

**THE POLLUTION CONTROL FINANCING AUTHORITY
OF CAPE MAY COUNTY
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
YEAR ENDED DECEMBER 31, 2011**

THE POLLUTION CONTROL FINANCING AUTHORITY OF CAPE MAY COUNTY
YEAR ENDED DECEMBER 31, 2011
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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman
and Members of the Board of Commissioners
Pollution Control Financing Authority of Cape May County
9700 Pacific Avenue, Suite 101
PO Box 849
Wildwood, NJ 08260

We have audited the accompanying financial statements of the governmental activities and the fund financial statements of the Pollution Control Financing Authority of Cape May County, State of New Jersey, as of and for the year ended December 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 Pollution Control Financing Authority of Cape May County'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 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 respective financial position of the governmental activities and the aggregate remaining fund information of the Pollution Control Financing Authority of Cape May County, State of New Jersey, as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, 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 August 4, 2012 on our consideration of the Pollution Control Financing Authority of Cape May County, State of New Jersey's internal control over financial reporting and 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.

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

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

Glen J. Ortman

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

August 4, 2012

REQUIRED SUPPLEMENTARY INFORMATION - PART I

**MANAGEMENT'S DISCUSSION & ANALYSIS OF THE
POLLUTION CONTROL FINANCING AUTHORITY OF CAPE MAY COUNTY**

The discussion and analysis of the Pollution Control Financing Authority of Cape May County's financial performance provides an overall review of the Authority's financial activities for the year ended December 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.

OVERVIEW:

The Pollution Control Financing Authority of Cape May County (The Authority) was created pursuant to the New Jersey Industrial Pollution Control Financing Law, constituting Chapter 376 of the Public Laws of 1973 of the State of New Jersey, as amended, by the Board of Chosen Freeholders of Cape May County. As such, the Authority is a political subdivision of the State of New Jersey and a public body, corporate and politic, with the power and authority to issue revenue bonds to finance the costs of pollution control facilities.

The accounts of the Authority are maintained in accordance with the principles of "fund accounting." One fund, the General Fund is used to account for all revenues and expenditures applicable to the general operations of the Authority. The financial statements presented are for the operating account of the Authority and do not include activity regarding the Bonds issued.

An annual budget is prepared each year for the operations of the Authority. Budget amounts presented in the accompanying financial statements represent amounts approved by the Authority Board Members. Under existing statute, the Authority is exempt from both Federal and State taxes.

Financial Highlights

Key financial highlights for 2011 are as follows:

- In total, net assets increased by \$162.32, which represents a .14% increase from 2011. This increase in net assets is smaller in 2011 than in prior years due to a reduction in investment earnings caused by low interest rates.

Reporting the Commission as a Whole

Statement of Net Assets and the Statement of Activities

This document contains only one fund used by the Authority to provide programs and activities. The Statement of Net Assets and the Statement of Activities reflect the operating account of the Authority and do not include activity regarding the Bonds issued. These statements use the modified 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's 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 the financial position of the Authority have improved or diminished. The causes of this change may be the result of many factors, some financial and some not.

**MANAGEMENT'S DISCUSSION & ANALYSIS OF THE
POLLUTION CONTROL FINANCING AUTHORITY OF CAPE MAY COUNTY**

Reporting the Commission's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Authority's funds. The Authority uses one fund to account for all financial transactions. The Authority's governmental fund is the General Fund.

Governmental Funds

The Authority's activities are reported in a governmental fund, which focus on how money flows into and out of that fund and the balance left at year-end available for spending in the future years. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed short-term view of the Authority's general government operations. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Authority-wide and fund financial statements. The notes to the financial statements can be found on pages 12 to 15 of this report.

The Authority as a Whole

Recall that 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.

Table 1 provides a summary of the Authority's net assets for 2011 and 2010.

