

THE POLLUTION CONTROL FINANCING
AUTHORITY OF SALEM COUNTY

REPORT OF AUDIT

FOR THE FISCAL YEARS ENDED
JANUARY 31, 2019 AND 2018

THE POLLUTION CONTROL FINANCING AUTHORITY OF

SALEM COUNTY

TABLE OF CONTENTS

INTRODUCTORY SECTION

Roster of Officials	1
---------------------	---

PART I - FINANCIAL SECTION

Independent Auditor's Report	2-4
------------------------------	-----

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards	5-6
--	-----

Management Discussion and Analysis	7-10
------------------------------------	------

Basic Financial Statements

A Comparative Statement of Net Position	11
---	----

B Comparative Statement of Revenues, Expenses and Changes in Fund Net Position	12
---	----

C Comparative Statements of Cash Flows	13
--	----

Notes to the Financial Statements	14-25
-----------------------------------	-------

Supplementary Schedules

Budgetary Comparison Schedules

1 Schedule of Anticipated Revenues, Operating Appropriations and Non-Operating Appropriations Compared to Budget-Non GAAP (Budgetary) Basis	26
---	----

PART II

Schedule of Findings and Recommendations	27
--	----

Summary Schedule of Prior Year Audit Findings and Recommendations as Prepared by Management	27
--	----

Appreciation	27
--------------	----

THE POLLUTION CONTROL FINANCING AUTHORITY OF SALEM COUNTY

ROSTER OF OFFICIALS

JANUARY 31, 2019

AUTHORITY MEMBERS

POSITION

Fran Grenier	Chairman (A)
Joseph Racite	Vice-Chairman (A)
Marjorie Sperry	Secretary (A)
Andrew Ware	Assistant Secretary and Treasurer (A)
Veronica Merriel	Treasurer (A)

OTHER OFFICIALS

Katie B. Coleman	CFO/Treasurer
Niki Trunk, Esq.	Solicitor
Archer & Greiner, P.C.	Special Counsel
Carey Italiano	Recording Secretary
Fralinger Engineering	Engineer

(A) Covered by Admiral Insurance Company - \$1,000,000

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245
www.colavita.net

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
The Pollution Control Financing Authority of Salem County
Salem, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Pollution Control Financing Authority of Salem County, State of New Jersey, a component unit of the County of Salem (Authority), as of and for the fiscal year ended January 31, 2019 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with the audit requirements as prescribed by the Bureau of Authority Regulation, 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 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 risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

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

Opinions

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, in the County of Salem, State of New Jersey as of January 31, 2019, and the respective changes in financial position and its cash flows thereof for the years 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 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements.

The accompanying supplementary schedules as listed in the table of contents are the responsibility of management and were derived from and relate 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 accompanying supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated July 12, 2019 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.



Raymond Colavita, C.P.A.
Registered Municipal Accountant
July 12, 2019

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association
Certified Public Accountants

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245
www.colavita.net

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

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
The Pollution Control Financing Authority of Salem County
Salem, New Jersey

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 and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Pollution Control Financing Authority of Salem County, State of New Jersey, a component unit of the County of Salem (Authority), as of and for the fiscal year ended January 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 the 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* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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* and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, C.P.A.
Registered Municipal Accountant
July 12, 2019

THE POLLUTION CONTROL FINANCING
AUTHORITY OF SALEM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR
THE YEAR ENDED JANUARY 31, 2019 AND 2018
(UNAUDITED)

This section of the Authority's annual financial report provides a discussion and analysis of the financial performance for the fiscal years ended January 31, 2019 and 2018. The entire annual financial report consists of four parts; Independent Auditor's Reports, the management's discussion and analysis, the basic financial statements, and supplemental schedule. The Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and notes following this section.

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, Nightlinger, Colavita, and Volpa, is included in this report. In the 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, a public body corporate and politic of the State of New Jersey, was created by resolution adopted March 6, 1974 by the Board of Chosen Freeholders of Salem County, pursuant to Chapter 376 of the Pamphlet Laws of 1973, of the State of New Jersey, as amended and supplemented. The Authority was created for the purpose of issuing revenue bonds of which the proceeds are to be used for construction or improving pollution facilities in the County of Salem.

