GLOUCESTER COUNTY UTILITIES AUTHORITY
REPORT OF AUDIT
YEAR ENDED OCTOBER 31, 2011

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THE GLOUCESTER COUNTY
• UTILITIES AUTHORITY •

INTRODUCTION

The Gloucester County Utilities Authority, hereafter referred to as the "Authority" is pleased to present the Annual Financial Report developed in compliance with Statement of Governmental Accounting Standard No. 34, entitled "Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments" (hereafter "G.A.S.B. 34"), and related standards.

Mission

The mission of the Authority is to contribute toward the high quality of life expected and enjoyed by all residents of the Authority's service area, the county and the region by creatively applying the Authority's human, technical and financial resources. By following this general principle, the Authority will provide the facilities and services for meeting today's and tomorrow's environmental protection and economic development needs without compromising the accessibility to these resources for meeting the needs and desires of future customers, ratepayers and generations, at a reasonable cost.

Responsibility and Control

The Authority has prepared and is responsible for the financial statements and related information in this report. The opinion of the independent auditors, Petroni & Associates LLC, is included in this report. In management's opinion the financial statements represent fairly, in all material aspects, the financial position, results of operations and cash flows of the Authority for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Summary of Organization and Business

The Authority is a public body corporate and politic of the State created under the name The Gloucester County Sewerage Authority, pursuant to a resolution of the Board of Chosen Freeholders of the County adopted July 21, 1967, and the Sewerage Authorities Law, constituting Chapter 138 of the Laws of 1946 of the State of New Jersey, as amended and supplemented. The Authority has been renamed, reorganized and has continued as a public body corporate and politic pursuant to a resolution of the Board of Chosen Freeholders of the County adopted August 7, 1978, and the Act.

The service area of the Authority is the geographical area of the County. Presently, the Authority's service area comprises approximately 166 square miles in the northwestern area of the County and covers all or portions of the Borough of Clayton, the Township of Deptford, the Township of East Greenwich, the Township of Elk, the Borough of Glassboro, the Township of Mantua, the Township of Monroe, the Borough of National Park, the Borough of Paulsboro, the Borough of Pitman, the Township of Washington, the Borough of Wenonah, the Township of West Deptford, the Borough of Westville,

Summary of Organization and Business (Continued)
the City of Woodbury and the Borough of Woodbury Heights. The total population in the region is approximately 289,920 with the System presently serving an estimated population of 231,982. The service area is predominately residential.

The Authority has the power under the Act to acquire, construct, maintain, operate and use sanitation facilities for the relief of waters in, bordering or entering the areas within the territorial boundaries of the County from pollution or threatened pollution and for the improvement of conditions affecting the public health. Under the Act, the Board of Chosen Freeholders of the County may authorize the Authority to acquire, construct, maintain, operate or improve a water system, a solid waste system or a hydroelectric system.

The System
The existing treatment and conveyance system consist of approximately 74 miles of both gravity sewer and force main pipe with 10 sewerage pumping stations and 53 meter and sampling sites. The treatment plant's surface water discharge permit was rerated by the New Jersey Department of Environmental Protection to 27.5 million gallons per day (mgd) in March of 2009.

During 2011, the Authority addressed several projects which were rehabilitative in nature as required to maintain the high quality of wastewater treatment. These included sludge incinerator control upgrade, scrubber rehabilitation and sludge thickening tanks rehabilitation. The funding for these projects is through the New Jersey Environmental Infrastructure Financing Program. The wastewater mining and treatment process for reclaimed water for beneficial reuse at the Pitman Golf Course has been started in 2011. This project is being funded 60.8% through a New Jersey Department of Environmental Protection grant.

There are several other capital projects that the Authority is considering. The impact to users for these projects would be minimal. These projects include gas blower replacement and aeration basin piping and diffuser replacements; Warren Street pump station and air release valve design and permitting; and stream erosion repairs to protect interceptor pipes. These projects should be completed during the year 2012. The proposed projects will not be affected by the economy because they are rehabilitative in nature and are required to maintain the system.

In addition, the Authority with direction from engineering professionals shall continue to review ongoing and future regulatory programs by the Delaware River Basin Commission (D.R.B.C.) and New Jersey Department of Environmental Protection (N.J.D.E.P.) affecting discharge requirements to the Delaware River.

PETRONI & ASSOCIATES LLC

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and
Members of the Authority
Gloucester County Utilities Authority
2 Paradise Road
West Deptford, New Jersey 08066

We have audited the accompanying financial statements of the Gloucester County Utilities Authority, a component unit of the County of Gloucester, as of and for the year ended October 31, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Gloucester County Utilities Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Gloucester County Utilities Authority, a component unit of the County of Gloucester, as of October 31, 2011, and the respective changes in financial position and cash flows thereof for the year 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 February 22, 2012, on our consideration of the Gloucester County Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and 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 opinions on the financial statements that collectively comprise the Gloucester County Utilities Authority's basic financial statements. The accompanying introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey O.M.B.'s Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid,* respectively, and is also not a required part of the basic financial statements. The schedule of expenditures of state financial assistance has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

PETRONI & ASSOCIATES LLC

Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252

February 22, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2011
UNAUDITED

The discussion of the Gloucester County Utility Authority's financial performance provides an overall review of the Authority's financial activities for the fiscal year ended October 31, 2011. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Authority's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (G.A.S.B.) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued in June 1999. Certain comparative information between the current year (2010-2011) and the prior year (2009-2010) is required to be presented in the MD&A.

Financial Highlights

The Authority implemented a 4.9% increase in rates over fiscal year 2010 to support the 2011 budget. The increase was necessary for the following: contractual obligations, mandated costs, salary and wages, an increase in utilization and costs of services related to health benefits and cost increases for electric, natural gas and chemicals for systems and plant process requirements.

The customer service charge to the Authority's municipal and private customers increased from $2,563 per million gallons to $2,691 per million gallons.

The FY2011 budget included a revenue projection of $16,723,575 for sewer service charges. This projection was based upon projected flow of 17.9 million gallons per day (mgd). The actual flow to the plant averaged 19.2 mgd in FY2011. Revenues were $18,091,007.24, an increase of approximately $1,367,432.24.

Construction Expansion Fees (C.E.F.) collected were $2,043,974.90. This is $1,043,974.90 more than the anticipated revenue in the budget for FY2011. The Authority collects a C.E.F. when a new connection is made into the wastewater system due to construction within its service area in the County.

Revenue anticipated in FY2011 from the PSE&G Standard Offer Payment was projected at $260,000. This is an energy conservation program instituted under contract with Sycom Enterprises, the Gloucester County Improvement Authority and the Gloucester County Utilities Authority. Actual revenue received was $475,037.25.

Statement of Net Assets and the Statement of Changes in Net Assets
These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account, all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the Authority's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Authority as a whole, the financial position of the Authority has improved or diminished. The cause of this change may be the result of many factors, some financial and some not.

The Statement of Net Assets provides the perspective of the Authority as a whole. Net assets may serve over time as a useful indicator of a government's financial position.

The Authority's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table 1 provides a summary of the Authority's net assets for 2011, with comparative data from 2010.

Table 1
Summary of Net Assets

	2011	2010
Current & Other Assets	36,474,770.28	31,282,716.16
Capital Assets	27,969,993.14	27,530,331.33
Total Assets	64,444,763.42	58,813,047.49
Long-term Liabilities	42,123,605.59	43,452,498.73
Other Liabilities	5,993,591.49	6,717,248.51
Total Liabilities	48,117,197.08	50,169,747.24
Net Assets:		
Invested in Capital Assets, Net of Related Debt	(13,489,862.10)	(16,051,982.12)
Restricted	18,963,932.65	18,150,040.42
Unrestricted	10,853,495.79	6,545,241.95
Total Net Assets	16,327,566.34	8,643,300.25

The Authority's net assets were $16,327,566.34 on October 31, 2011. This was an increase of $7,684,266.09.

Table 2 shows changes in net assets for fiscal year 2011, with comparative data from 2010.

Table 2
Changes in Net Assets

	2011	2010
Revenues:		
Operating Revenues:		
Charges for Services	20,414,942.00	20,886,624.38
Other	791,921.98	442,396.53
Non-Operating Revenue	7,487,259.52	3,826,558.15
Total Revenues	28,694,123.50	25,155,579.06
Expenses:		
Operating Expenses	16,120,293.11	16,520,554.48
Non-Operating Expenses	9,876,554.14	10,494,590.33
Total Expenses	25,996,847.25	27,015,144.81
Capital Contributions	4,986,989.84	4,272,452.21
Change in Net Assets	7,684,266.09	2,412,886.46
Beginning Net Assets	8,643,300.25	6,230,413.79
Ending Net Assets	16,327,566.34	8,643,300.25

Revenues from charges; for services; decreased by $471,682.39.

Other operating revenues increased by $349,525.45 mainly due to an increase in receipts from the PSE&G energy conservation program.