**Table 1
Net Assets**

	<u>2011</u>	<u>2010</u>
Assets:		
Current Assets	\$ 114,135.04	\$ 113,972.72
Total Assets	<u>114,135.04</u>	<u>113,972.72</u>
Net Assets:		
Unrestricted	114,135.04	113,972.72
Total Net Assets	\$ <u><u>114,135.04</u></u>	\$ <u><u>113,972.72</u></u>

The Authority's total net assets were \$114,135.04 on December 31, 2011. This was an increase of 0.14% from the prior year.

**MANAGEMENT'S DISCUSSION & ANALYSIS OF THE
POLLUTION CONTROL FINANCING AUTHORITY OF CAPE MAY COUNTY**

The Authority as a Whole - Continued

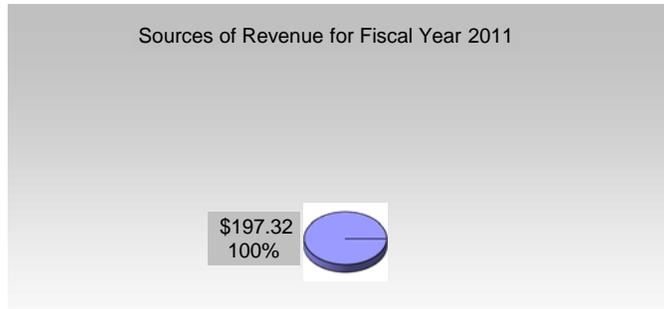
Table 2 shows changes in net assets for fiscal year 2011 and 2010.

**Table 2
Changes in Net Assets**

	2011	2010
Revenues		
General Revenues:		
Investment Earnings	\$ 197.32	\$ 1,229.08
Total Revenues	197.32	1,229.08
Program Expenses		
Administration:		
Other Expenses	35.00	731.42
Total Expenses	35.00	731.42
Increase in Net Assets	\$ 162.32	\$ 497.66

Governmental Activities

Investment earnings made up 100% of revenues for the year 2011. The Authority's total revenues were \$197.32 for the year ended December 31, 2011.



Business-Type Activities

The Authority does not have any business-type activities.

The Authority's Funds

The governmental fund (general fund presented in the fund-based statements) is accounted for using the modified accrual basis of accounting. Total revenues amounted to \$197.32.

**MANAGEMENT'S DISCUSSION & ANALYSIS OF THE
POLLUTION CONTROL FINANCING AUTHORITY OF CAPE MAY COUNTY**

The Authority's Funds - Continued

As demonstrated by the various statements and schedules included in the financial section of this report, the Authority continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the general fund for the year ended December 31, 2011, and the amount and percentage of total revenues compared to prior year revenues.

<u>Revenue</u>	<u>2011 Amount</u>	<u>Percentage of Total</u>	<u>2010 Amount</u>	<u>Percentage of Total</u>
Investment Earnings	\$ <u>197.32</u>	<u>100.00%</u>	\$ <u>1,229.08</u>	<u>100.00%</u>
Total	\$ <u><u>197.32</u></u>	<u><u>100.00%</u></u>	\$ <u><u>1,229.08</u></u>	<u><u>100.00%</u></u>

The following schedule represents a summary of general fund expenditures for the year ended December 31, 2011, and the percentage of total expenditures compared to prior year amounts.

<u>Expenditures</u>	<u>2011 Amount</u>	<u>Percentage of Total</u>	<u>2010 Amount</u>	<u>Percentage of Total</u>
Administrative:				
Other Expenses	\$ <u>35.00</u>	<u>100.00%</u>	\$ <u>731.42</u>	<u>0.00%</u>
Total	\$ <u><u>35.00</u></u>	<u><u>100.00%</u></u>	\$ <u><u>731.42</u></u>	<u><u>0.00%</u></u>

General Fund Budgeting Highlights

The Authority's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

Due to its size, over the course of the year, the Authority did not revise the annual operating budget.

For the Future

The Pollution Control Financing Authority of Cape May County is in good financial condition presently.