Management Oversight

The governing body of the Authority consists of five board members who are appointed for five-year terms. All members are appointed on a staggered basis by the Board of Chosen Freeholders.

FINANCIAL HIGHLIGHTS

- Total Assets – Total assets as of January 31, 2019 were \$1,079,722. After deducting liabilities of \$1,289, net position came to \$1,078,433.
- Total Operating Revenue – Operating Revenues for the fiscal year ending January 31, 2019 totaled \$5,163. These revenues were down from last year's revenue of \$9,650.
- Total Operating Expenses - Operating expenses for the fiscal year ending January 31, 2019 totaled \$27,127. These expenses were lower than the prior year's amount of \$74,399.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The comparative statement of net position includes all of the Authority's assets and liabilities. As the Authority follows the accrual method of accounting, the current year's revenues and expenses are accounted for in the comparative statements of revenues, expenses, and changes in net position regardless of when cash is received or paid. Net position – the difference between the Authority's assets and liabilities– is a measure of the Authority's financial health or position.

The comparative statements of revenues, expenses and changes in net position provide a breakdown of the various areas of revenues and expenses encountered during the current fiscal year.

The comparative statements of cash flows provide a breakdown of the various sources of cash flow, categorized as cash flows from operating activities and cash flows from capital and related financing activities.

After the statements, and the Notes to the Financial Statements which follow, is the Schedule of Anticipated Revenues and Operating Appropriations Compared to Budget that compares the budgeted revenues and expenses to actual revenues and expenses. This includes operating revenues and expenses, non-operating revenues, and non-operating expenses. Depreciation is not reported in this schedule as an expense. The budget to actual schedule is a very important document to the Authority's management since it is how we measure our financial performance.

FINANCIAL ANALYSIS OF THE AUTHORITY

The following comparative condensed financial statements and other selected information serve as the key financial data and indicators for management, monitoring and planning.

The following table summarizes the Net Position of the Authority as of January 31, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Comparative Statement of Net Position As of <u>January 31, 2019 and 2018</u>		
Assets:		
Unrestricted Assets	\$ 1,079,722	\$ 1,153,282
	<hr/>	<hr/>
Total Assets	1,079,722	1,153,282
	<hr/>	<hr/>
Liabilities:		
Current Unrestricted Liabilities	1,289	9,385
	<hr/>	<hr/>
Total Liabilities		
Net Position:		
Unrestricted	1,078,433	1,143,897
	<hr/>	<hr/>
Total Net Position	\$ 1,079,722	\$ 1,153,282
	<hr/> <hr/>	<hr/> <hr/>

The following table summarizes the Revenues, Expenses, and Changes in Net Position of the Authority for the fiscal years ended January 31, 2019 and 2018.

Comparative Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended January 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Bond Financing Fees	\$	\$ 5,000
Other Revenues	5,163	4,650
Total Operating Revenues	<u>5,163</u>	<u>9,650</u>
Operating Expenses:		
Administration:		
Other Expenses	27,127	74,399
Total Operating Expenses	<u>27,127</u>	<u>74,399</u>
Net Operating Income (Loss)	<u>(21,964)</u>	<u>(64,749)</u>
Non-Operating Revenue (Expenses)		
Capital Expenditures:		
County of Salem Remedial Project		(160,000)
Salem County Improvement Authority GPS	(33,500)	
Total Non-Operating Revenue (Expenses)	<u>(33,500)</u>	<u>(160,000)</u>
Net Operating Income (Loss)	<u>(55,464)</u>	<u>(224,749)</u>
Prior Year Cancellation:		
Accounts Receivable - Exelon/PECO	(10,000)	
Change in Net Position	<u>(65,464)</u>	<u>(224,749)</u>
Net Position February 1	<u>1,143,897</u>	<u>1,368,646</u>
Net Position, January 31	<u>\$ 1,078,433</u>	<u>\$ 1,143,897</u>

BUDGET

Budgeted revenues exceeded actual revenues by \$4,837. Budgeted expenditures exceeded actual expenditures by \$91,473.