Non-operating revenue increased by $3,660,701.37 due to the increase in loans received from the N.J.E.I.T. program, a grant received from the state department of environmental protection and an increase in construction expansion fees collected.

Operating expenses decreased by $400,261.37 due to varying factors.

Notes to the Financial Statements
The notes provide additional information that is essential to a full understanding of the data provided in the Authority's financial statements. This information is information that has not been presented on the face of the financial statements, for reasons of practicality, but is essential for the financial statements to be fairly presented.

Capital Assets
At the end of the fiscal year 2011, the Authority had $27,726,720.06 invested in land, site improvements, buildings, machinery and equipment and infrastructure. Note 6 shows fiscal year 2011 balances compared to 2010.

Debt Administration
At October 31, 2011, the Authority had $41,459,855.24 in outstanding debt consisting of various bonds and loans. For more detailed information, please refer to the Notes to the Financial Statements.

Final Comments
The budget performance of year ended 2011, has highlighted that future budgets shall require the Authority, the Board of Commissioners and staff to regularly continue to evaluate the sewer service charge flow requirements based upon historical and current trends. The Authority recognizes the importance to compete in the market place to sustain the revenue source of outside commercial and industrial waste and has amended the rate schedule accordingly.

The Authority must regularly continue to prioritize the review and consideration for the capital requirements, regulatory requirements and operation and maintenance costs of the Authority recognizing adherence to the N.J.D.E.P. permit requirements.

Contacting the Authority
This financial report is designed to provide the Authority's customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. John J. Vinci, Sr., Executive Director, at Gloucester County Utilities Authority, 2 Paradise Road, Thorofare, New Jersey 08066. Please visit our website at www.gcuanj.com.

GLOUCESTER COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF NET ASSETS

	Year Ended October 31	
	2011	2010
ASSETS		
Current Assets:		
Cash and Cash Equivalents	8,219,996.39	1,931,127.43
Investments	2,699,511.75	6,779,196.53
Service Charges Receivable	3,078,889.48	2,536,714.07
Total Current Assets	13,998,397.62	11,247,038.03
Restricted Assets:		
Cash and Cash Equivalents	7,105,310.90	2,126,792.45
Investments	11,097,992.76	15,896,686.65
Loans Receivable	2,068,702.00	2,012,199.00
Grant Receivable	2,204,367.00	
Total Restricted Assets	22,476,372.66	20,035,678.10
Net Capital Assets	27,726,720.06	27,248,841.57
Bond/Loan Issuance Costs and Discounts, Net	243,273.08	281,489.79
Total Assets	64,444,763.42	58,813,047.49
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	826,550.69	1,728,110.55
Payroll Taxes Payable	8,856.30	4,857.60
Compensated Absences Payable	128,368.82	89,536.29
Health Insurance Claims Payable		55,689.76
Current Portion of Long Term Debt	3,116,191.65	2,898,520.75
Accrued Interest Payable	578,581.71	616,312.47
Total Current Liabilities	4,658,549.17	5,393,027.42
Current Liabilities Payable from Restricted Assets:		
Contracts Payable	1,282,660.00	1,223,437.29
Escrow Accounts	52,382.32	100,783.80
Total Current Liabilities Payable from Restricted Assets	1,335,042.32	1,324,221.09

See accompanying notes to the basic financial statements.

GLOUCESTER COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF NET ASSETS

	Year Ended October 31	
	2011	2010
Long Term Liabilities:		
Bonds and Loans Payable	38,343,663.59	40,198,792.73
Capital Lease Payable		485,000.00
Other Post-Employment Benefit Obligation	3,779,942.00	2,768,706.00
Total Long Term Liabilities	42,123,605.59	43,452,498.73
Total Long Term Liabilities	48,117,197.08	50,169,747.24
Net Assets:		
Investment in Capital Assets, Net of Related Liabilities	(13,489,862.10)	(16,051,982.12)
Restricted for Capital Activity and Debt Service	17,415,758.51	18,150,040.42
Restricted for Grant Expenditures	1,548,174.14	
Unrestricted	10,853,495.79	6,545,241.95
Total Net Assets	16,327,566.34	8,643,300.25
Total Long Term Liabilities and Net Assets	64,444,763.42	58,813,047.49

See accompanying notes to the basic financial statements.

GLOUCESTER COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended October 31	
	2011	2010
Operating Revenues:		
Sewer Service Charges	18,091,007.24	18,233,577.16
Septage and Industrial Charges	2,323,934.76	2,653,047.22
PSE&G Standard Offer Payments	475,037.25	261,031.58
Miscellaneous Income	316,884.73	181,364.95
Total Operating Revenues	21,206,863.98	21,329,020.91
Operating Expenses:		
Personnel Services	6,043,153.28	5,963,556.93
Contractual Services	5,810,651.41	6,345,965.08
Materials and Supplies	1,687,152.05	1,625,045.65
Equipment	192,683.26	271,645.33
Depreciation	2,386,653.11	2,314,341.49
Total Operating Expenses	16,120,293.11	16,520,554.48
Operating Income (Loss):	5,086,570.87	4,808,466.43
Non-Operating Revenue (Expense):		
Interest Earned	10,691.57	13,086.83
Construction Expansion Fees	2,043,974.90	1,739,140.94
Earnings, Project Funds and Savings Credit	212,366.56	162,453.63
Loan Receivable	2,235,000.00	1,733,800.00
Grant Receivable	2,465,515.00	
Grant Expenditures	(711,472.99)	
Redemption of Revenue Bonds	(3,829,958.24)	(3,592,452.21)
Interest on Revenue Bonds	(1,787,575.45)	(1,890,240.12)
Health Insurance Claims		57,858.13
Contracts Payable	(2,475,069.75)	(3,445,048.81)
Renewal and Replacement Expenses	(23,025.00)	(117,628.49)
Prior Year Payables/Contracts Canceled	519,711.49	120,218.62
Amortization of Bond Issue Costs	(38,216.71)	(40,389.70)
Annual O.P.E.B. Cost	(1,413,410.50)	(1,408,831.00)
Annual O.P.E.B. Contribution	402,174.50	
Total Non-Operating Revenue (Expense)	(2,389,294.62)	(6,668,032.18)

See accompanying notes to the basic financial statements.

GLOUCESTER COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended October 31	
	2011	2010
Increase (Decrease) in Net Assets Before Capital Contributions	2,697,276.25	(1,859,565.75)
Capital Contributions	4,986,989.84	4,272,452.21
Increase (Decrease) in Net Assets	7,684,266.09	2,412,886.46
Net Assets at Beginning of Year	8,643,300.25	6,230,413.79
Net Assets at End of Year	16,327,566.34	8,643,300.25

See accompanying notes to the basic financial statements.

GLOUCESTER COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS

	Year Ended October 31	
	2011	2010
Cash Flows from Operating Activities:		
Cash Received from Customers	19,872,502.15	20,923,936.21
Cash Paid to Suppliers	(11,384,511.37)	(9,902,116.48)
Cash Paid to Employees	(3,737,935.11)	(3,782,963.96)
Other Receipts	595,736.13	442,796.53
Net Cash Provided (Used) by Operating Activities	5,345,791.80	7,681,652.30
Cash Flows from Investing Activities:		
Purchase of Investments	(29,895,297.34)	(94,692,179.78)
Proceeds from Sale of Investments	38,773,676.01	72,016,285.71
Interest Income	9,029.94	11,937.13
Net Cash Provided (Used) by Investing Activities	8,887,408.61	(22,663,956.94)
Cash Flows from Non-Capital Financing Activities:		
Grant Receipts	261,148.00	
Escrow Fees Received	6,500.00	65,000.00
Escrow Fees Disbursed	(52,546.35)	(34,363.10)
Administrative Fees	(2,355.13)	(2,355.13)
Construction Expansion Fees	2,043,974.90	1,739,140.94
Contracts Payable	(1,935,108.53)	(2,098,936.30)
Renewal & Replacement Expenses	(23,025.00)	(117,628.49)
Net Cash Provided (Used) by Non-Capital Financing Activities	298,587.89	(449,142.08)
Cash Flows from Capital and Related Financing Activities:		
Principal Payments on Debt	(3,829,958.24)	(3,592,452.21)
Interest Paid on Debt	(1,825,306.21)	(1,936,933.08)
Loan Receipts	2,178,497.00	1,326,895.00
Earnings, Project Fund and Savings Credits	212,366.56	162,453.63
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,264,400.89)	(4,040,036.66)
Increase (Decrease) in Cash and Cash Equivalents	11,267,387.41	(19,471,483.38)
Cash and Cash Equivalents at Beginning of Year	4,057,919.88	23,529,403.26
Cash and Cash Equivalents at End of Year	15,325,307.29	4,057,919.88

See accompanying notes to the basic financial statements.