In conclusion, the Pollution Control Financing Authority of Cape May County has committed itself to financial excellence for many years. The Commission plans to continue its sound fiscal management to meet the challenge of the future.

**MANAGEMENT'S DISCUSSION & ANALYSIS OF THE
POLLUTION CONTROL FINANCING AUTHORITY OF CAPE MAY COUNTY**

THE ORGANIZATION:

The Authority is governed by a five member Board of Commissioners who establishes Authority policies and plans to meet the current and future needs for the Commission. The current members of the Commission Board of Commissioners are set forth below:

<u>Name</u>	<u>Position Held</u>
Wayne Harris	Chairman
Thomas Shaiko	Vice Chairman
Edward Adgie	Secretary
Robert Busso	Treasurer

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact Doreen Y. Corino, Solicitor of the Pollution Control Financing Authority of Cape May County, 9700 Pacific Avenue, Suite 101, Wildwood, NJ 08260.

BASIC FINANCIAL STATEMENTS

THE POLLUTION CONTROL FINANCING AUTHORITY OF CAPE MAY COUNTY
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 114,135.04
Total Assets	<u>114,135.04</u>
NET ASSETS	
Unrestricted	114,135.04
Total Net Assets	<u>\$ 114,135.04</u>

THE POLLUTION CONTROL FINANCING AUTHORITY OF CAPE MAY COUNTY
STATEMENT OF NET ACTIVITIES
DECEMBER 31, 2011

Function/Programs	Expenses	Program Revenue	Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Governmental Activities	Business-Type Activities	Total
Governmental Activities:					
Administrative:					
Other Expenses	\$ 35.00	\$ -	\$ (35.00)	\$ -	\$ (35.00)
Total Governmental Activities	<u>35.00</u>	<u>-</u>	<u>(35.00)</u>	<u>-</u>	<u>(35.00)</u>
Total Primary Government	<u>\$ 35.00</u>	<u>\$ -</u>	<u>\$ (35.00)</u>	<u>\$ -</u>	<u>\$ (35.00)</u>
General Revenues:					
Investment Earnings			\$ 197.32	\$ -	\$ 197.32
Total General Revenues			<u>197.32</u>	<u>-</u>	<u>197.32</u>
Change in Net Assets			<u>162.32</u>	<u>-</u>	<u>162.32</u>
Net Assets - Beginning			113,972.72	-	113,972.72
Net Assets - Ending			<u>\$ 114,135.04</u>	<u>\$ -</u>	<u>\$ 114,135.04</u>

FUND FINANCIAL STATEMENTS

THE POLLUTION FINANCING AUTHORITY OF CAPE MAY COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ 114,135.04	\$ 114,135.04
Total Assets	<u>\$ 114,135.04</u>	<u>\$ 114,135.04</u>
 FUND BALANCES		
Fund Balances:		
Unassigned, Reported in:		
General Fund	\$ 114,135.04	\$ 114,135.04
Total Fund Balances	<u>114,135.04</u>	<u>114,135.04</u>
 Total Liabilities and Fund Balances	 <u>\$ 114,135.04</u>	
 Net Assets of Governmental Activities		 <u>\$ 114,135.04</u>

THE POLLUTION CONTROL FINANCING AUTHORITY OF CAPE MAY COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	Total Governmental Funds
	<u> </u>	<u> </u>
REVENUES		
Investment Earnings	\$ 197.32	\$ 197.32
Total Revenues	<u> 197.32</u>	<u> 197.32</u>
 EXPENDITURES		
Administrative		
Other Expenses	35.00	35.00
Total Expenditures	<u> 35.00</u>	<u> 35.00</u>
 Excess of Revenues Over Expenditures	<u> 162.32</u>	<u> 162.32</u>
 Net Changes in Fund Balance	<u> 162.32</u>	<u> 162.32</u>
 Fund Balance - January 1	113,972.72	113,972.72
 Fund Balance - December 31	<u><u> \$ 114,135.04</u></u>	<u><u> \$ 114,135.04</u></u>

THE POLLUTION CONTROL FINANCING AUTHORITY OF CAPE MAY COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Pollution Control Financing Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments (Statement No, 34). The Statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phase-in implementation period (based on amount of revenues) starting with fiscal years ending 2002 (for larger governments). The Authority has also implemented GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus and Statement No, 38, Certain Financial Statement Note Disclosures. The implementation of these statements had no effect on equity balances as previously reported for the year ended December 31, 2003.