DEBT ADMINISTRATION

Capital Debt

The Authority has issued close to \$900,000,000 regarding conduit bond financing. The Authority assumes no responsibility for repayment of this debt beyond the resources provided by the underlying lease or mortgage loans. As of January 31, 2019, there were four series of Special Revenue Bonds outstanding and one revolving credit line. The corresponding aggregate principal outstanding as of January 31, 2019 totaling \$170,015,000 is treated strictly as conduit debt obligations under Interpretation No. 2 of the Governmental Accounting Standards Board (GASB) and accordingly is not included in the financial statements. See Note 5 of the Notes to Financial Statements for a more detailed explanation of conduit debt.

Contacting The Authority's Management

This financial report is designed to provide New Jersey and Salem County residents in particular, and our customers, clients, investors, and creditors, with a general overview of the Authority's finances. If you have any questions about this report or need additional financial information, contact Carey Italiano, Clerk of the Authority at P.O. Box 375, Salem, New Jersey 08079.

THE POLLUTION CONTROL FINANCING AUTHORITY OF SALEM COUNTY
COMPARATIVE STATEMENT OF NET POSITION
AS OF JANUARY 31, 2019 AND 2018

	Business-Type Activities	
<u>ASSETS</u>	2019	2018
Current Unrestricted Assets:		
Cash and Cash Equivalents	\$ 269,778	\$ 256,632
Accounts Receivable - Exelon/PECO	5,000	15,000
Accrued Interest Receivable	1,444	1,650
Revenue Bond Loan Receivable	770,000	880,000
Intergovernmental Loan Receivable	33,500	
Total Assets	1,079,722	1,153,282
 <u>LIABILITIES</u>		
Current Unrestricted Liabilities:		
Accounts Payable	1,289	9,385
Total Liabilities	1,289	9,385
 <u>NET POSITION</u>		
Unrestricted	1,078,433	1,143,897
Total Net Position	\$ 1,078,433	\$ 1,143,897

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

THE POLLUTION CONTROL FINANCING AUTHORITY OF SALEM COUNTY
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JANUARY 31, 2019 AND 2018

	<u>Business-Type Activities</u>	
	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Bond Financing Fees	\$	\$ 5,000
Other Revenues	5,163	4,650
Total Operating Revenues	<u>5,163</u>	<u>9,650</u>
Operating Expenses:		
Administration:		
Other Expenses	27,127	74,399
Total Operating Expenses	<u>27,127</u>	<u>74,399</u>
Net Operating Income (Loss)	<u>(21,964)</u>	<u>(64,749)</u>
Non-Operating Revenue (Expenses)		
Capital Expenditures:		
County of Salem Remedial Project		(160,000)
Salem County Improvement Authority GPS	(33,500)	
Total Non-Operating Revenue (Expenses)	<u>(33,500)</u>	<u>(160,000)</u>
Net Operating Income (Loss)	<u>(55,464)</u>	<u>(224,749)</u>
Prior Year Cancellation:		
Accounts Receivable - Exelon/PECO	(10,000)	
Change in Net Position	<u>(65,464)</u>	<u>(224,749)</u>
Net Position February 1	<u>1,143,897</u>	<u>1,368,646</u>
Net Position, January 31	<u>\$ 1,078,433</u>	<u>\$ 1,143,897</u>

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

EXHIBIT C

THE POLLUTION CONTROL FINANCING AUTHORITY OF SALEM COUNTY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JANUARY 31, 2019 AND 2018