GLOUCESTER COUNTY UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS

	Year Ended October 31	
	2011	2010
Reconciliation to Balance Sheet:		
Unrestricted Cash and Cash Equivalents	8,219,996.39	1,931,127.43
Restricted Cash and Cash Equivalents	7,105,310.90	2,126,792.45
	15,325,307.29	4,057,919.88
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Operating Income (Loss)	5,086,570.87	4,808,466.43
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation Expense	2,386,653.11	2,314,341.49
(Increase) Decrease in Accounts Receivable	(738,625.70)	37,711.83
Increase (Decrease) in Accounts Payable	(1,388,806.48)	521,132.55
Net Cash Provided (Used) by Operating Activities	5,345,791.80	7,681,652.30

See accompanying notes to the basic financial statements.

NOTE 1: AUTHORITY DESCRIPTION

The Authority was duly created, under the name Gloucester County Sewerage Authority, by resolution of The Board of Chosen Freeholders of the County of Gloucester, New Jersey, duly adopted July 21, 1967, as a public body corporate and politic of the State of New Jersey pursuant to the Sewerage Authorities Law, constituting Chapter 138 of the Laws of 1946 of the State of New Jersey and the acts amendatory thereof and supplemental thereto. The Authority has been renamed, reorganized and is continued pursuant to a resolution of the Board of Chosen Freeholders of the County of Gloucester, New Jersey adopted August 7, 1978, and the Act. The Authority is a component unit of the County of Gloucester.

The Act and the resolution creating the Authority provide that the governing body of the Authority shall consist of nine members, appointed by the Board of Chosen Freeholders of the County to five-year terms.

NOTE 2: BASIS OF PRESENTATION

The financial statements of the Authority have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles ("G.A.A.P.") applicable to enterprise funds of state and local governments.

The Authority's financial statements include all the accounts of the Authority's operations. The primary criterion for including activities within a reporting entity, as set forth in Section 2100 of the G.A.S.B. Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name);
- the primary government holds the corporate powers of the organization;
- the primary government appoints a voting majority of the organizations board;
- the primary government is able to impose its will on the organization;
- the organization has the potential to impose a financial benefit/burden on the primary government;
- there is a fiscal dependency by the organization on the primary government.

Based on the above criterion, The Authority is a component unit of the County. The Authority does issue separate financial statements from the County. However, if the County presented its financial statements in accordance with G.A.A.P., these financial statements would be included with the County's on a blended basis.

Based on the aforementioned criteria, the Authority has no component units.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation and Basis of Accounting

The Authority's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (G.A.A.P.) as applied to governmental units. The Governmental Accounting Standards Board (G.A.S.B.) 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 (F.A.S.B.) Statements and Interpretations issued on or before November 30, 1989. Local Finance Board rules as set forth in the New Jersey Administrative Code, including financial oversight and Division regulatory responsibilities, including review and approval of annual budgets pursuant to statute, shall apply and supersede the previous where applicable.

In June 1999, the Governmental Accounting Standards Board (G.A.S.B.) unanimously approved *Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments* (Statement No. 34). The Authority implemented the requirements of Statement No. 34, effective November 1, 2001.

The more significant of the Authority's accounting policies are described below.

The Authority prepares its financial statements on an Enterprise Fund Basis. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private businesses where the intent is that all costs of providing certain goods and services to the general public be financed or recovered primarily through user charges.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets are segregated into "invested in capital assets, net of related debt"; "restricted for capital activity and debt service"; "restricted for grant expenditures" and "unrestricted" components.

Budgetary Accounting

The Authority adopts an annual operating budget by resolution prior to October 1. The budget details the Authority's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year. All unexpended and unencumbered appropriations remaining in the budget at the end of the fiscal year, lapse. During the year, management is authorized to transfer budgeted amounts between line items. All amendments to the budget are approved and adopted by resolution of the Authority.

Cash Equivalents, Deposits and Investments

Cash and cash equivalents, for purposes of the Statement of Cash Flows, include restricted and unrestricted cash on hand or on deposit, certificates of deposit and investments with a maturity of three months or less.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents, Deposits and Investments (Continued)

The Authority invests available funds in interest bearing securities as prescribed by its various bond resolutions and applicable law. Investments are intended to be held to maturity, the timing of which is based on anticipated cash flow requirements. Investments are obligations of the United State Government and are stated at cost, which approximates market. Investments are not considered cash equivalents for purposes of the Statement of Cash Flows.

Restricted Assets

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

Receivables and Payables

Receivables and payables between accounts are eliminated. Customer receivables represent various service fees earned but not yet collected.

Capital Assets

Property, plant and equipment is stated at cost which includes direct construction costs and other expenditures related to construction. System construction costs are charged to construction in progress until such time as given segments of the system are completed and put into operation.

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

Assets are depreciated over their estimated useful lives using the straight-line method.

The cost and related accumulated depreciation of all capital assets retired or otherwise disposed of are removed from the accounts and any resulting gain or loss is included in income.

Compensation for Future Absences

Accumulated vacation and the portion of sick leave eligible to be paid to employees at termination are recorded as an expense and liability as the benefits are earned.

Claims and Judgments

These events and obligations are recorded on the accrual basis, when the event occurs and the obligation arises.

Operating Revenues and Rate Structure

Operating revenues are those revenues generated directly from the primary activity of the authority and are recognized on the accrual basis and as earned. Services are supplied to customers under a rate structure designed to produce revenues sufficient to provide for operating and maintenance costs, capital outlay, debt service, reserves and debt service coverage.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special and Extraordinary Items

Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. If such items exist during the reporting period, they are reported separately in the statement of revenues, expenses and changes in net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Net Assets

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

NOTE 4: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

The Authority has defined cash and cash equivalents to consist primarily of petty cash, change funds, cash on deposit, certificates of deposit, money market accounts, and short term investments with original maturities of three months or less.

Additionally, the Authority has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“G.U.D.P.A.”). G.U.D.P.A. was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units.

NOTE 4: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Cash and Cash Equivalents (Continued)

If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

The carrying amount of the Authority's cash and cash equivalents at October 31, 2011 and 2010, was $15,325,307.29 and $4,057,919.88, respectively and the bank balance was $15,336,430.34 and $4,179,519.66, respectively.

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned or the Authority will not be able to recover the value of its deposits or investments. Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At October 31, 2011, all of the Authority's deposits were covered by either F.D.I.C. or G.U.D.P.A. and therefore not exposed to Custodial Risk. The Authority does not have a policy for Custodial Credit Risk.

Investments

Investments are stated at cost which approximates market value. The investment of funds are limited by the various Bond Resolutions to any bond, debenture, note or participation certificate issued by certain agencies identified within the Bond Resolutions, any fully secured or non-negotiable certificates of deposit and repurchase agreements, obligations of the New Jersey Cash Management Fund and other obligations of the United States of America or the State of New Jersey.

As of October 31, 2011, the Authority held the following investments:

	Cost	Fair Value
U. S. Government Securities	13,797,504.51	13,799,586.00

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable were composed of the following:

Sewer Service Charges Receivable	2,887,192.07
Septage and Industrial Service Charges Receivable	191,697.41
Total	3,078,889.48

NOTE 6: RESTRICTED ASSETS

Certain proceeds of revenue bonds and notes, as well as resources set aside for their repayment or to satisfy restrictive covenants of the bond agreements, are classified as restricted assets on the balance sheet because their use is limited by those bond covenants. The "debt service fund" accounts are used to segregate resources accumulated for debt service payments equal to any unpaid interest or principal due, plus any interest or principal to become due at or before the first day of January next ensuing.

NOTE 6: RESTRICTED ASSETS (CONTINUED)

The "debt service reserve fund" accounts are used to report resources set aside to make up potential future deficiencies in revenue bond debt service funds or to effect whole or partial redemption of the bonds. The "renewal and replacement" account is used to accumulate resources to pay the costs of major repairs, renewals and replacements of the Utility System.

Amounts required by Section 507 of the Bond Resolution for the above are as follows:

1. At October 31, 2011, the "Bond Service Requirement" was $3,981,039.22 comprised of interest due January 1, 2012, of $864,847.57 and principal due January 1, 2012, of $3,116,191.65.

2. At October 31, 2011, the "Bond Service Reserve Requirement" was $5,786,916.27.

3. At October 31, 2011, the "System Reserve Requirement" was $1,000,000.

All of the above requirements were met as of October 31, 2011.

NOTE 7: CAPITAL ASSETS

Capital asset activity during the year was as follows:

	October 31, 2010	Additions	Deletions	October 31, 2011
Construction in Progress	3,550,389.44	2,235,000.00	3,550,389.44	2,235,000.00
Land	6,074,500.00			6,074,500.00
Site Improvements	4,367,306.00			4,367,306.00
Buildings	10,238,769.00	1,884,911.44		12,123,680.44
Machinery & Equipment	6,668,038.74	46,617.60		6,714,656.34
Infrastructure	75,775,249.00	2,248,392.00		78,023,641.00
Total Capital Assets	106,674,252.18	6,414,921.04	3,550,389.44	109,538,783.78
Accumulated Depreciation	(79,425,410.61)	(2,386,653.11)		(81,812,063.72)
Net Capital Assets	27,248,841.57	4,028,267.93	3,550,389.44	27,726,720.06

NOTE 8: BONDS PAYABLE AND LOANS PAYABLE

Prior Years' Debt Defeasance

In prior years, the Authority has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Authority's financial statements. As of October 31, 2011, the amount of defeased debt outstanding but removed from the Authority's financial statements was $935,000.

