.00%.

Proceeds of the Bonds will be used to refund the Series 1997 Solid Waste Refunding Bonds as well as pay costs associated with the issuance of the Series 2009 Bonds.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
OPEB SCHEDULE OF FUNDING PROGRESS AND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEARS ENDED DECEMBER 31, 2008 AND 2007

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
1/1/2005	N/A	N/A	N/A	N/A	N/A	N/A
1/1/2006	N/A	N/A	N/A	N/A	N/A	N/A
1/1/2007	\$ -	\$ 21,679,555	\$ 21,679,555	0.0%	\$ 8,213,984	263.9%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended December 31</u>	<u>Annual OPEB Cost</u>	<u>Contributions From Employer</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2006	N/A	N/A	N/A	N/A
2007	N/A	N/A	N/A	N/A
2008	\$ 1,918,678	\$ 74,348	3.87%	\$ 1,844,330

OTHER SUPPLEMENTARY INFORMATION

REGIONAL WASTEWATER TREATMENT PROJECT

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
REGIONAL WASTEWATER TREATMENT PROJECT
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2008

	<u>2008 Budget (as revised)</u>	<u>2008 Actual</u>
REVENUES:		
User service agreements:	\$ 28,072,109	\$ 28,072,109
Interest on investments and deposits	1,244,538	944,209
Septage/Leachate disposal fees	760,000	902,223
Processing Dry Sludge	75,000	
Lower Township MUA Settlement	60,000	60,000
Compost sales	30,000	24,199
Construction Fund Surplus	700,000	700,000
Tower Rental		53,225
Miscellaneous	50,000	20,463
	<u>\$ 30,991,647</u>	<u>\$ 30,776,428</u>
EXPENSES:		
Personnel services:		
Salaries and wages:		
Ocean City region	\$ 797,424	\$ 874,315
Cape May region	555,403	592,920
Seven Mile/Middle region	1,821,602	1,946,903
Wildwood/Lower region	1,107,421	1,050,837
Composting facility	756,613	806,922
Administration	319,809	327,146
Employee benefits:		
Social Security tax	409,908	426,875
Workers' compensation insurance	290,771	211,029
Other employee benefits	1,912,432	1,737,375
Administrative expenses:		
Operating portion of administrative overhead costs	925,000	925,588
Professional fees	34,500	36,801
Financial management	45,000	3,765
Permits and fees	182,000	191,356

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
REGIONAL WASTEWATER TREATMENT PROJECT
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2008
(CONTINUED)

	<u>2008 Budget (as revised)</u>	<u>2008 Actual</u>
EXPENSES (CONTINUED):		
Operations and maintenance:		
Utilities	\$ 2,379,700	\$ 2,434,553
Chemicals	1,043,700	848,943
Miscellaneous	23,925	27,303
Supplies and postage	135,975	129,284
Repair and replacement parts	511,050	532,279
Materials	93,000	111,885
Rent/Lease	13,800	5,718
Other insurance	354,027	275,770
Outside service	352,950	553,683
Miscellaneous equipment	334,800	212,721
Lubrications/Fuels	484,450	406,070
	<u>14,885,260</u>	<u>14,670,041</u>
Interest expense	<u>5,854,849</u>	<u>5,854,849</u>
Other costs funded by operating revenues:		
Bond principal	9,151,538	9,151,538
Operation and maintenance reserve		
Renewal and replacement reserve	<u>1,100,000</u>	<u>1,100,000</u>
	<u>10,251,538</u>	<u>10,251,538</u>
Total costs funded by operating revenues	30,991,647	30,776,428
Add: Excess (Deficit)	<u>-</u>	<u>-</u>
	<u>\$ 30,991,647</u>	<u>\$ 30,776,428</u>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
REGIONAL WASTEWATER TREATMENT PROJECT
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS
DECEMBER 31, 2008