	<u>Business-Type Activities</u>	
	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Payments to Suppliers	\$ (35,223)	\$ (73,014)
Other Operating Revenues	1,409	401
Revenue Bond Loan Principal	110,000	110,000
Issuance of Intergovernmental Loan Principal	(33,500)	
Receipts from Bond Financing Fees		10,000
Interest on Loan Receivable	3,960	4,455
	<hr/>	<hr/>
Net Cash Used in Operating Activities	46,646	51,842
	<hr/>	<hr/>
Cash Flows from Capital and Relating Financing Activities:		
Capital Expenditures:		
County of Salem Remedial Capital Expenditures		(160,000)
Salem County Improvement Authority GPS	(33,500)	
	<hr/>	<hr/>
Net Cash Used in Financing Activities	(33,500)	(160,000)
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	13,146	(108,158)
Cash and Cash Equivalents, February 1	256,632	364,790
	<hr/>	<hr/>
Cash and Cash Equivalents, January 31	\$ 269,778	\$ 256,632
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation of Operating Income (Loss) to Net Cash (Used In) by Operating Activities		
Operating Income (Loss)	\$ (21,964)	\$ (64,749)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:		
(Increase) Decrease in Accounts Receivable		5,000
(Increase) Decrease in Accrued Interest Receivable	206	206
(Increase) Decrease in Revenue Bond Loan Receivable	110,000	110,000
(Increase) Decrease in Intergovernmental Receivable	(33,500)	
Increase (Decrease) in Accounts Payable	(8,096)	1,385
	<hr/>	<hr/>
Net Cash Used in Operating Activities	\$ 46,646	\$ 51,842
	<hr/> <hr/>	<hr/> <hr/>

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

THE POLLUTION CONTROL FINANCING AUTHORITY OF SALEM COUNTY
Notes to Financial Statements
For the Fiscal Years Ended January 31, 2019 and 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Pollution Control Financing Authority of Salem County (the “Authority”) have been prepared to conform 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 following is a summary of the more significant of these policies.

Reporting Entity

The Pollution Control Financing Authority of Salem County (the “Authority”) was created by a resolution of the Board of Chosen Freeholders of Salem County on March 6, 1974, pursuant to Chapter 376 of the Pamphlet Laws of 1973, of the State of New Jersey, as amended and supplemented.

The Authority was established to benefit organizations by issuing revenue bonds of which the proceeds are to be used for constructing or improving pollution control facilities situated in the County of Salem. Proceeds from the issuance of these bonds, generally, are subject to a lower cost of borrowing for private sector entities. The Authority does not become involved in the construction activities and is not responsible for the repayment of the issued and outstanding debt. Debt service and the proceeds from the issuance of bonds for construction purposes are administered by an appointed trustee as defined in each trust indenture.

The Authority consists of five members, appointed by the Board of Chosen Freeholders. One member is appointed each year for a five-year term. The Authority currently and for the fiscal year ended January 31, 2019, has no employees.

Component Unit

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34* and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

THE POLLUTION CONTROL FINANCING AUTHORITY OF SALEM COUNTY
Notes to Financial Statements
For the Fiscal Years Ended January 31, 2019 and 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Component Unit (Cont'd)

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Authority has no component units and is a component unit of the County of Salem.

Basis of Presentation

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned; expenses are recognized when there are incurred.

THE POLLUTION CONTROL FINANCING AUTHORITY OF SALEM COUNTY
Notes to Financial Statements
For the Fiscal Years Ended January 31, 2019 and 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Budgets and Budgetary Accounting (Cont'd)

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the fiscal year. The budget is adopted on the accrual basis of accounting.

The legal level of budgetary control is established at the detail shown on the Comparative Statements of Revenues, Expenses and Changes in Net Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. The Authority did not adopt an amending budget resolution during the fiscal year.

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At fiscal year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds and cash in banks 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. Such is the definition of cash and cash equivalents used in the statement of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units.

THE POLLUTION CONTROL FINANCING AUTHORITY OF SALEM COUNTY
Notes to Financial Statements
For the Fiscal Years Ended January 31, 2019 and 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash, Cash Equivalents and Investments (Cont'd)

These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or bonds or other obligations of school district of which the local unit is a part or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

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 Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, 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 amount of their deposits to the governmental units.

Additionally, the Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

Net Position

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*", the Authority has classified its net position into two components – restricted and unrestricted. These classifications are defined as follows:

THE POLLUTION CONTROL FINANCING AUTHORITY OF SALEM COUNTY
Notes to Financial Statements
For the Fiscal Years Ended January 31, 2019 and 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Net Position (Cont'd)

Restricted - 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.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." This component includes net position that may be allocated for specific purposes by the Board.

