POLLUTION CONTROL FINANCING AUTHORITY OF CAPE MAY COUNTY

(A COMPONENT UNIT OF THE COUNTY OF CAPE MAY)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTAL INFORMATION

YEAR ENDED DECEMBER 31, 2014

YEAR ENDED DECEMBER 31, 2014
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The Honorable Chairman and Members
Pollution Control Financing of Cape May County
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INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Pollution Control Financial Authority of Cape May County (a component unit of the County of Cape May) in the County of Cape May, State of New Jersey, as of and for the years ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Pollution Control Financing Authority of Cape May County (a component unit of the County of Cape May) in the County of Cape May, State of New Jersey, as of December 31, 2014, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Pollution Control Financing Authority's basic financial statements. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2015 on our consideration of the Pollution Control Financing Authority of Cape May County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pollution Control Financing Authority of Cape May County's internal control over financial reporting and compliance.

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

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

October 6, 2015

REQUIRED SUPPLEMENTARY INFORMATION - PART I

MANAGEMENT'S DISCUSSION & ANALYSIS OF THE POLLUTION CONTROL FINANCING AUTHORITY OF CAPE MAY COUNTY (A COMPONENT UNIT OF THE COUNTY OF CAPE MAY)

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, 2014. 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 Authority's basic financial statements comprise two components: 1) consolidating proprietary fund financial statements; and 2) notes to those financial statements which are essential to a full understanding of the data contained in the financial statements. The supplementary information following the basic financial statements and notes thereto contains detailed and separate information pertaining to the Authority's budget and operations. 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 2014 are as follows:

- In total, net position increased by $53.83, which represents a .05% increase from 2013. This increase in net position is smaller in 2014 than in prior years due to less interest earned and more bank service charges.

Reporting the Authority as a Whole

Statement of Net Position and the Statement of Activities

This document contains only one fund used by the Authority to provide programs and activities. The Statement of Net Position 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 position and changes in that position. This change in net position 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.

Reporting the Authority's Most Significant Funds

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

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 14 of this report.

The Authority as a Whole

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

Table 1 provides a summary of the Authority's net position for 2014 and 2013.

Table 1
Net Position

	2014	2013
Assets:		
Current Assets	$ 114,510.83	$ 114,457.00
Total Assets	114,510.83	114,457.00
Net Assets:		
Unrestricted	114,510.83	114,457.00
Total Net Assets	$ 114,510.83	$ 114,457.00

The Authority's total net position was $114,510.83 on December 31, 2014. This was an increase of .05% from the prior year.

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The Authority as a Whole - Continued

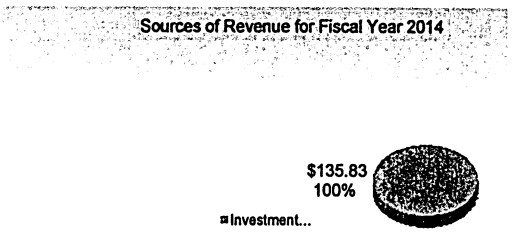
Table 2 shows changes in net position for fiscal year 2014 and 2013.

Table 2
Changes in Net Position

	2014	2013
Revenues		
General Revenues:		
Investment Earnings	$ 135.83	$ 130.05
Total Revenues	135.83	130.05
Program Expenses		
Administration:		
Other Expenses	82.00	45.00
Total Expenses	82.00	45.00
Increase in Net Assets	$ 53.83	$ 85.05

Business-Type Activities

Investment earnings made up 100% of revenues for the year 2014. The Authority's total revenues were $135.83 for the year ended December 31, 2014.



The Authority's Funds

The business-type fund (general fund presented in the basic financial statements) is accounted for using the accrual basis of accounting. Total revenues amounted to $135.83.

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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 financial management. The following schedules present a summary of the revenues for the year ended December 31, 2014, and the amount and percentage of total revenues compared to prior year revenues.

Revenue	2014 Amount	Percentage of Total	2013 Amount	Percentage of Total
Investment Earnings	$ 135.83	100.00%	$ 130.05	100.00%
Total	$ 135.83	100.00%	$ 130.05	100.00%

The following schedule represents a summary of expenditures for the year ended December 31, 2014, and the percentage of total expenditures compared to prior year amounts.