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2008
<u>Unrestricted Accounts</u>				
Revenue and Operating Accounts:				
TD Bank - Daily Deposit Acct.	\$ 3,074	1.000	N/A	\$ 3,074
TD Bank - Checking Acct	25,887	1.000	N/A	25,887
TD Bank - Money Market	224,724	1.000	N/A	224,724
Sovereign bank - Money Market	9,363,905	1.400	N/A	9,363,905
NJ Cash Management Fund	81,362	1.320	N/A	81,362
Parke Bank - Liquid Investment Acct.	7,257,134	1.450	N/A	7,257,134
Petty Cash	1,025		N/A	1,025
Total Unrestricted Accounts				<u>16,957,111</u>
<u>Restricted Accounts</u>				
Construction Accounts:				
Sturdy Savings - Payroll Acct.	5,200		N/A	5,200
TD Bank - Checking Acct.	670,533	1.000	N/A	670,533
TD Bank - Money market	771,597	1.000	N/A	771,597
Sovereign Bank - Money Market	3,041,354	1.400	N/A	3,041,354
NJ Cash Management Fund	6,812	1.320	N/A	6,812
Petty Cash	700		N/A	700
				<u>4,496,196</u>
Bond Reserve Fund:				
Parke Bank - Liquid Investment Acct.	12,900,000	1.450	N/A	12,900,000
Sovereign Bank - Money Market	563,329	1.400	N/A	563,329
NJ Cash Management Fund	100,000	1.320	N/A	100,000
				<u>13,563,329</u>
Renewal and Replacement Account:				
TD Bank - Money Market	58,509	1.000	N/A	58,509
Sovereign Bank - Money Market	1,890,378	1.400	N/A	1,890,378
				<u>1,948,887</u>
Rate Stabilization Account:				
TD Bank - Money Market	10,811	1.000	N/A	10,811
Total Restricted Accounts				<u>20,019,223</u>
Total - Wastewater Treatment Project				<u>\$ 36,976,334</u>

SOLID WASTE DISPOSAL PROJECT

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
SOLID WASTE DISPOSAL PROJECT
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2008

	2008 Budget (as revised)	2008 Actual
REVENUES:		
User charges and fees	\$ 11,542,197	\$ 11,066,146
Landfill gas income	1,000,000	1,351,281
Operating grants	145,031	156,003
Interest on investments and deposits	663,814	533,317
IPF Electric reimbursement	67,000	65,866
SLF Electric Reimbursement		30,965
Recycled Wood Product Sales	770,000	845,328
Beneficial soil/cover	240,000	167,055
Sale of scrap metal	56,500	65,052
Recycling Income	24,500	28,021
Electric generation income	100,000	61,602
Sale of carbon credits	390,847	440,475
Sale of Renewable Energy Certificates	20,900	36,037
Sale of Asbestos Bags	12,500	12,921
Hazardous Waste	2,000	1,813
Prior year payable canceled		279,295
IPF Tipping Fee		85,294
IPF Administrative Support Reimbursement		35,309
Insurance Claims		54,723
Miscellaneous		91,910
	<u>\$ 15,035,289</u>	<u>\$ 15,408,413</u>
EXPENSES:		
Personnel services:		
Salaries and wages:		
Sanitary landfill	\$ 1,506,249	\$ 1,622,049
Transfer station	684,232	695,270
Maintenance and repair	389,172	389,623
Recycling	112,459	109,352
Management and administration	349,927	387,982
Enforcement and Compliance	121,557	118,603
Employee benefits:		
Social Security tax	242,016	253,514
Workers' compensation insurance	213,174	151,571
Other employee benefits	1,045,805	934,798
Administrative expenses:		
Other expenses	374,747	272,955
Operating Portion of Administrative Overhead costs	1,007,500	1,008,744
Enforcement and Compliance:		
Other expenses	14,800	2,210

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
SOLID WASTE DISPOSAL PROJECT
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2008
(CONTINUED)