NOTE 8: BONDS PAYABLE AND LOANS PAYABLE (CONTINUED)

Bonds Payable

There were bonds payable on October 31, 2011, in the amount of $26,935,000.

On August 1, 1993, the Authority issued $15,400,000 in bonds to finance the construction of a sewage treatment plant and distribution system. Principal payments are due annually on January 1 through the year 2018. Interest is paid semi-annually at rates of 5.125% to 5.25% per annum. The balance remaining at October 31, 2011, was $2,620,000.

On April 15, 2003, the Authority issued $9,970,000 in bonds to finance the refunding of refunding sewer revenue bonds of 1985 and 1990. Principal payments are due annually on January 1 through the year 2030. Interest is paid semi-annually at rates of 3.5% to 4.6% per annum. The balance remaining at October 31, 2011, was $8,070,000.

On August 18, 2005, the Authority issued $2,125,000 in bonds to finance the refunding of refunding sewer revenue bonds of 1999. Principal payments are due annually on January 1 through the year 2019. Interest is paid semi-annually at rates of 3.55% to 4.125% per annum. The balance remaining at October 31, 2011, was $1,725,000.

On October 5, 2005, the Authority issued $18,040,000 in bonds to finance the refunding of refunding sewer revenue bonds of 1996. Principal payments are due annually on January 1 through the year 2024. Interest is paid semi-annually at the rate of 5% per annum. The balance remaining at October 31, 2011, was $14,520,000.

Loans Payable

There were loans payable on October 31, 2011, in the amount of $14,524,855.24.

The Authority issued a total of $22,257,320 in bonds to finance the Mantua Creek Force Main and Upper Mantua Creek Interceptor Project on November 1, 1995. The financing of these projects was done through participation in the New Jersey Wastewater Treatment Trust. Since actual costs were less than anticipated, the obligation was reduced by $3,420,418. Principal payments are due annually on July 1 through the year 2015. Interest is paid semi-annually at the rate of 5.25% per annum. The balance remaining at October 31, 2011, was $3,615,000.

On October 15, 1998, the Authority issued a total of $3,815,000 in bonds to finance the Incinerator No. 1 Project & Upgrade & Rehabilitation of the Existing Aeration Tank. The financing of these projects was done through participation in the New Jersey Wastewater Treatment Trust. Principal payments are due annually on January 1 through the year 2018. Interest is paid semi-annually at rates of 0% to 4.5% per annum. The balance remaining at October 31, 2011, was $1,606,599.06.

On October 15, 1999, the Authority issued a total of $683,411 in bonds to finance the Incinerator No. 1 Project and Upgrade and Rehabilitation of the Existing Aeration Tank. The financing of these projects was done through participation in the New Jersey Wastewater Treatment Trust. Principal payments are due annually on January 1 through the year 2019. Interest is paid semi-annually at rates of 0% to 5.7% per annum. The balance remaining at October 31, 2011, was $331,112.87.

NOTE 8: BONDS PAYABLE AND LOANS PAYABLE (CONTINUED)

Loans Payable (Continued)

On October 15, 2001, the Authority issued a total of $4,444,383 in bonds to finance an Odor Control Project. The financing of this project was done through participation in the New Jersey Wastewater Treatment Trust. Since allowable costs were less than anticipated, the obligation was reduced by $218,248. Principal payments are due annually on January 1 through the year 2021. Interest is paid semi-annually at rates of 0% to 5.5% per annum. The balance remaining at October 31, 2011, was $2,383,813.02.

On November 6, 2008, the Authority issued a total of $3,255,582 in bonds to finance various structural and electrical improvements, upgrades, and rehabilitation of the existing sanitary sewer system. The financing of this project was done through participation in the New Jersey Environmental Infrastructure Trust Loan Program. Principal payments are due annually on July 1 through the year 2028. Interest is paid semi-annually at rates of 0% to 5% per annum. The balance remaining at October 31, 2011, was $2,955,520.19.

On March 10, 2010, the Authority issued a total of $1,742,007.44 in bonds to finance various structural and electrical improvements, upgrades, and rehabilitation of the existing sanitary sewer system. The financing of this project was done through participation in the New Jersey Environmental Infrastructure Trust Loan Program. A portion of this financing, $465,157.44, was a pass-through of American Recovery and Reinvestment Act (A.R.R.A.) funds. Principal payments are due annually on January 1 through the year 2029. Interest is paid semi-annually at rates of 0% to 5% per annum. On the date of execution of the loan agreement the State forgave a portion of the A.R.R.A. loan in the amount of $230,000. The balance remaining at October 31, 2011, was $1,440,310.10.

On December 2, 2010, the Authority issued a total of $2,192,500 in bonds to finance the 2010 capital projects. The financing of this project was done through participation in the New Jersey Environmental Infrastructure Trust Loan Program. Principal payments are due annually on January 1 through the year 2030. Interest is paid semi-annually at rates of 0% to 5% per annum. The balance remaining at October 31, 2011, was $2,192,500.

Changes in Debt During the Year

	Balance October 31, 2010	Additions	Reductions	Balance October 31, 2011	Due Within One Year
Bonds & Loans Payable:					
Bonds	29,290,000.00		2,355,000.00	26,935,000.00	2,470,000.00
Loans	13,807,313.48	2,192,500.00	1,474,958.24	14,524,855.24	1,623,896.59
Total	43,097,313.48	2,192,500.00	3,829,958.24	41,459,855.24	4,093,896.59

NOTE 8: BONDS PAYABLE AND LOANS PAYABLE (CONTINUED)

Loans Payable (Continued)

Remaining debt service payments at October 31, 2011, are as follows:

	Interest	Principal	Total
2012	1,668,422.64	4,093,896.59	5,762,319.23
2013	1,504,730.43	3,580,654.70	5,085,385.13
2014	1,351,479.93	3,693,282.62	5,044,762.55
2015	1,191,353.05	3,850,527.51	5,041,880.56
2016	1,022,800.30	2,981,144.27	4,003,944.57
2017-2021	3,239,244.57	14,303,486.06	17,542,730.63
2022-2026	1,009,342.19	6,475,537.66	7,484,879.85
2027-2030	184,808.76	2,481,325.83	2,666,134.59
	11,172,181.87	41,459,855.24	52,632,037.11

See Schedule of Bonds and Loans Payable in Supplementary Information section of this report for interest rates and maturity dates and amounts on all issues.

NOTE 9: REQUIRED RATES AND CHARGES

Section 612 of the Bond Resolution dated as of August 8, 1978, stipulates that so long as bonds of any series shall be outstanding, the Authority shall make, impose, charge and collect Annual Charges in accordance with the Service Contract and the Customer Agreements and shall charge and collect Service Charges in accordance with the Act to the extent permitted by the Service Contract and Customer Agreements. Such Annual Charges shall be so estimated, computed, made, charged, imposed and collected pursuant to the Customer Agreements or the Service Contract, and such Service Charges shall be so fixed, charged and collected under the Act, that the Revenues collected (including any proceeds to the Authority of use and occupancy insurance) and paid to the Trustee hereunder will be at least sufficient:

1. to provide in each fiscal year a sum equal to the operating fund requirement for such fiscal year in order to maintain, preserve and keep the system in good repair, working order and condition; and

2. to provide in each fiscal year a sum equal to the Bond Service for such fiscal year (except any part thereof the payment of which has been provided for by the deposit of proceeds of Bonds in the Bond Service Fund) calculated as of the beginning of such fiscal year; and

3. at all times, by deposit and application in accordance with the Resolution of said Revenues paid to the Trustee, to pay all interest and principal installments becoming due with respect to the Bonds at the end of each fiscal year, and to maintain in the Bond Reserve Fund an amount at least equal to the Bond Reserve Requirement and in the Renewal and Replacement Fund an amount at least equal to the amount required to be deposited pursuant to Section 507(4); and

NOTE 9: REQUIRED RATES AND CHARGES (CONTINUED)

4. at all times to provide for any deficits of the Authority resulting from failure to receive any Annual Charges or Service Charges or from any other cause and comply in all respects with the terms and provisions of the Resolution and of the Act and pay and discharge all charges or liens payable out of the Revenues when due and enforceable.

As is reflected in the following calculation, the Authority met the sufficiency of revenue required under Section 612 of the Bond Resolution dated as of August 8, 1978.

