

POLLUTION CONTROL FINANCING
AUTHORITY OF WARREN COUNTY
SANITARY LANDFILL CLOSURE ESCROW TRUST FUND
COUNTY OF WARREN
REPORT OF AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
SANITARY LANDFILL CLOSURE ESCROW TRUST FUND
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Independent Auditors' Report

The Honorable Chairman and Members
of the Pollution Control Financing
Authority of Warren County
Warren County, New Jersey

We have audited the special purpose financial statements of the Sanitary Landfill Closure Escrow Trust Fund (the "Fund") of the Pollution Control Financing Authority of Warren County (the "Authority"), as of September 30, 2010, and for the year then ended, as listed in the foregoing table of contents. These financial statements are the responsibility of the Authority's management. 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, the New Jersey Department of Environmental Protection Closure Escrow Accounts Auditing Requirements and the standards applicable to financial audits contained in *Government Auditing Standards*. 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 significant estimates made, by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the special purpose financial statements were prepared for the purpose of complying with the "Sanitary Landfill Facility Closure and Contingency Fund Act" (P.L. 1981, C.306; P.L. 1987, C. 347) and N.J.A.C. 7:26-1,4,2A.9 and 2.13 and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. The special purpose financial statements are intended to present the assets and liabilities, and the revenue and expenditures of only that portion of the Trust Funds of the Pollution Control Financing Authority of Warren County that are attributable to the transactions of the Sanitary Landfill Closure Escrow Trust Fund.

In our opinion, because the Authority prepares its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to in the first paragraph, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Authority as of September 30, 2010, and the results of its operations for the year then ended.

However, in our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of the Sanitary Landfill Closure Escrow Trust Fund of the Pollution Control Financing Authority of Warren County as of September 30, 2010, and the revenue and expenditures and changes in fund balances arising from cash transactions for the year then ended, on the basis of presentation described in Note 1.

The Honorable Chairman and Members
of the Pollution Control Financing
Authority of Warren County
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In accordance with "*Government Auditing Standards*", we have also issued our report dated October 6, 2010 on our consideration of the Sanitary Landfill Closure Escrow Trust Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "*Governmental Auditing Standards*" and should be read in conjunction with this report in considering the results of our audit.

October 6, 2010


NISIVOCCIA & COMPANY LLP

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
SANITARY LANDFILL CLOSURE ESCROW TRUST FUND
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
ARISING FROM CASH TRANSACTIONS
SEPTEMBER 30, 2010

ASSETS

Cash and Cash Equivalents (Note 4)	\$ 7,768.07
Investments (Note 5)	<u>14,967,759.62</u>
<u>TOTAL ASSETS</u>	<u>\$ 14,975,527.69</u>

LIABILITIES AND FUND BALANCE

Fund Balance - Reserve for Sanitary Landfill Closure Escrow:	
Standard Account	\$ 6,198,681.52
Alternative Account	<u>8,776,846.17</u>
	<u>\$ 14,975,527.69</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL
PART OF THE FINANCIAL STATEMENTS

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
SANITARY LANDFILL CLOSURE ESCROW TRUST FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
STANDARD ACCOUNT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>Tons Accepted</u>	<u>Date of Deposit</u>	<u>Amount Deposited</u>	<u>Interest Received</u>	<u>Total</u>
October 2009	2,937.67	11/20/09	2,937.67	\$ 11,282.51	\$ 14,220.18
November 2009	2,836.56	12/20/09	2,836.56	18,007.48	20,844.04
December 2009	2,227.51	01/14/10	2,227.51	7,755.33	9,982.84
January 2010	1,941.94	02/11/10	1,941.94	2,627.69	4,569.63
February 2010	1,362.40	03/11/10	1,362.40	22,830.41	24,192.81
March 2010	3,664.98	04/12/10	3,664.98	35,964.90	39,629.88
April 2010	11,075.75	05/14/10	11,075.75	11,222.33	22,298.08
May 2010	17,388.71	06/10/10	17,388.71	19,419.26	36,807.97
June 2010	11,707.00	07/09/10	11,707.00	9,439.34	21,146.34
July 2010	8,742.57	08/09/10	8,742.57	1,070.05	9,812.62
August 2010	8,845.13	09/10/10	8,845.13	37,893.24	46,738.37
September 2010	7,768.07	(A)	7,768.07	14,915.80	22,683.87
			<u>\$ 80,498.29</u>	<u>\$ 192,428.34</u>	272,926.63
Net Increase in Fund Balance					272,926.63
Fund Balance September 30, 2009					<u>5,925,754.89</u>
Fund Balance September 30, 2010					<u>\$ 6,198,681.52</u>