	2008 Budget (as revised)	2008 Actual
EXPENSES (CONTINUED):		
Operations and maintenance (continued):		
Sanitary landfill:		
Support services	\$ 1,054,430	\$ 1,088,937
Other expenses	348,805	384,790
Transfer station:		
Support services	83,884	79,309
Other expenses	31,000	18,691
Maintenance and repair and equipment	1,163,370	1,175,436
Recycling	286,200	229,817
Taxes and other charges:		
Landfill contingency tax	91,733	86,831
Recycling Tax	230,847	408,198
Solid waste services tax	299,723	19,059
Host community benefits	1,078,450	1,007,583
	<hr/>	<hr/>
	10,730,080	10,445,322
	<hr/>	<hr/>
Interest expense	436,889	436,889
	<hr/>	<hr/>
Other costs funded by operating revenues:		
Bond principal	2,390,000	2,390,000
Renewal and Replacement Fund	839,108	839,012
Reserve for Future Construction Costs	455,562	455,562
Closure and postclosure care	183,650	
	<hr/>	<hr/>
	3,868,320	3,684,574
	<hr/>	<hr/>
Total costs funded by operating revenues	15,035,289	14,566,785
	<hr/>	<hr/>
Add: Excess (Deficit)	-	841,628
	<hr/>	<hr/>
	\$ 15,035,289	\$ 15,408,413
	<hr/>	<hr/>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
SOLID WASTE DISPOSAL PROJECT
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS
DECEMBER 31, 2008

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2008
<u>Unrestricted Accounts</u>				
Revenue and Operating Accounts:				
TD Bank - Daily Deposit Account	\$ 201,112	1.000	N/A	\$ 201,112
TD Bank - Checking Account	281,309	1.000	N/A	281,309
Bank of America - Prepayment Escrow	170,854	1.000	N/A	170,854
TD Bank - Money Market	113,589	1.000	N/A	113,589
Sovereign Bank - Money Market	96,502	1.400	N/A	96,502
Parke Bank Liquid Investment Acct.	3,790,014	1.450	N/A	3,790,014
Petty Cash and Change Funds	4,800		N/A	4,800
				<u>4,658,180</u>
Host Community Benefit Reserve Fund				
TD Bank Money Market	403,412	1.000	N/A	403,412
Sovereign Bank Money Market	3,166	1.400	N/A	3,166
				<u>406,578</u>
Total Unrestricted Accounts				<u>5,064,758</u>
<u>Restricted Accounts</u>				
Construction Accounts:				
TD Bank - Checking Account	18,350	1.000	N/A	18,350
TD Bank - Money Market	224,832	1.000	N/A	224,832
Sovereign Bank - Money Market	509,756	1.400	N/A	509,756
NJ Cash Management Fund	13,107	1.320	N/A	13,107
Parke Bank - Liquid Investment Acct.	700,000	1.450	N/A	700,000
				<u>1,466,045</u>
Debt Service Account:				
TD Bank- Money Market	1,189,151	1.000	N/A	1,189,151
				<u>1,189,151</u>
Bond Reserve Account:				
TD Bank - Money Market	155,319	1.000	N/A	155,319
NJ Cash Management Fund	100,000	1.320	N/A	100,000
Parke Bank - Liquid Investment Acct.	2,600,000	1.450	N/A	2,600,000
				<u>2,855,319</u>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
SOLID WASTE DISPOSAL PROJECT
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS
DECEMBER 31, 2008
(CONTINUED)