Expenditures	2014 Amount	Percentage of Total	2013 Amount	Percentage of Total
Administrative:				
Other Expenses	$ 82.00	100.00%	$ 45.00	100.00%
Total	$ 82.00	100.00%	$ 45.00	100.00%

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 Authority plans to continue its sound fiscal management to meet the challenge of the future.

THE ORGANIZATION:

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

Name	Position Held
Thomas Shaiko	Chairman
Antwan McClellan	Member
Patricia Callinan	Secretary/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 Crest, NJ 08260.

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BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
DECEMBER 31, 2014

	2014
ASSETS	
Cash and Cash Equivalents	$ 114,510.83
Total Assets	114,510.83
NET POSITION	
Unrestricted	114,510.83
Total Net Position	$ 114,510.83

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES AMD CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2014

	2014
Operating Revenues:	
Investment Earnings	$ 135.83
	135.83
Operating Expenses:	
Administrative Expenses:	
Other Costs	82.00
Total Operating Expenses	82.00
Operating Income (Loss)	53.83
Other Financing Sources/(Uses):	
None	-
Total Other Financing sources	-
Changes in Net Position	53.83
Total Net Position - Beginning	114,457.00
Total Net Position - Ending	$ 114,510.83

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Banking Inistitutions	$ 135.83
Payments for Purchased Contracted Services	(82.00)
Net Cash Provided by (Used for) Operating Activities	53.83
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Net Cash Provided by (Used for) Noncapital Financing Activities	-
Net Increase (Decrease) in Cash and Cash Equivalents	53.83
Balance - Beginning of Year	114,457.00
Balance - End of Year	$ 114,510.83
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income	$ 53.83
Adjustments to Reconcile Operating Income(Loss) to Net Cash Provided by (Used for) Operating Activities:	
None	-
Total Adjustments	-
Net Cash Provided by (Used for) Operating Activities	$ 53.83

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 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.

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.

Basis of Financial Statements

The financial statements of the Authority have been prepared on a full accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Financial Statements

The Authority's basic financial statements consist of a statement of net position and a statement of revenues, expenses and changes in fund net position, which provide a more detailed level of financial information.

The Statement of Net Position presents the financial condition of the business-type activity of the Authority at year end. The Statement of Revenues, Expenses and Changes in Fund Net Position of activities presents a comparison between expenses and for the activity of the Authority.

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.

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 Position

Net position represents the difference between assets and liabilities. Net position is 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 position are available.

NOTE 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, 2014, the carrying amount and the bank balance of the Authority's deposits were $114,510.83. 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 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, 2014, 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.

NOTE 3 - SUBSEQUENT EVENTS

The Authority has evaluated subsequent events for potential recognition and/or disclosure, through October 6, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:			
Fund Balance Appropriated	$ -	$ -	$ -
Investment Earnings	200.00	135.83	(64.17)
Total Revenues	200.00	135.83	(64.17)
EXPENDITURES:			
Administration:			
Other Expenses	200.00	82.00	118.00
Total Expenditures	200.00	82.00	118.00
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	53.83	53.83
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	-	53.83	53.83
Fund Balance Appropriated	-	-	-
Fund Balance January 1	114,457.00	114,457.00	-
Fund Balance December 31	$ 114,457.00	$ 114,510.83	$ 53.83

REQUIRED SUPPLEMENTARY INFORMATION
BUDGET-TO-GAAP RECONCILATION
FOR THE YEAR ENDED DECEMBER 31, 2014

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

			General Fund
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1]	$	135.83
Difference - budget to GAAP: Fund Balance Appropriation			
	[B-2]	$	135.83
Uses / outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	$	82.00
Difference - budget to GAAP: None			
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2]	$	82.00

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The Honorable Chairman and Members
Pollution Control Financing of Cape May County
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Wildwood Crest, New Jersey

INDEPENDENT AUDITOR'S REPORT

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Pollution Control Financing Authority of Cape May County (a component unit of the County of Cape May) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 6, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

October 6, 2015

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified Opinion issued on Basic Financial Statements dated October 6, 2015
Internal control over financial reporting:	
1) Material Weakness identified?	**NO**
2) Significant deficiencies identified?	**NO**
Non-Compliance material to Financial Statements noted?	**NO**

II. FINANCIAL STATEMENT FINDINGS

None