The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Income Taxes

The Authority operates as defined by the Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from bond financing fees and other revenue sources. Operating expenses include costs associated with general administrative expenses and grants issued. Non-operating expenses include projects identified in the capital budget.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Conduit Debt Obligations

To provide within the County, public facilities, convention halls, equipment and facilities for public transportation, garbage and solid waste systems, the improvement, furtherance and promotion of tourist industries and recreational attractiveness and the planning and carrying out of redevelopment projects, the Authority has issued certain debt bearing its name to lower the cost of borrowing for specific governmental or non-governmental third parties. This debt is commonly referred to as conduit (or non-commitment) debt. Typically, the debt proceeds are used to finance facilities within the Authority's jurisdiction that are transferred to the third party either by lease or by sale.

THE POLLUTION CONTROL FINANCING AUTHORITY OF SALEM COUNTY
Notes to Financial Statements
For the Fiscal Years Ended January 31, 2019 and 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Conduit Debt Obligations (Cont'd)

The underlying lease or mortgage loan agreement, which serves as collateral for the promise of payments by the third party, calls for payments that are essentially the same as those required by the debt. These payments are made by the third-party directly to an independent trustee, who is appointed to service and administer the arrangement. The Authority assumes no responsibility for repayment of this debt beyond the resources provided by the underlying leases or mortgage loans.

As of January 31, 2019, there were ten series of Special Revenue Bonds outstanding. The corresponding aggregate principal totaling \$170,015,000.00 is treated strictly as conduit debt obligations under Interpretation No. 2 of the Governmental Accounting Standards Board (GASB) and accordingly is not included in the financial statements

Recently Issued and Adopted Accounting Pronouncements

The Authority has adopted the following GASB statements:

GASB No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions: The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The requirements of this Statement will be effective for reporting periods beginning after June 15, 2017. The adoption of GASB 75 is not expected impact the financial statements of the Authority.

GASB No. 85 - Omnibus 2017: The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of Statement will be effective for reporting periods beginning after June 15, 2017. The adoption of GASB 85 is not expected impact the financial statements of the Authority.

GASB No. 86 - Certain Debt Extinguishment Issues: The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of Statement will be effective for reporting periods beginning after June 15, 2017. The adoption of GASB 86 is not expected impact the financial statements of the Authority.

THE POLLUTION CONTROL FINANCING AUTHORITY OF SALEM COUNTY
Notes to Financial Statements
For the Fiscal Years Ended January 31, 2019 and 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Recently Issued and Adopted Accounting Pronouncements (Cont'd)

Other accounting standards that the Authority is currently reviewing for applicability and potential impact on the financial statements include:

GASB No. 83 - *Certain Asset Retirement Obligations*: This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The requirements of Statement will be effective for reporting periods beginning after June 15, 2018. The Board is evaluating the potential impact of the adoption of GASB 83 on the Authority's financial statements.

GASB No. 84 - *Fiduciary Activities*: The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of Statement will be effective for reporting periods beginning after December 15, 2018. The Board is evaluating the potential impact of the adoption of GASB 84 on the Authority's financial statements.

GASB No. 87 - *Leases*: The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of Statement will be effective for reporting periods beginning after December 15, 2019. The Board is evaluating the potential impact of the adoption of GASB 87 on the Authority's financial statements.

GASB No. 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*: The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management is evaluating the potential impact of the adoption of GASB 88 on the Authority's financial statements.

GASB No. 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*: The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management is evaluating the potential impact of the adoption of GASB 89 on the Authority's financial statements.

THE POLLUTION CONTROL FINANCING AUTHORITY OF SALEM COUNTY
Notes to Financial Statements
For the Fiscal Years Ended January 31, 2019 and 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Recently Issued and Adopted Accounting Pronouncements (Cont'd)

GASB Statement - No. 90 - *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*: The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management is evaluating the potential impact of the adoption of GASB 90 on the Authority's financial statements.

GASB Statement - No. 91 - *Conduit Debt Obligations*: The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Management is evaluating the potential impact of the adoption of GASB 91 on the Authority's financial statements.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

Management of the Authority is unaware of any material violations of finance related legal and contractual provisions.

Note 3: DETAIL NOTES - ASSETS

Cash and Cash Equivalents

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule below.