Financial Institution: TD Wealth Management
Escrow Account # 76-P003-01-5

(A) Anticipated to be Deposited During October 2010

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL
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POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
SANITARY LANDFILL CLOSURE ESCROW TRUST FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
ALTERNATIVE ACCOUNT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>Tons Accepted</u>	<u>Date of Deposit</u>	<u>Amount Deposited</u>	<u>Interest Received</u>	<u>Total</u>
October 2009				\$ 24,023.58	\$ 24,023.58
November 2009				32,355.20	32,355.20
December 2009				11,563.75	11,563.75
January 2010				2,718.67	2,718.67
February 2010				38,620.17	38,620.17
March 2010				41,736.63	41,736.63
April 2010				26,000.06	26,000.06
May 2010				33,965.03	33,965.03
June 2010				13,792.40	13,792.40
July 2010				588.33	588.33
August 2010				61,006.95	61,006.95
September 2010				19,092.75	19,092.75
			<u>\$ -</u>	<u>\$ 305,463.52</u>	<u>305,463.52</u>
Net Increase in Fund Balance					305,463.52
Fund Balance September 30, 2009					<u>8,471,382.65</u>
Fund Balance September 30, 2010					<u>\$ 8,776,846.17</u>

Financial Institution: TD Wealth Management
Escrow Account # 76-P004-01-3

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL
PART OF THE FINANCIAL STATEMENTS

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
SANITARY LANDFILL CLOSURE ESCROW TRUST FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Governmental Accounting Standards Board publication Codification of Governmental Accounting and Financial Reporting Standards section 2100, "Defining the Financial Reporting Entity", establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax exempt entities that meet specific criteria (i.e., benefit of economic resources, access/entitlement to resources, and significance) should be included in the financial reporting entities. The Authority is a legally separate organization, whose members are appointed by the Freeholders of Warren County. Financial transactions are processed and accounted for by the Authority's financial administration. Accordingly, the Authority is not considered a component unit of the County of Warren under the provisions of Governmental accounting Standards Boards, Codification Section 2100.

Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying special purpose financial statements are intended to present the assets, liabilities and fund balance, and the revenue received and expenditures incurred of only that portion of the Trust Funds of the Pollution Control Financing Authority of Warren County that is attributable to the transactions of the Sanitary Landfill Closure Escrow Trust Fund.

The accounting policies of the Pollution Control Financing Authority of Warren County conform to the accounting principles applicable to Sanitary Landfill Closure Escrow Trust Funds which have been prescribed by the Department of Environmental Protection, State of New Jersey, which differ in certain respects from generally accepted accounting principles. The more significant policies in New Jersey follow.

Revenue is recognized as received based on \$1.00 per ton of solid waste accepted for disposal. Interest income is recognized as received. Expenditures, which consist of escrow account fees, are charged to operations as incurred.

A statement of cash flows is not a required presentation by the Department of Environmental Protection, State of New Jersey.

Cash and Cash Equivalents - Amounts include petty cash, change funds, amounts on deposit and short-term investments with original maturities of three months or less

Investments - Investments, if any, are stated at cost or amortized cost, with approximates market.

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
SANITARY LANDFILL CLOSURE ESCROW TRUST FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

(Continued)

Note 2 - Organization

The Sanitary Landfill Facility Closure and Contingency Fund Act, P.L. 1981, Chapter 306 was approved on November 25, 1981. This law set specific requirements for sanitary landfill closures and post-closure care. One requirement was the maintenance of an escrow trust fund of the Authority which would be used for expenditures relating to the closure and post-closure care of the facility. The escrow fund would be increased by an amount equal to \$1.00 per ton of all solid waste accepted for disposal during the preceding month. The deposit of escrow funds is to be made by the 20th of the following month in an interest bearing account. Expenditures, if any, require the prior approval of the Department of Environmental Protection.