A. Reporting Entity

The Pollution Control Financing Authority was created pursuant to the New Jersey Industrial Pollution Control Financing Law, constituting Chapter 376 of the Public Laws of 1973 of the State of New Jersey, as amended, by the Board of Chosen Freeholders of Cape May County. As such, the Authority is a political subdivision of the State of New Jersey and a public body, corporate and politic, with the power and authority to issue revenue bonds to finance the cost of pollution control facilities.

The Authority has financed certain pollution control facilities at the B.L. England Plant of the Atlantic Electric Company (formerly Conectiv Power Delivery) and has issued \$39,000,000 – 11-5/8% Pollution Control Revenue Bonds, Series A. The facilities were purchased for a price equal to the principal amount of the Bonds issued.

The Bonds issued are limited obligations of the Authority payable solely from payments by Atlantic Electric Company of principal and interest. Neither the general credit, nor taxing power of the Authority, Cape May County, the State of New Jersey or any political subdivision thereof is pledged for the payment of the Bonds, nor shall the Bonds be deemed a debt or liability of Cape May County, the State of New Jersey or any political subdivision thereof.

In 1991 the Authority refinanced the costs of the aforementioned pollution control facilities through the issuance of \$38,865,000 – 6.80% Pollution Control Revenue Refunding Bonds, Series 1991 Series A (Atlantic Electric Company Project). The proceeds of the Refunding Bonds were applied to refund the previously issued Bonds. The Refunding Bonds are dated March 1, 1991, and mature on March 1, 2021.

In 1994 the Authority refinanced the costs of pollution control facilities originally constructed in 1975 through the issuance of \$6,500,000 principal amount, 7% Pollution Control Revenue Refunding Bonds, Series B (Atlantic City Electric Company Project). The proceeds from the Refunding Bonds were applied to refund bonds previously issued at a higher rate. The Refunding Bonds are dated November 1, 1994, and will mature on November 1, 2029.

In conjunction with this refinancing, the Authority also refinanced \$25,000,000 in certain pollution control equipment associated with new construction at the B.L. England Generating Station. The 7.20% Pollution Control Revenue Bonds of 1994, Series A (Atlantic City Electric Company) are dated November 1, 1994, and will mature on November 1, 2029.

THE POLLUTION CONTROL FINANCING AUTHORITY OF CAPE MAY COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, Measurement Focus and Basis of Accounting

Basis of Presentation

The Authority's basic financial statements consist of a statement of net assets and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Authority-Wide Financial Statements: The statement of net assets and the statement of activities display information about the Authority as a whole. This document contains only one fund used by the Authority to provide programs and activities. The Statement of Net Assets and the Statement of Activities reflect the operating account of the Authority and do not include activity regarding the Bonds issued.

The statement of net assets presents the financial condition of the governmental and business-type activity of the Authority at year end. The statement of activities presents a comparison between direct expenses and program revenues for the governmental activity of the Authority and for each function of the Authority's governmental activities.

Fund Financial Statements: During the fiscal year, the Authority segregates transactions related to certain Authority functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Authority's funds.

Governmental Funds

The Authority reports the following governmental funds:

General Fund – The General Fund is the general operating fund of the Authority and is used to account for all expendable financial resources.

Measurement Focus and Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

The Authority-Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

C. Budget/Budgetary Control

An annual budget is prepared each year for the operations of the Pollution Control Financing Authority of Cape May County. Budget amounts presented in the accompanying financial statements represent amounts approved by the Authority.