THE POLLUTION CONTROL FINANCING AUTHORITY OF SALEM COUNTY
Notes to Financial Statements
For the Fiscal Years Ended January 31, 2019 and 2018

Note 3: DETAIL NOTES – ASSETS (CONT'D)

Cash and Cash Equivalents (Cont'd)

As of January 31, 2019 and 2018, the Authority's bank balances were exposed to custodial credit risk as follows:

	<u>January 31,</u>	
	<u>2019</u>	<u>2018</u>
Insured by F.D.I.C.	\$ 250,000.00	\$ 250,000.00
Collateralized under GUDPA	<u>19,858.28</u>	<u>7,101.00</u>
Total	<u>\$ 269,858.28</u>	<u>\$ 257,101.00</u>

Revenue Bond Loan Receivable

On September 30, 2015, the Salem County Improvement Authority issued a \$1,100,000.00 Loan Revenue Bond to the Carney's Point Sewerage Authority with an interest rate of .45%. The term of the loan is ten years with \$110,000.00 principal payments due annually on September 1st. The final payment is due September 1, 2025. As of January 31, 2019, the balance of the receivable is \$770,000.00.

Intergovernmental Loan Receivable

On August 5, 2018, the Authority entered into an agreement with the Salem County Improvement Authority to purchase a GPS. The total amount of the agreement was for \$67,000. Under the terms of the agreement, \$33,500 was considered a grant and \$33,500 was considered a loan. The loan of \$33,500 has varying interest rates from 1.75% to 2.25% over the life of the loan. The term of the loan is three years with \$11,166.67 principal payments due annually on August 1st. The final payment is due August 1, 2021. As of January 31, 2019, the balance of the receivable is \$33,500.00

Note 4: DETAIL NOTES – NET POSITION

Net Position Appropriated

As of January 31, 2019 and 2018, the Authority had unrestricted net position balances of \$1,078,433 and \$1,143,897 respectively.

Note 5: CONDUIT DEBT OBLIGATIONS

To provide for construction of or improvements upon pollution control facilities within the County, the Authority has issued certain debt bearing its name to lower the cost of borrowing for specific governmental or non-governmental third parties. This debt is commonly referred to as conduit (or non-commitment) debt. Typically, the debt proceeds are used to finance facilities within the Authority's jurisdiction that are transferred to the third party either by lease or by sale.

THE POLLUTION CONTROL FINANCING AUTHORITY OF SALEM COUNTY
Notes to Financial Statements
For the Fiscal Years Ended January 31, 2019 and 2018

Note 5: CONDUIT DEBT OBLIGATIONS (CONT'D)

The underlying lease or loan agreement, which serves as collateral for the promise of payments by the third party, calls for payments that are essentially the same as those required by the debt. These payments are made by the third-party directly to an independent trustee, who is appointed to service and administer the arrangement. The Authority assumes no responsibility for repayment of this debt beyond the resources provided by the underlying leases or loans.

The corresponding aggregate principal totaling \$170,015,000.00 is treated strictly as conduit debt obligations under Interpretation No. 2 of the Governmental Accounting Standards Board (GASB) and accordingly is not included in the financial statements. As of January 31, 2019, the following conduit debt obligations outstanding are as follows.

(A) Atlantic City Electric Company Projects
1. 2004 Series A Bonds

On August 1, 2004, the Authority and the Atlantic City Electric Company (the Company) entered into a Facilities Loan Agreement. To provide the necessary monies to refund the costs of the 1994 Series A, the Authority sold \$23,150,000.00 of Floating Interest Rate Pollution Control Bonds, Series A.

The proceeds of the 2004 Series A Bonds were used to provide a portion of the costs of refunding \$23,150,000.00 aggregate principal amount of the Authority's Adjustable Rate Pollution Control Revenue Bonds of 1994, Series A (Atlantic City Electric Company Project), the proceeds of which were used to finance the Company's portion of the costs of acquisition and construction of certain air or water pollution control or sewage or solid waste disposal facilities (the "Project Facilities") at the Salem Generating Station and the Hope Creek Generating Station, both nuclear generating plants located in Salem County, New Jersey.