Note 3 - Reported Number of Tons Disposed

Reported Number of Tons Accepted has been taken from Form SHWP001, "Sanitary Landfill Escrow Account Calculation for Deposits" filed with the State of New Jersey, Department of Environmental Protection.

Note 4 - Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Authority classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40 *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures* requires disclosure of the level of custodial credit risk assumed by the Authority in its cash, cash equivalents, and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the Authority ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The Authority limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the follow page.

Deposits:

New Jersey statutes require that Authorities deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Authorities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
SANITARY LANDFILL CLOSURE ESCROW TRUST FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(Continued)

Note 4 - Cash and Cash Equivalents

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

New Jersey statutes permit the Authority to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
SANITARY LANDFILL CLOSURE ESCROW TRUST FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(Continued)

Note 4 - Cash and Cash Equivalents

As of September 30, 2010, cash and cash equivalents of the Authority consisted of the following:

	Cash and Cash Equivalents
Cash on Hand	\$ 7,768.07

The carrying amount of the Authority's cash equivalents at September 30, 2010, was \$7,768.07 and the bank balance was \$0.

Note 5 - Investments

Investments are recorded at cost, which approximates market. Adjustments are made to cost for any premium or discount, which are amortized or accepted over the maturity of the investment. All of the investments are held by the Authority's custodial bank trust department in the Authority's name. Investments at September 30, 2010 consisted of the following:

	Carrying Value	Market
Standard Account:		
Government Bonds	\$ 53,709.74	\$ 53,709.74
United States Treasury Money Market Fund	6,137,203.71	6,413,682.80
Total Standard Account	6,190,913.45	6,467,392.54
Alternative Account:		
Government Bonds	54,773.02	54,773.02
United States Treasury Money Market Fund	8,722,073.15	9,098,454.40
Total Alternative Account	8,776,846.17	9,153,227.42
Total	\$ 14,967,759.62	\$ 15,620,619.96

The investments are held by the Fund's custodial bank trust department in the Authority's name. The bank's trust department is also its agent in purchasing and selling the securities. The investments are uninsured and unregistered. All of the funds held by the custodial bank are held in a fiduciary account, in the Authority's name, and are backed by the full faith and credit of the U.S. Government.

POLLUTION CONTROL FINANCING

AUTHORITY OF WARREN COUNTY

SANITARY LANDFILL CLOSURE ESCROW TRUST FUND

REPORT PURSUANT TO GOVERNMENTAL AUDITING STANDARDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010



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Independent Auditors' 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 Pollution Control Financing Authority
of Warren County
County of Warren, New Jersey

We have audited the special-purpose financial statements of the Sanitary Landfill Closure Escrow Trust Fund (the "Fund") of the Pollution Control Financing Authority of Warren County (the "Authority") as of, and for the fiscal year ended September 30, 2010, and have issued our report thereon dated October 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Department of Environmental Protection, State of New Jersey (the "Department"), and the standards applicable to financial audits contained in "*Government Auditing Standards*", issued by the Comptroller General of the United States.

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. Accounting, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

Our consideration of the 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 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.

The Honorable Chairman and Members
of the Pollution Control Financing Authority
of Warren County
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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 provision 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 *Governmental Auditing Standards*.

This report is intended solely for the information of management, the members of the Authority, and to meet the requirements for filing with the Department, and is not intended to be, and should not be, used by anyone other than those specified parties.

October 6, 2010


NISIVOCCIA & COMPANY LLP

POLLUTION CONTROL FINANCING AUTHORITY OF WARREN COUNTY
SANITARY LANDFILL CLOSURE ESCROW TRUST FUND
COMMENTS AND RECOMMENDATIONS
SEPTEMBER 30, 2010

-NONE-