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2008
Restricted Accounts (Continued)				
Landfill Closure Account:				
Evergreen Institutional Money Market	\$ 18,284	0.930	N/A	\$ 18,284
Federal Home Lending	100,000	2.875	11/23/2010	99,858
Fannie Mae	100,000	5.500	7/9/2010	100,540
Federal Farm Credit Bks	95,000	3.000	3/3/2011	95,096
Federal Home Loan Bks	100,000	3.375	10/20/2010	99,960
Federal Home Loan Bks	95,000	4.375	10/22/2010	98,560
United States Treas Bond	65,000	8.875	8/15/2017	86,654
United States Treas Bond	35,000	9.250	2/15/2016	49,896
United States Treas Bond	155,000	9.000	11/15/2018	230,668
United States Treas Sec. Stripped Int Pmt.	105,000		2/15/2015	84,010
United States Treas Bond	50,000	2.750	2/28/2013	50,578
United States Treas Bond	50,000	3.875	10/31/2012	49,527
United States Treas Bond	25,000	9.125	5/15/2018	36,441
United States Treas Note	100,000	3.375	9/15/2009	100,457
United States Treas Note	35,000	3.375	11/30/2012	34,716
United States Treas Note	155,000	3.625	7/15/2009	155,572
United States Treas Note	75,000	3.875	2/15/2013	76,699
United States Treas Note	15,000	3.875	5/15/2009	15,042
United States Treas Note	325,000	4.000	2/15/2014	323,951
United States Treas Note	60,000	4.000	8/15/2018	60,989
United States Treas Note	125,000	4.125	8/31/2012	124,316
United States Treas Note	75,000	4.250	8/15/2014	75,457
United States Treas Note	380,000	4.250	8/15/2015	379,754
United States Treas Note	275,000	4.250	11/15/2013	276,330
United States Treas Note	125,000	4.375	8/15/2012	125,331
United States Treas Note	250,000	4.500	3/31/2012	251,924
United States Treas Note	295,000	4.500	9/30/2011	309,220
United States Treas Note	84,000	4.500	11/15/2015	80,893
United States Treas Note	200,000	4.625	11/15/2009	200,062
United States Treas Note	835,000	4.875	2/15/2012	869,403
United States Treas Note	25,000	4.875	5/15/2009	24,993
United States Treas Note	225,000	4.875	8/15/2016	235,140
United States Treas Note	24,000	5.125	5/15/2016	24,660
United States Treas Note	30,000	6.000	8/15/2009	30,948
				4,875,929
Equipment Reserve Account:				
TD Bank - Money Market	597,841	1.000	N/A	597,841
Sovereign Bank - Money Market	1,721,460	1.400	N/A	1,721,460
				2,319,301

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
SOLID WASTE DISPOSAL PROJECT
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS
DECEMBER 31, 2008
(CONTINUED)

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2008
<u>Restricted Accounts (Continued)</u>				
Insurance Account:				
TD Bank - Money Market	\$ 81,518	1.000	N/A	\$ 81,518
NJ Cash Management Fund	515,001	1.320	N/A	<u>515,001</u>
				<u>596,519</u>
Building and Site Improvement Account:				
TD Bank - Money Market	16,827	1.000	N/A	16,827
Parke Bank - Liquid Investment Acct.	300,000	1.450	N/A	<u>300,000</u>
				<u>316,827</u>
Rate Stabilization Account:				
TD Bank - Money Market	85,197	1.000	N/A	85,197
NJ Cash Management Fund	721,002	1.320	N/A	<u>721,002</u>
				<u>806,199</u>
IPF Rate Stabilization Account:				
TD Bank - Money Market	473,729	1.000	N/A	473,729
Sovereign Bank - Money Market	1,218,662	1.400	N/A	1,218,662
NJ Cash Management Fund	59,974	1.320	N/A	<u>59,974</u>
				<u>1,752,365</u>
IPF Building and Site Account:				
Sovereign Bank - Money Market	508,066	1.400	N/A	508,066
TD Bank-Money Market	235,719	1.000	N/A	235,719
NJ Cash Management Fund	43,524	1.320	N/A	<u>43,524</u>
				<u>787,309</u>
Reserve for Future Construction:				
Sovereign Bank - Money Market	7,005,939	1.400	N/A	7,005,939
TD Bank-Money Market	336,518	1.000	N/A	<u>336,518</u>
				<u>7,342,457</u>
Total Restricted Accounts				<u>\$ 24,307,421</u>
Total - Solid Waste Disposal Project				<u>\$ 29,372,179</u>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
COUNTY OF CAPE MAY, NEW JERSEY
SOLID WASTE DISPOSAL PROJECT
SCHEDULE OF OPERATIONS
INTERMEDIATE PROCESSING FACILITY
FOR THE YEAR ENDED DECEMBER 31, 2008