The 2004 Series A Bonds were issued pursuant to and are secured by an Indenture of Trust, dated August 1, 2004, as the same has been amended and restated in its entirety by an amended and restated Trust Indenture, dated as of September 22, 2004, between the Authority and The Bank of New York as successor Trustee. There is no sinking fund for the Bonds. The Bonds in certain interest rate modes are redeemable at the option of the Company, upon the terms and conditions set forth in the Indenture.

(A) Atlantic City Electric Company Projects (Cont'd)
1. 2004 Series A Bonds (Cont'd)

The Bonds are due June 1, 2029 and are secured as to the payment of principal, premium, if any, and interest by the Company and are further secured, while in a Daily Mode, Weekly Mode of Commercial Paper Mode by a direct pay letter of credit issued by The Bank of New York. The issuance of these bonds does not, directly or indirectly or contingently, obligate the State of New Jersey or any political subdivision thereof, including the Authority, to levy any form of taxation therefore or to make any appropriation for their payment.

THE POLLUTION CONTROL FINANCING AUTHORITY OF SALEM COUNTY
Notes to Financial Statements
For the Fiscal Years Ended January 31, 2019 and 2018

Note 5: CONDUIT DEBT OBLIGATIONS (CONT'D)

- (B) PECO Energy Company
1. 1993 Series A

On September 9, 1993, the Authority and the PECO Energy Company (formerly the Philadelphia Electric Company) entered into a Facilities Loan Agreement. To provide the necessary funds to pay for a portion of the Company's construction 42.59% share of the costs of certain sewage and solid waste disposal facilities, the Authority sold \$23,000,000.00 of Flexible Rate Pollution Control Revenue Bonds, Series A.

According to the terms of the Facilities Agreement, dated as of July 1, 1988, the Authority agreed to loan the proceeds from the sale of the Bonds to the Company to finance the Company's 42.59% undivided interest in the Salem Generating Plant in Salem County, New Jersey.

The Bonds are secured by pledge of payments to be made under a non-negotiable unsecured promissory note and from funds drawn under an irrevocable Letter of Credit issued by the Houston agency of the Toronto-Dominion Bank. The net proceeds from the sale of these Bonds and the accrued interest thereon were deposited with the Trustee, Mellon Bank, National Association, (Current Trustee – Chase Manhattan Trust Company), in accordance with the Indenture of Trust dated September 1, 1993. There is no sinking fund for the Bonds. The Bonds are subject to optional redemption by the Authority upon the direction of the Company prior to maturity on any Interest Payment Date, in whole or from time to time in part, at the principal amount thereof.

The Bonds are also subject to extraordinary optional redemption in whole and special mandatory redemption.

The Bonds are due March 1, 2025 and are secured as to payment of principal, premium, if any, and interest by the PECO Energy Company. The issuances of these bonds does not, directly or indirectly or contingently, obligate the State of New Jersey or any political subdivision thereof, including the Authority, to levy any form of taxation therefore or to make any appropriation for their payment.

- (C) Chambers Cogeneration Limited Partnership
1. 2014 Series A and B

On June 10, 2014, the Authority sold \$113,640,000 in Revenue Refunding Bonds, Series 2014A and \$5,225,000 in Revenue Bonds, Series 2014B to refund and redeem NJEDA Bonds issued by the Chambers Cogeneration Limited Partnership to finance certain air pollution control, water pollution control and sewage and solid waste facilities as part of the acquisition, construction, installation and equipping of the Chambers Cogeneration Plant, to fund one or more debt service reserve accounts and to pay any costs and expenses in connection with the issuance of the bonds.

THE POLLUTION CONTROL FINANCING AUTHORITY OF SALEM COUNTY
Notes to Financial Statements
For the Fiscal Years Ended January 31, 2019 and 2018

Note 5: CONDUIT DEBT OBLIGATIONS (CONT'D)

The Bonds are secured by a lien on and a security interest in certain collateral of the Partnership consisting of: (i) real property owned or leased by the Partnership; (ii) personal property owned by the Partnership, including equipment, receivables, insurance and other tangible and intangible assets; (iii) all of the Partnership's right, title and interest in and to all Project Contracts (as such term shall be defined in the Indenture) that have been or may be entered into by the Partnership; (iv) all revenues of the Partnership and all accounts established pursuant to the Indenture; and (v) all permits and other governmental approvals to the extent permitted by law, which collateral shall be subject to any liens or rights created therein by a Collateral Agency and Intercreditor Agreement, by and among the Trustee, the Partnership, the Authority, a working capital provider and The Bank of New York Mellon Trust Company, N.A., as collateral agent.