Total Revenue	25,908,931.27
Less:	
Operating Expenses	13,733,640.00
Bond Service Requirement	5,655,264.46
Transfer to Construction Expansion Fund	2,043,974.90
Total	21,432,879.36
Excess in Revenues Realized Required by Section 612	4,476,051.91

NOTE 10: PENSION PLAN

Description of Plan - All required employees of the Authority are covered by the Public Employees' Retirement System (P.E.R.S.), cost-sharing, multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligation 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. The report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625 or can be accessed on the internet at http://www.state.nj.us/treasury/pension/annrptsarchieve.htm.

Public Employees' Retirement System (P.E.R.S.) - The Public Employees' Retirement System 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 Public Employees' Retirement System is a cost-sharing, multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another state-administered retirement system or other state or local jurisdiction.

Funding Policy - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. P.E.R.S. provides for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. The Authority's contributions for the years ending October 31, 2011, 2010 and 2009, were $324,552, $267,934, and $232,430 respectively, equal to the required contributions for each year.

NOTE 11: DEFERRED COMPENSATION

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Mutual of America
Equitable Assurance Society.

NOTE 12: POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description - The Gloucester County Utilities Authority contributes to the Gloucester County Insurance Commission (G.C.I.C.), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan. The Gloucester County Insurance Commission Fund was established in 2010, under N.J.S.A. 40A:10-6 et seq., to provide health benefits to employees, retirees, and their dependents. G.C.I.C. provides medical and prescription drug coverage to eligible retirees and their spouses.

In 2010, the Gloucester County Utilities Authority authorized participation in the fund through resolution 2010-140 adopted on September 8, 2010. The Authority's policies provide for health insurance to eligible retirees and their spouses.

Funding Policy - The plan is non-contributory for employees/retirees and their dependents. Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees on a pay-as-you-go basis. Contributions to pay for the health premiums of participating retirees in the G.C.I.C. are billed to the Authority on a monthly basis. Plan members receiving benefits are not required to make contributions.

Annual O.P.E.B. Cost and Net O.P.E.B. Obligation - The Authority's annual other postemployment benefit (O.P.E.B.) cost (expense) is calculated based on the *annual required contribution of the employer (A.R.C.)*, an amount actuarially determined in accordance with the parameters of G.A.S.B. Statement 45. The A.R.C. 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) over a period not to exceed thirty years.

The following table shows the components of the Authority's annual O.P.E.B. cost for the year, the amount actually contributed to the plan, and changes in the Authority's net O.P.E.B. obligation to the plan (dollar amounts in thousands):

NOTE 12: POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Annual O.P.E.B. Cost and Net O.P.E.B. Obligation – (Continued)

Annual Required Contribution	1,413.4
Interest on Net O.P.E.B. Obligation	0.0
Adjustment to Annual Required Contribution	0.0
Annual O.P.E.B. Cost (Expense)	1,413.4
Contributions Made	402.2
Increase in Net O.P.E.B. Obligation	1,011.2
Net O.P.E.B. Obligation - Beginning of Year	2,768.7
Net O.P.E.B. Obligation - End of Year	3,779.9

The A.R.C. for the year ended October 31, 2011, was the amount calculated in the most recent actuarial valuation dated October 31, 2009, adjusted for inflation based on rates determined by the U.S. Bureau of Labor Statistics. The Authority's annual O.P.E.B. cost, the percentage of annual cost contributed to the plan, and the net O.P.E.B. obligation for 2011, was as follows:

Fiscal Year Ended	Annual O.P.E.B. Cost	Percentage of Annual O.P.E.B. Cost Contributed	Net O.P.E.B. Obligation
10/31/2011	1,413.4	29.0%	3,779.9

Funded Status and Funding Progress - As of October 31, 2011, the Authority is considered to be an unfunded plan. There are no plan assets. The retiree benefits are paid annually on a cash basis.

Actuarial Methods and Assumptions - Projection 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 the 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 value of assets, consistent with the long-term perspective of the calculations.

In the October 31, 2009, actuarial valuation, the entry age actuarial cost method was used. The U.A.A.L. is being amortized as a level percentage of projected payroll.

NOTE 13: COMPENSATED ABSENCES

The Authority accounts for compensated absences (e.g. sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (G.A.S.B. 16), "Accounting for Compensated Absences." A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

NOTE 13: COMPENSATED ABSENCES (CONTINUED)

Authority employees are granted vacation benefits in varying amounts depending on their length of service with the Authority. Employees are granted ten sick days per year. The Authority does not permit employees to accrue unused vacation pay. Unused sick days may be carried over for future use or a cash reimbursement may be requested.

The total value of compensated absences owed to employees as of October 31, 2011, was $128,368.82.

NOTE 14: ECONOMIC DEPENDENCY

The Authority is heavily reliant on the collection of sewer and septage and industrial service charges to fund the Authority's operations. This income funded approximately 76% of the Authority's operations.

NOTE 15: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Authority maintains commercial insurance coverage for property, liability and surety bonds. The Authority is a member of the Gloucester County Insurance Commission. The Authority is obligated to remit insurance premiums to this commission for sufficient insurance coverage. There have been no claims in excess of coverage and no reduction in coverage during the year.

NOTE 16: CONTINGENT LIABILITIES AND LITIGATION

The Authority participates in a state assisted grant program. This program is subject to program compliance audits by the grantor or its' representative. The Authority is potentially liable for expenditures which may be disallowed pursuant to the terms of this grant program. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

It is the opinion of management and legal counsel, that there exists no litigation or contingent liability that may be pending against the Gloucester County Utilities Authority that would have a material or adverse effect on the financial position of the Authority.

NOTE 17: SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between October 31, 2011, through February 22, 2012, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the Authority that require disclosure.

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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*

Honorable Chairman and
Members of the Authority
Gloucester County Utilities Authority
2 Paradise Road
West Deptford, New Jersey 08066

We have audited the financial statements of the Gloucester County Utilities Authority, in the County of Gloucester, State of New Jersey, as of and for the year ended October 31, 2011, which collectively comprise the Gloucester County Utilities Authority's basic financial statements and have issued our report thereon dated February 22, 2012. 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 audit requirements as prescribed by the Local Finance Board and 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 Gloucester County Utilities Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

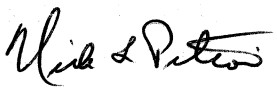
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material 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 Gloucester County Utilities 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 Local Finance Board and 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 management, the Gloucester County Utilities Authority members, others within the entity, and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252

February 22, 2012

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MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH O.M.B. CIRCULAR A-133 AND NEW JERSEY O.M.B. CIRCULAR LETTER 04-04

Honorable Chairman and
Members of the Authority
Gloucester County Utilities Authority
2 Paradise Road
West Deptford, New Jersey 08066

Compliance

We have audited the Gloucester County Utilities Authority's, in the County of Gloucester, State of New Jersey, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (O.M.B.) Circular A-133 *Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Gloucester County Utilities Authority's major state programs for the year ended October 31, 2011. Gloucester County Utilities 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 the Gloucester County Utilities Authority's management. Our responsibility is to express an opinion on the Gloucester County Utilities 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; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; O.M.B. Circular A-133, *audits of States, Local Governments, and Non-Profit Organizations;* the audit requirements as prescribed by the Local Finance Board and Division of Local Government Services, Department of Community Affairs, State of New Jersey; and New Jersey O.M.B.'s Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, O.M.B. Circular A-133 and New Jersey O.M.B.'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 Gloucester County Utilities 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 Gloucester County Utilities Authority's compliance with those requirements.

In our opinion, the Gloucester County Utilities Authority, in the County of Gloucester, State of New Jersey, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended October 31, 2011.

Internal Control over Compliance

Management of the Gloucester County Utilities 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 Gloucester County Utilities Authority's internal control over compliance with the requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with O.M.B. Circular A-133 and New Jersey O.M.B.'s Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 management, the Gloucester County Utilities Authority members, others within the entity, and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PETRONI & ASSOCIATES LLC

Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252

February 22, 2012

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED OCTOBER 31, 2011

State Funding Department/Program	State Grant Number	Program Amount	Loan/Grant Period From	Loan/Grant Period To	Current Year Expenditures	Total Expenditures
Department of Environmental Protection						
New Jersey Environmental Infrastructure						
2008 Fund Loan	N/A	1,585,582.00	11/1/08	N/A	27,277.00	1,358,330.00
2008 Trust Loan	N/A	1,585,582.00	11/1/08	N/A	27,277.00	1,358,330.00
2010 C&D Fund Loan	N/A	1,117,500.00	12/2/10	N/A	830,273.00	830,273.00
2010 C&D Trust Loan	N/A	1,117,500.00	12/2/10	N/A	830,273.00	830,273.00
1981 Water Supply Bond Fund	527-042-4840-030	2,465,515.00	1/1/09	1/1/19	917,340.86	917,340.86
		7,871,679.00			2,632,440.86	5,294,546.86

See accompanying notes to the schedule of expenditure of state awards.