REVENUES:	Total	Supplemental Authority IPF Expenses	FCR Camden, Inc. Operating Contract
Operating Revenues:			
Net sales - Cape May County	\$ 4,349,654	\$	\$ 4,349,654
Net sales - Out-Of-County	416,543		416,543
Total Operating Revenues	4,766,197	-	4,766,197
Total Revenues	4,766,197	-	4,766,197
EXPENSES:			
Operating Expenses:			
Base operating fee (payable by MUA)	253,653		253,653
Equipment	17,418	17,418	
CMCMUA administrative support	35,309	35,309	
IPF Residue Disposal Expense	85,294	85,294	
In-County & Out-Of-County Revenue Share (payable by MUA)	2,456,277		2,456,277
Total operating expenses	2,847,951	138,021	2,709,930
Transfer to IPF Equipment Reserve	250,000	250,000	
Transfer to IPF rate stabilization fund	416,543	416,543	
Transfer to Solid Waste Equipment Reserve - Equipment Purchase Repayment - 5 year payback	321,744	321,744	
Rebates to Municipalities	929,959	929,959	
Total Expenses	4,766,197	2,056,267	2,709,930
Authority's (Cost) of Operating the Intermediate Processing Facility	\$ -	\$ (2,056,267)	\$ 2,056,267
ANALYSIS OF BALANCE DUE (TO) FROM OPERATORS AT DECEMBER 31, 2008			
Balance due from operator, December 31, 2007	\$ 578,044	\$ -	\$ 578,044
Increased by:			
IPF electric reimbursement Owed to MUA	65,866		65,866
Operating Revenue	2,056,267		2,056,267
	2,122,133	-	2,122,133
Decreased by:			
Payments received from operator	2,239,151		2,239,151
	2,239,151	-	2,239,151
Balance due From operator - December 31, 2008	\$ 461,026	\$ -	\$ 461,026

GENERAL COMMENTS AND RECOMMENDATIONS

The Honorable Chairman and Members
of the Cape May County Municipal
Utilities Authority
Cape May Court House
New Jersey

**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**

We have audited the basic financial statements of The Cape May County Municipal Utilities Authority as of and for the year ended December 31, 2008, and have issued our report thereon dated April 21, 2009. 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 and in compliance with audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Cape May County Municipal Utilities Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

This report is intended solely for the information and use of The Cape May County Municipal Utilities Authority's governing body and management, others within the entity and the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as well as other federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Glen J. Ortman
Certified Public Accountant
Registered Municipal Accountant
No. 427

April 21, 2009

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
GENERAL COMMENTS AND RECOMMENDATIONS

Findings and Recommendations

None

Status of Prior Year's Audit Recommendations

There were no prior year recommendations.

Any problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Ford, Scott, & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Glen J. Ortman
Certified Public Accountant
Registered Municipal Accountant
No. 427

SINGLE AUDIT SECTION

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
NEW JERSEY OMB CIRCULAR 04-04**

The Honorable Chairman and Members
Of the Cape May County Municipal
Utilities Authority
Cape May court House
New Jersey

Compliance

We have audited the compliance of the Cape May County Municipal Utilities Authority (“Authority”) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey State Grant Compliance Supplement* that are applicable to each of its major state programs for the year ended December 31, 2008. The Authority’s major state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of Authority’s management. Our responsibility is to express an opinion on the Authority’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, OMB Circular A- 133 *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB’s Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB’s Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Authority’s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority’s compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cape May County Municipal Utilities Authority's internal control over compliance.