The Series 2014A Bonds are due December 1, 2023 and the Series 2014B Bonds are due December 1, 2019. These Bonds are secured as to payment of principal, premium, if any and interest by the Chambers Cogeneration Limited Partnership. The issuance of these bonds will not, directly or indirectly or contingently, obligate the State of New Jersey or any political subdivision thereof, including the Authority, to levy any form of taxation therefore or to make any appropriation for their payment.

2. Senior Secured Revolving Credit Facility Working Capital

The Pollution Control Authority also issued \$5,000,000 in Senior Secured Revolving Credit Facility Working Capital with Union Bank, N.A.

Note 6: CONTINGENCIES

Litigation - The Authority is not a defendant in any legal proceedings.

Note 7: SUBSEQUENT EVENTS

There was one material event noted between January 31, 2019 and July 12, 2019 affecting the financial status of the Authority. As of April 2, 2019, the Authority entered into an agreement with the Borough of Elmer to provide a grant in the amount of \$25,000 to financially help with a remediation project.

SCHEDULE 1

THE POLLUTION CONTROL FINANCING AUTHORITY OF SALEM COUNTY
SCHEDULE OF ANTICIPATED REVENUES AND OPERATING APPROPRIATIONS
COMPARED TO BUDGET NON-GAAP (BUDGETARY) BASIS
FOR THE FISCAL YEAR ENDED JANUARY 31, 2019

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Anticipated Revenues:			
Operating Revenues:			
Intergovernmental - Revenue Bond Loan Principal	\$ 110,000	\$ 110,000	\$
Other - Bond Financing Fees	10,000		(10,000)
Interest on Loan Receivable		3,754	3,754
Unanticipated Revenues:			
Interests Earned on Deposits		409	409
Miscellaneous Revenue		1,000	1,000
Total Revenues	<u>120,000</u>	<u>115,163</u>	<u>(4,837)</u>
Operating Appropriations:			
Administration:			
Other Expenses:			
Accounting and Auditing Fees	103,600	23,196	80,404
Advertising	400	360	40
Insurance	10,000	3,459	6,541
Postage	100		100
Miscellaneous	4,500	112	4,388
Total Operating Appropriations	<u>118,600</u>	<u>27,127</u>	<u>91,473</u>
Unrestricted Net Position to Balance Budget			
Total Net Appropriations	<u>118,600</u>	<u>27,127</u>	<u>91,473</u>
Excess (Deficit) Anticipated Revenues over Operating Appropriations	<u>\$ 1,400</u>	<u>\$ 88,036</u>	<u>\$ 86,636</u>
<u>Reconciliation to Operating Income (Loss):</u>			
Excess (Deficit) Anticipated Revenues over Operating Appropriations		\$ 88,036	
Less:			
Revenue Bond Loan Principal		<u>110,000</u>	
Change in Operating Income (Loss) (Exhibit B)		<u>\$ (21,964)</u>	

THE POLLUTION CONTROL
FINANCING AUTHORITY OF
SALEM COUNTY
SCHEDULE OF FINDINGS AND
RECOMMENDATIONS FOR THE YEAR
ENDED JANUARY 31, 2019

Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weakness, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulation, Department of Community Affairs, State of New Jersey.

There were no matters to be reported.

Summary Schedule of Prior Year Audit Findings

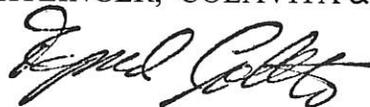
This section identifies the status of prior - year findings related to the basic financial statements and Federal Awards and State Financial Assistance that are required to be reported in accordance with Government Auditing Standards.

There were no prior year findings.

Appreciation

I express my appreciation for the assistance and courtesies rendered by the Authority officials during the course of the audit.

Respectfully submitted,
NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, C.P.A.
Registered Municipal Accountant