GLOUCESTER COUNTY UTILITIES AUTHORITY
NOTES TO SCHEDULES OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED OCTOBER 31, 2011

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of State awards includes the state grant activity of the Gloucester County Utilities Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of O.M.B. Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization,* New Jersey Circular Letter 04-04 O.M.B. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED OCTOBER 31, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

1) Material weakness(es) identified? _____ yes X no

2) Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to general-purpose financial statements noted? _____ yes X no

Federal Awards N/A

Type of auditor's report issued on compliance for major programs: _____

Internal Control over major programs:

1) Material weakness(es) identified? _____ yes _____ no

2) Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes _____ none reported

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program

Dollar threshold used to distinguish between type A and type B programs: _____

Auditee qualified as low-risk auditee? _____ yes _____ no

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED OCTOBER 31, 2011

Section I - Summary of Auditor's Results

State Awards

Type of auditor's report issued on compliance for major programs: Unqualified

Internal Control over major programs:

1) Material weakness(es) identified? ____ yes X no

2) Significant deficiency(ies) identified that are not considered to be material weaknesses? ____ yes X none reported

Any audit findings disclosed that are required to be reported in accordance with N.J.O.M.B. Circular Letter 04-04? ____ yes X no

Identification of major programs:

State Grant Number(s)	Name of State Program
527-042-4840-030	1981 Water Supply Bond Fund

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? X yes ____ no

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED OCTOBER 31, 2011

Section II – Financial Statement Findings

None

Section III – Federal and State Awards Findings and Questioned Costs

FEDERAL AWARDS – N/A

STATE AWARDS

No matters were reported.

GLOUCESTER COUNTY UTILITIES AUTHORITY
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED OCTOBER 31, 2011

	2011 Budget		2011	Variance of 2011 Actual Data To Budget	
	Original	Final	Actual	Dollars	%
				Favorable (Unfavorable)	
Operating Revenues:					
Sewer Service Charges	16,723,575.00	16,723,575.00	18,091,007.24	1,367,432.24	8.18%
Septage and Industrial Charges	2,100,000.00	2,100,000.00	2,323,934.76	223,934.76	10.66%
PSE&G Standard Offer Payments	260,000.00	260,000.00	475,037.25	215,037.25	82.71%
Miscellaneous Income	55,000.00	55,000.00	316,884.73	261,884.73	476.15%
Total Operating Revenues	19,138,575.00	19,138,575.00	21,206,863.98	2,068,288.98	10.81%
Operating Expenses:					
Personnel Services:					
Salaries and Wages	4,244,200.00	4,244,200.00	3,800,419.46	443,780.54	10.46%
Uniform Rental	25,000.00	25,000.00	19,012.00	5,988.00	23.95%
Contributions to:					
Public Employees' Retirement	327,400.00	327,400.00	324,552.00	2,848.00	0.87%
Social Security System	325,000.00	325,000.00	285,429.06	39,570.94	12.18%
Unemployment Compensation	29,000.00	29,000.00	26,084.08	2,915.92	10.05%
Employee Benefits	1,727,600.00	1,727,600.00	1,587,656.68	139,943.32	8.10%
Total Personnel Services	6,678,200.00	6,678,200.00	6,043,153.28	635,046.72	9.51%
Contractual Services:					
Advertising	7,000.00	7,000.00	2,735.25	4,264.75	60.93%
Travel Expense	7,750.00	7,750.00	1,046.95	6,703.05	86.49%
Postage Expense	10,000.00	10,000.00	4,603.66	5,396.34	53.96%
Telephone Expense	50,000.00	50,000.00	29,260.42	20,739.58	41.48%
Natural Gas	181,000.00	181,000.00	81,667.72	99,332.28	54.88%
Electricity	2,380,000.00	2,380,000.00	2,016,776.00	363,224.00	15.26%
Water and Sewer	10,000.00	10,000.00	5,778.45	4,221.55	42.22%
Printing	8,000.00	8,000.00	2,593.74	5,406.26	67.58%
Energy Project Costs	1,570,000.00	1,720,000.00	1,570,022.44	149,977.56	8.72%
Dues and Memberships	11,200.00	11,200.00	8,143.95	3,056.05	27.29%
Motor Vehicle Maintenance	52,600.00	52,600.00	19,504.40	33,095.60	62.92%
Equipment Maintenance	440,600.00	440,600.00	228,389.57	212,210.43	48.16%
Interceptor Rehabilitation	60,000.00	60,000.00	5,286.93	54,713.07	91.19%
Equipment Rental	44,000.00	44,000.00	23,101.51	20,898.49	47.50%
Training and Seminars	28,800.00	28,800.00	10,178.95	18,621.05	64.66%
Permits and Registrations	120,000.00	120,000.00	86,453.38	33,546.62	27.96%
Professional Services	800,000.00	800,000.00	612,969.69	187,030.31	23.38%
Doctor	4,000.00	4,000.00	3,070.00	930.00	23.25%
Accounting/Auditing	90,000.00	90,000.00	85,901.25	4,098.75	4.55%
Legal Services	180,000.00	180,000.00	130,729.48	49,270.52	27.37%
Engineering	400,000.00	400,000.00	108,360.22	291,639.78	72.91%
Trustee's Fees	95,000.00	110,000.00	108,171.17	1,828.83	1.66%
Computer Services	34,000.00	34,000.00	26,407.08	7,592.92	22.33%
Insurance	1,000,000.00	770,000.00	597,202.17	172,797.83	22.44%
Sludge Disposal	180,000.00	180,000.00	6,070.20	173,929.80	96.63%
Other Expenses	40,000.00	45,000.00	36,226.83	8,773.17	19.50%
Total Contractual Services	7,803,950.00	7,743,950.00	5,810,651.41	1,933,298.59	24.97%

GLOUCESTER COUNTY UTILITIES AUTHORITY
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED OCTOBER 31, 2011

	2011 Budget		2011	Variance of 2011 Actual Data To Budget	
	Original	Final	Actual	Dollars	%
Materials and Supplies:					
Books and Publications	6,800.00	6,800.00	687.22	6,112.78	89.89%
Building and Construction Supplies	12,600.00	12,600.00	6,101.97	6,498.03	51.57%
Fuel and Lubricants	90,500.00	90,500.00	77,188.75	13,311.25	14.71%
Incinerator Fuel	450,000.00	510,000.00	505,183.56	4,816.44	0.94%
Incinerator Sand	80,000.00	80,000.00	45,470.94	34,529.06	43.16%
Motor Vehicle Parts	30,000.00	30,000.00	26,144.73	3,855.27	12.85%
Laboratory Services/Supplies	61,000.00	61,000.00	45,712.99	15,287.01	25.06%
Janitorial Supplies	7,000.00	7,000.00	3,994.62	3,005.38	42.93%
Office Supplies	24,000.00	24,000.00	10,517.15	13,482.85	56.18%
Electrical/Communication Supplies	242,200.00	242,200.00	187,124.32	55,075.68	22.74%
Hardware/Minor Tools	29,400.00	29,400.00	15,024.47	14,375.53	48.90%
Equipment/Machinery Parts	529,600.00	529,600.00	217,977.78	311,622.22	58.84%
Plumbing/Heating/HVAC Supplies	38,500.00	38,500.00	26,130.47	12,369.53	32.13%
Safety Supplies	29,100.00	29,100.00	21,346.34	7,753.66	26.64%
Chemicals and Gases	54,500.00	54,500.00	44,142.00	10,358.00	19.01%
Sodium Hydroxide	226,500.00	226,500.00	177,742.13	48,757.87	21.53%
Polymer	175,500.00	175,500.00	146,589.80	28,910.20	16.47%
Chlorine	200,000.00	200,000.00	123,984.86	76,015.14	38.01%
Ferrous Sulfate	76,000.00	76,000.00		76,000.00	100.00%
Buildings/Grounds Maintenance Supplies	7,400.00	7,400.00	5,028.88	2,371.12	32.04%
Interceptor Supplies	10,500.00	10,500.00	520.00	9,980.00	95.05%
Miscellaneous Supplies	1,750.00	1,750.00	539.07	1,210.93	69.20%
Total Materials and Supplies	2,382,850.00	2,442,850.00	1,687,152.05	755,697.95	30.94%
Equipment:					
Vehicles	48,000.00	48,000.00	18,799.00	29,201.00	60.84%
Laboratory Equipment	12,000.00	12,000.00	3,684.84	8,315.16	69.29%
Office Equipment	25,000.00	25,000.00	1,544.66	23,455.34	93.82%
Electrical/Communication Equipment	87,000.00	87,000.00	16,706.54	70,293.46	80.80%
General Equipment	465,300.00	465,300.00	151,948.22	313,351.78	67.34%
Total Equipment	637,300.00	637,300.00	192,683.26	444,616.74	69.77%
Total Operating Expenses	17,502,300.00	17,502,300.00	13,733,640.00	3,768,660.00	21.53%
Operating Income (Loss)	1,636,275.00	1,636,275.00	7,473,223.98	5,836,948.98	356.72%
Non-Operating Revenue (Expense):					
CEF Contribution to Debt Service	2,800,000.00	2,800,000.00	2,658,092.39	(141,907.61)	-5.07%
Construction Expansion Fees	1,000,000.00	1,000,000.00	2,043,974.90	1,043,974.90	104.40%
Unrestricted Net Assets Utilized	1,196,119.00	1,196,119.00	1,196,119.00		
Debt Service Requirements	(5,632,394.00)	(5,632,394.00)	(5,655,264.46)	(22,870.46)	-0.41%
Transfers to CEF Fund	(1,000,000.00)	(1,000,000.00)	(2,043,974.90)	(1,043,974.90)	-104.40%
Total Non-Operating Revenue (Expense)	(1,636,275.00)	(1,636,275.00)	(1,801,053.07)	(164,778.07)	-10.07%
Increase (Decrease) in Budgeted Net Assets			5,672,170.91	5,672,170.91	