THE POLLUTION CONTROL FINANCING AUTHORITY OF CAPE MAY COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Equity

Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds, bank deposits and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost.

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 (GUDPA). GUDPA 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. 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.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use, either through the enabling legislation adopted by the Authority, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Authority's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves

In accordance with Governmental Auditing Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Authority classified governmental fund balances as follows:

- Non-spendable- Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.
- Restricted- Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed- Includes fund balance amounts that are constrained for specific purposes which internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year end.

THE POLLUTION CONTROL FINANCING AUTHORITY OF CAPE MAY COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Equity (Continued)

- Assigned- Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Commissioners.
- Unassigned- Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

2. CASH

Operating cash, in the form of checking and certificates of deposit, is held in the Authority's name by Sun National Bank. At December 31, 2011, the carrying amount and the bank balance of the Authority's deposits were \$114,135.04. The total bank balance was insured with Federal Deposit Insurance Corporation.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the Authority's bank accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the Authority would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2011, all of the Authority's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The Authority does not have a policy for custodial credit risk.

3. FUND BALANCE

Fund Balance may be appropriated and included in the budget. For the year ending December 31, 2011, there was fund balance appropriated in the amount of \$1,200.00.

4. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events for potential recognition and/or disclosure, through August 4, 2012, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

THE POLLUTION CONTROL FINANCING AUTHORITY OF CAPE MAY COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:			
Fund Balance Appropriated	\$ 1,200.00	\$ 1,200.00	\$ -
Investment Earnings	300.00	197.32	(102.68)
Total Revenues	<u>1,500.00</u>	<u>1,397.32</u>	<u>(102.68)</u>
EXPENDITURES:			
Administration:			
Other Expenses	1,500.00	35.00	1,465.00
Total Expenditures	<u>1,500.00</u>	<u>35.00</u>	<u>1,465.00</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>1,362.32</u>	<u>1,362.32</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	<u>-</u>	<u>1,362.32</u>	<u>1,362.32</u>
Fund Balance Appropriated	<u>-</u>	<u>(1,200.00)</u>	<u>(1,200.00)</u>
Fund Balance January 1	<u>113,972.72</u>	<u>113,972.72</u>	<u>-</u>
Fund Balance December 31	<u>\$ 113,972.72</u>	<u>\$ 114,135.04</u>	<u>\$ 162.32</u>

THE POLLUTION CONTROL FINANCING AUTHORITY OF CAPE MAY COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET-TO-GAAP RECONCILIATION
FOR THE YEAR ENDED DECEMBER 31, 2011

Note A - Explanation of Differences Between Budgetary Inflows and Outflows GAAP Revenue and Expenditures

		<u>General Fund</u>
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1] \$	1,397.32
Difference - budget to GAAP: Fund Balance Appropriation		(1,200.00)
	[B-2] \$	<u>197.32</u>
Uses / outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$	35.00
Difference - budget to GAAP: None		
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] \$	<u>35.00</u>

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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**

The Honorable Chairman
and Members of the Board of Commissioners
of the Pollution Control Financing Authority of Cape May County

We have audited the financial statements of the governmental activities and the fund financial statements of the Pollution Control Financing Authority of Cape May County as of and for the year ended December 31, 2011, and have issued our report thereon dated August 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Pollution Control Financing Authority of Cape May County is responsible for establishing and maintaining internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pollution Control Financing Authority of Cape May County'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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 Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

This report is intended solely for the information and use of the management of the Authority, the Division of Local Government Services, Department of Community Affairs, State of New Jersey as well as other federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Glen J. Ortman

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

August 4, 2012

THE POLLUTION CONTROL FINANCING AUTHORITY OF CAPE MAY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified Opinion issued on Basic Financial Statements dated August 4, 2012

Internal control over financial reporting:

1) Material Weakness identified? **NO**

2) Significant deficiencies identified? **NO**

Non-Compliance material to Financial Statements noted? **NO**