A *control* deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management of the Cape May County Municipal Utilities Authority, Division of Local Government Services, Department of Community Affairs, State of New Jersey (cognizant audit agency), other state awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

Ford, Scott, & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Glen J. Ortman
Certified Public Accountant
Registered Municipal Accountant
No. 427

April 21, 2009

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2008

<u>State Funding Agency</u>	<u>Program</u>	<u>State Account Number</u>	<u>Grant Period</u>		<u>Program Receipts</u>	<u>Program Expenditures</u>
			<u>From</u>	<u>To</u>		
New Jersey Department of Environmental Protection	Solid Waste Services Tax Fund Entitlement Program	4900-758-042-4900	1/1/2008	12/31/2008	\$ 125,031	\$ 125,031
	Cape May County Boat Shrink Wrap Plus Recycling Program	08100078BMAA1656130	10/1/2007	12/1/2009	15,000	15,000
	Water Supply Demonstration Project - Reclaimed Water for Beneficial Reuse	527-042-4840-030	1/1/2005	1/1/2010	<u>332,959</u>	<u>639,640</u>
Total New Jersey Department of Environmental Protection					<u>472,990</u>	<u>779,671</u>
New Jersey Board of Public Utilities- Office of Clean Energy	Biodiesel Rebate Program	784-082-2014-009-6130	5/18/2006	5/18/2007	15,972	-
Total State Financial Assistance					\$ <u><u>488,962</u></u>	\$ <u><u>779,671</u></u>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
DECEMBER 31, 2008

NOTE 1. GENERAL

The accompanying schedule of expenditures of state financial assistance presents the activity of all state financial assistance programs of the Cape May County Municipal Utilities Authority, the ("Authority"). The Authority is defined in Note 1 to the Authority's basic financial statements. All assistance received directly from state agencies, as well as state financial assistance passed through other government agencies is included on the schedule of state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedule of financial assistance is presented in accordance with accounting principles generally accepted in the United States of America ("GAAP").

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the Authority on a GAAP basis. The schedule of state assistance is in agreement with the basic financial statements.

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedule agrees with the amounts reported in the related state financial reports.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING DECEMBER 31, 2008

I. SUMMARY OF AUDITORS RESULTS

Financial Statements

Type of auditor's report issued: Unqualified Opinion issued on the Basic Financial Statements, dated April 21, 2009

Internal control over financial reporting:

- | | |
|---|----|
| 1) Material weakness identified? | No |
| 2) Significant Deficiencies identified that are not considered to be a material weakness? | No |

Noncompliance material to the basic financial Statements noted?	No
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Federal Awards

Not Applicable

State Awards

Dollar threshold used to distinguish between Type A and Type B Programs:	\$300,000
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Auditee qualified as low-risk auditee?	No
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Type of auditor's report issued on compliance for major programs:	An Unqualified Opinion was issued on compliance for major programs, dated April 21, 2009
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Internal Control over major programs:

- | | |
|---|----|
| 1) Material weakness identified? | No |
| 2) Significant Deficiencies identified that are not considered to be material weaknesses? | No |

Any audit findings disclosed that are required to be reported In accordance with NJ OMB Circular Letter 04-04?	No
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Identification of major programs:

State Grant Number
527-042-4840-030

Name of State Program
New Jersey Department of Environmental Protection – Water Supply Demonstration Project – Reclaimed Water for Beneficial Reuse

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING DECEMBER 31, 2008
(CONTINUED)

II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS

In accordance with Government Auditing Standards, our audit disclosed no findings relating to the basic financial statements that are required to be reported under this section.

III. FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

Federal:

Not Applicable

State:

Our audit disclosed no Findings or Questioned Costs.

MANAGEMENT RESPONSES

Management is required to respond to findings and recommendations in the audit report. A corrective action plan is required to be filed with the Division of Local Government Services, Department of Community Affairs, State of New Jersey within 45 days of the filing of this report, if any findings and recommendations are noted in the audit report.

STATUS OF PRIOR YEAR FINDINGS

There were no prior year findings.