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2011

1993 Series

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2010	Redeemed	Balance Oct. 31, 2011
8/1/93	15,400,000.00	Construction of Sewage Treatment Plant and Distribution System	3,495,000.00	875,000.00	2,620,000.00

Schedule of Annual Maturities

Due January 1	Interest Rate	Annual Principal Payment
2012	5.125%	920,000.00
2013	5.125%	290,000.00
2014	5.250%	250,000.00
2015	5.250%	265,000.00
2016	5.250%	280,000.00
2017	5.250%	300,000.00
2018	5.250%	315,000.00
		2,620,000.00

Wastewater Trust Fund Loan - Trust Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2010	Redeemed	Balance Oct. 31, 2011
11/1/95	12,330,000.00	Mantua Creek Force Main and Upper Mantua Creek Interceptor Project	4,410,000.00	795,000.00	3,615,000.00

Schedule of Annual Maturities

Due July 1	Interest Rate	Annual Principal Payment
2012	5.250%	835,000.00
2013	5.250%	880,000.00
2014	5.250%	925,000.00
2015	5.250%	975,000.00
		3,615,000.00

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2011

Wastewater Trust Fund Loan - Trust Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2010	Redeemed	Balance Oct. 31, 2011
10/15/98	1,965,000.00	Incinerator No. 1 Project & Upgrade & Rehabilitation of Existing Aeration Tank	1,025,000.00	110,000.00	915,000.00

Schedule of Annual Maturities

Due January 1	Interest Rate	Annual Principal Payment
2012	4.500%	115,000.00
2013	4.500%	120,000.00
2014	4.500%	125,000.00
2015	4.500%	130,000.00
2016	4.500%	135,000.00
2017	4.500%	140,000.00
2018	4.500%	150,000.00
		915,000.00

Wastewater Trust Fund Loan - Fund Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2010	Redeemed	Balance Oct. 31, 2011
10/15/98	1,850,000.00	Incinerator No. 1 Project & Upgrade & Rehabilitation of Existing Aeration Tank	790,962.62	99,363.56	691,599.06

Schedule of Annual Maturities

Due January 1	Interest Rate	Annual Principal Payment
2012	0.00%	99,395.39
2013	0.00%	99,284.01
2014	0.00%	99,029.44
2015	0.00%	98,631.66
2016	0.00%	98,090.69
2017	0.00%	97,406.52
2018	0.00%	99,761.35
		691,599.06

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2011

Wastewater Trust Fund Loan - Trust Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2010	Redeemed	Balance Oct. 31, 2011
10/15/99	350,000.00	Incinerator No. 1 Project & Upgrade & Rehabilitation of Existing Aeration Tank	210,000.00	20,000.00	190,000.00

Schedule of Annual Maturities

Due January 1	Interest Rate	Annual Principal Payment
2012	5.50%	20,000.00
2013	5.50%	20,000.00
2014	5.50%	20,000.00
2015	5.50%	25,000.00
2016	5.50%	25,000.00
2017	5.50%	25,000.00
2018	5.70%	25,000.00
2019	5.70%	30,000.00
		190,000.00

Wastewater Trust Fund Loan - Fund Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2010	Redeemed	Balance Oct. 31, 2011
10/15/99	333,411.00	Incinerator No. 1 Project & Upgrade & Rehabilitation of Existing Aeration Tank	159,717.71	18,604.84	141,112.87

Schedule of Annual Maturities

Due January 1	Interest Rate	Annual Principal Payment
2012	0.00%	17,919.48
2013	0.00%	17,234.13
2014	0.00%	16,548.77
2015	0.00%	18,978.67
2016	0.00%	18,121.97
2017	0.00%	17,265.28
2018	0.00%	16,408.58
2019	0.00%	18,635.99
		141,112.87

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2011

Wastewater Trust Fund Loan - Trust Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2010	Redeemed	Balance Oct. 31, 2011
10/15/01	2,185,000.00	2001 Capital Project	1,515,000.00	105,000.00	1,410,000.00

Schedule of Annual Maturities

Due January 1	Interest Rate	Annual Principal Payment
2012	5.50%	110,000.00
2013	5.50%	115,000.00
2014	5.00%	125,000.00
2015	5.00%	130,000.00
2016	5.00%	135,000.00
2017	5.00%	145,000.00
2018	5.00%	150,000.00
2019	5.00%	160,000.00
2020	4.75%	165,000.00
2021	4.75%	175,000.00
		1,410,000.00

Wastewater Trust Fund Loan - Fund Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2010	Redeemed	Balance Oct. 31, 2011
10/15/01	2,259,383.00	2001 Capital Project	1,092,668.03	118,855.01	973,813.02

Schedule of Annual Maturities

Due January 1	Interest Rate	Annual Principal Payment
2012	0.00%	118,347.65
2013	0.00%	117,660.25
2014	0.00%	120,066.15
2015	0.00%	119,247.82
2016	0.00%	118,265.82
2017	0.00%	120,393.48
2018	0.00%	118,920.48
2019	0.00%	120,557.15
2020	0.00%	20,354.22
		973,813.02

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2011

2003 Refunding Bonds

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2010	Redeemed	Balance Oct. 31, 2011
4/15/03	9,970,000.00	Revenue Refunding Bonds	8,420,000.00	350,000.00	8,070,000.00

Schedule of Annual Maturities

Due January 1	Interest Rate	Annual Principal Payment
2012	3.500%	360,000.00
2013	3.625%	375,000.00
2014	3.750%	385,000.00
2015	3.800%	400,000.00
2016	3.900%	415,000.00
2017	4.000%	430,000.00
2018	4.100%	450,000.00
2019	4.125%	470,000.00
2020	4.200%	490,000.00
2021	4.250%	510,000.00
2022	4.300%	530,000.00
2023	4.350%	555,000.00
2024	4.400%	575,000.00
2025	4.500%	600,000.00
2026	4.500%	280,000.00
2027	4.500%	290,000.00
2028	4.600%	305,000.00
2029	4.600%	320,000.00
2030	4.600%	330,000.00
		8,070,000.00

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2011

2005A Refunding Bonds

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2010	Redeemed	Balance Oct. 31, 2011
8/18/05	2,125,000.00	Revenue Refunding Bonds	1,905,000.00	180,000.00	1,725,000.00

Schedule of Annual Maturities

Due January 1	Interest Rate	Annual Principal Payment
2012	3.550%	190,000.00
2013	3.600%	195,000.00
2014	3.700%	200,000.00
2015	3.800%	210,000.00
2016	3.900%	215,000.00
2017	4.050%	230,000.00
2018	4.100%	235,000.00
2019	4.125%	250,000.00
		1,725,000.00

2005B Refunding Bonds

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2010	Redeemed	Balance Oct. 31, 2011
10/5/05	18,040,000.00	Revenue Refunding Bonds	15,470,000.00	950,000.00	14,520,000.00

Schedule of Annual Maturities

Due January 1	Interest Rate	Annual Principal Payment
2012	5.000%	1,000,000.00
2013	5.000%	1,045,000.00
2014	5.000%	1,105,000.00
2015	5.000%	1,150,000.00
2016	5.000%	1,210,000.00
2017	5.000%	1,285,000.00
2018	5.000%	1,340,000.00
2019	5.000%	1,410,000.00
2020	5.000%	1,480,000.00
2021	5.000%	1,550,000.00
2022	5.000%	620,000.00
2023	5.000%	645,000.00
2024	5.000%	680,000.00
		14,520,000.00

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2011

NJEIT Fund Loan - Trust Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2010	Redeemed	Balance Oct. 31, 2011
11/6/08	1,670,000.00	Sewer Revenue Bonds	1,615,000.00	55,000.00	1,560,000.00

Schedule of Annual Maturities

Due July 1	Interest Rate	Annual Principal Payment
2012	5.00%	60,000.00
2013	5.00%	60,000.00
2014	5.00%	65,000.00
2015	5.00%	70,000.00
2016	5.00%	70,000.00
2017	5.00%	75,000.00
2018	5.00%	80,000.00
2019	5.00%	85,000.00
2020	5.00%	90,000.00
2021	5.00%	95,000.00
2022	5.00%	100,000.00
2023	5.00%	105,000.00
2024	5.00%	110,000.00
2025	5.00%	115,000.00
2026	5.00%	120,000.00
2027	5.00%	125,000.00
2028	5.00%	135,000.00
		1,560,000.00

NJEIT Trust Fund Loan - Fund Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2010	Redeemed	Balance Oct. 31, 2011
11/6/08	1,585,582.00	Sewer Revenue Bonds	1,476,957.68	81,437.49	1,395,520.19

Schedule of Annual Maturities

Due July 1	Interest Rate	Annual Principal Payment
2012	0.00%	82,704.94
2013	0.00%	80,915.60
2014	0.00%	82,033.94
2015	0.00%	83,003.16
2016	0.00%	80,915.59
2017	0.00%	81,735.71
2018	0.00%	82,406.72
2019	0.00%	82,865.23
2020	0.00%	83,040.44
2021	0.00%	82,988.25
2022	0.00%	82,772.04
2023	0.00%	82,391.80
2024	0.00%	82,011.57
2025	0.00%	81,638.79
2026	0.00%	81,116.90
2027	0.00%	80,445.89
2028	0.00%	82,533.62
		1,395,520.19

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2011

NJEIT Fund Loan - Trust Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2010	Redeemed	Balance Oct. 31, 2011
3/10/10	320,000.00	Sewer Revenue Bonds	320,000.00	10,000.00	310,000.00

Schedule of Annual Maturities

Due Jan 1	Interest Rate	Annual Principal Payment
2012	5.00%	10,000.00
2013	5.00%	10,000.00
2014	5.00%	15,000.00
2015	5.00%	15,000.00
2016	5.00%	15,000.00
2017	5.00%	15,000.00
2018	5.00%	15,000.00
2019	4.00%	15,000.00
2020	5.00%	15,000.00
2021	3.00%	15,000.00
2022	4.00%	20,000.00
2023	4.00%	20,000.00
2024	4.00%	20,000.00
2025	4.00%	20,000.00
2026	3.50%	20,000.00
2027	4.00%	20,000.00
2028	4.00%	25,000.00
2029	4.00%	25,000.00
		310,000.00

NJEIT Trust Fund Loan - Fund Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2010	Redeemed	Balance Oct. 31, 2011
3/10/10	956,850.00	Sewer Revenue Bonds	956,850.00	50,360.52	906,489.48

Schedule of Annual Maturities

Due Jan 1	Interest Rate	Annual Principal Payment
2012	0.00%	50,360.52
2013	0.00%	50,360.52
2014	0.00%	50,360.52
2015	0.00%	50,360.52
2016	0.00%	50,360.52
2017	0.00%	50,360.52
2018	0.00%	50,360.52
2019	0.00%	50,360.52
2020	0.00%	50,360.52
2021	0.00%	50,360.52
2022	0.00%	50,360.52
2023	0.00%	50,360.52
2024	0.00%	50,360.52
2025	0.00%	50,360.52
2026	0.00%	50,360.52
2027	0.00%	50,360.52
2028	0.00%	50,360.52
2029	0.00%	50,360.64
		906,489.48

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2011

NJEIT A.R.R.A. Fund Loan - Trust Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2010	Redeemed	Balance Oct. 31, 2011
3/10/10	121,157.44	Sewer Revenue Bonds	121,157.44	5,336.82	115,820.62

Schedule of Annual Maturities

Due Jan 1	Interest Rate	Annual Principal Payment
2012	0.59%	5,352.83
2013	0.81%	5,384.41
2014	1.14%	5,428.02
2015	1.53%	5,489.90
2016	1.94%	5,573.90
2017	2.26%	5,682.03
2018	2.53%	5,810.45
2019	2.72%	5,957.45
2020	2.88%	6,119.49
2021	3.11%	6,295.74
2022	3.26%	6,491.53
2023	3.37%	6,703.16
2024	3.50%	6,929.05
2025	3.60%	7,171.57
2026	3.66%	7,429.75
2027	3.80%	7,701.68
2028	3.89%	7,994.34
2029	3.99%	8,305.32
		115,820.62

NJEIT ARRA Trust Fund Loan - Fund Share

Date of Issue	Amount of Issue	Description	Balance Oct. 31, 2010	Redeemed	Balance Oct. 31, 2011
3/10/10	344,000.00	Sewer Revenue Bonds	114,000.00	6,000.00	108,000.00

Schedule of Annual Maturities

Due Jan 1	Interest Rate	Annual Principal Payment
2012	0.00%	6,000.00
2013	0.00%	6,000.00
2014	0.00%	6,000.00
2015	0.00%	6,000.00
2016	0.00%	6,000.00
2017	0.00%	6,000.00
2018	0.00%	6,000.00
2019	0.00%	6,000.00
2020	0.00%	6,000.00
2021	0.00%	6,000.00
2022	0.00%	6,000.00
2023	0.00%	6,000.00
2024	0.00%	6,000.00
2025	0.00%	6,000.00
2026	0.00%	6,000.00
2027	0.00%	6,000.00
2028	0.00%	6,000.00
2029	0.00%	6,000.00
		108,000.00

GLOUCESTER COUNTY UTILITIES AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED OCTOBER 31, 2011

NJEIT Fund Loan - Trust Share

Date of Issue	Amount of Issue	Description	Issued	Balance Oct. 31, 2011
12/2/10	1,075,000.00	Sewer Revenue Bonds	1,075,000.00	1,075,000.00

Schedule of Annual Maturities

Due Jan 1	Interest Rate	Annual Principal Payment
2012	5.00%	35,000.00
2013	5.00%	35,000.00
2014	5.00%	40,000.00
2015	5.00%	40,000.00
2016	5.00%	45,000.00
2017	5.00%	45,000.00
2018	5.00%	45,000.00
2019	5.00%	50,000.00
2020	5.00%	50,000.00
2021	5.00%	55,000.00
2022	5.00%	60,000.00
2023	5.00%	60,000.00
2024	5.00%	65,000.00
2025	5.00%	65,000.00
2026	5.00%	70,000.00
2027	5.00%	75,000.00
2028	5.00%	75,000.00
2029	5.00%	80,000.00
2030	5.00%	85,000.00
		1,075,000.00

NJEIT Trust Fund Loan - Fund Share

Date of Issue	Amount of Issue	Description	Issued	Balance Oct. 31, 2011
12/2/10	1,117,500.00	Sewer Revenue Bonds	1,117,500.00	1,117,500.00

Schedule of Annual Maturities

Due Jan 1	Interest Rate	Annual Principal Payment
2012	0.00%	58,815.78
2013	0.00%	58,815.78
2014	0.00%	58,815.78
2015	0.00%	58,815.78
2016	0.00%	58,815.78
2017	0.00%	58,815.78
2018	0.00%	58,815.78
2019	0.00%	58,815.78
2020	0.00%	58,815.78
2021	0.00%	58,815.78
2022	0.00%	58,815.78
2023	0.00%	58,815.78
2024	0.00%	58,815.78
2025	0.00%	58,815.78
2026	0.00%	58,815.78
2027	0.00%	58,815.78
2028	0.00%	58,815.78
2029	0.00%	58,815.78
2030		58,815.96
		1,117,500.00

	Balance Oct. 31, 2010	Issued (Redeemed)	Balance Oct. 31, 2011
Summary Total of all Bonds and Loans	43,097,313.48	(1,637,458.24)	41,459,855.24
Issued		2,192,500.00	
Redeemed		(3,829,958.24)	
		(1,637,458.24)	

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4

N.J.S.A. 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds, not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or the amount calculated by the Governor pursuant to Section 3 of P.L. 1971, c. 198 (C.40A:11-3), except by contract or agreement."

The Authority has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the calendar year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishings of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the bid threshold "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisements or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6.

Cash Management Program

The Authority adopted a cash management plan in accordance with N.J.A.C. 5:31-3.1.

All money received by the Authority is deposited within 48 hours in its legal depositories. The investment of Authority funds is in interest bearing accounts. The practice of cashing checks with public funds is prohibited.

All disbursements are made only after the approval of the members of the Authority. All other transfers are made by the Trustee who is also responsible for investing Authority funds in accordance with the Bond Resolution.

Examination of Claims

An examination of claims paid during the period under review indicated no discrepancies with respect to claimant's certification and acknowledgment of receipt as required by N.J.A.C. 5:31-4.1.

Accounting System
The records maintained by the Authority were found to be in good condition.

A general ledger has been established by the Authority. The general ledger is the official permanent financial record of the Authority which provides a summary of all financial transactions as they have been recorded in the books of original entry utilizing a "double entry" accounting system.

Fixed Assets
A fixed asset accounting and reporting system has been established by the Authority. Fixed assets comprise the most significant investment of the Authority; therefore, it is important that these assets are properly safeguarded. A system for maintaining and verifying fixed assets can provide these safeguards as well as provide valuable management information.

RECOMMENDATIONS

None

Acknowledgment
We received the complete cooperation of all the officials of the Authority and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

PETRONI & ASSOCIATES LLC

Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252