

**RARITAN TOWNSHIP MUNICIPAL UTILITIES
AUTHORITY**

Financial Statements

November 30, 2007 and 2006

With Independent Auditors' Report

Raritan Township Municipal Utilities Authority
Table of Contents
November 30, 2007 and 2006

	Page(s)
Roster of Officials.....	1
Management's Discussion and Analysis.....	2-4
Independent Auditors' Report on Audit of Financial Statements.....	5-6
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>.....	7-8
Financial Statements	
Balance Sheets.....	9-10
Statements of Revenue, Expenses and Changes in Fund Equity.....	11
Statements of Cash Flows.....	12
Notes to Financial Statements.....	13-18
Supplementary Information	
Schedule of Revenues.....	19
Schedule of Expenditures.....	20-22
Comments and Recommendations.....	23

**Raritan Township Municipal Utilities Authority
Roster of Officials
November 30, 2007**

Authority Members

Edward Dougherty

Michael DeVecchio

Roland D. Boehm

Patricia Stover

John T. Kendzulak

Position

Chairperson

Vice Chairperson

Secretary

Treasurer

Asst. Treas./Asst. Sec.

Officials

Hatch Mott MacDonald

Watts, Tice & Skowronek

WithumSmith+Brown

Wastewater Engineer

Attorney

Auditor

**Raritan Township Municipal Utilities Authority
Management's Discussion and Analysis
November 30, 2007 and 2006**

This section of the annual financial report of the Raritan Township Municipal Utilities Authority ("the Authority") presents a discussion and analysis of the financial performance of the Authority for the years ended November 30, 2007 and 2006. Please read it in conjunction with the financial statements, which follow this section. The following table summarizes the financial position and results of operations of the Authority for 2007 and 2006.

	2007	2006
Assets		
Unrestricted current assets	\$ 5,751,929	\$ 5,839,507
Restricted current assets	2,750,530	2,956,215
Property, plant and equipment – net	<u>23,020,642</u>	<u>22,636,923</u>
	<u>\$31,523,101</u>	<u>\$31,432,645</u>
Liabilities and Equity		
Unrestricted current liabilities	\$ 1,285,244	\$ 1,084,394
Restricted current liabilities	1,251,546	1,281,027
Long-term debt	217,257	1,130,488
Contributed capital – net	3,735,446	3,817,801
Restricted retained earnings	1,498,984	1,675,188
Unrestricted retained earnings	<u>23,534,624</u>	<u>22,443,747</u>
	<u>\$31,523,101</u>	<u>\$31,432,645</u>
Revenue and Expenses		
Operating Revenue:		
User charges	\$ 4,308,655	\$ 4,119,786
Other	801,474	768,315
	<u>5,110,129</u>	<u>4,888,101</u>
Operating Expenses	<u>4,350,814</u>	<u>4,108,506</u>
Operating Income	759,315	779,595
Non-Operating Revenue (Expenses) – Net	<u>155,358</u>	<u>124,651</u>
Net Income and Change in Retained Earnings	<u>\$ 914,673</u>	<u>\$ 904,246</u>

**Raritan Township Municipal Utilities Authority
Management's Discussion and Analysis
November 30, 2007 and 2006**

Overview of the Financial Statements

The Authority's financial statements are prepared on the basis of accounting principles generally accepted for governmental units. The operations of the Authority are recorded in a proprietary fund type. Proprietary funds are used to account for activities that are financed and operated in a manner similar to business enterprises and the intention is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis are to be financed or recovered primarily through user charges.

The three basic financial statements presented within the financial statements are as follows:

Balance Sheet – This statement presents information reflecting the Authority's assets, liabilities, and fund equity. Fund equity represents the amount of total assets less total liabilities.

Statement of Revenue, Expenses and Changes in Fund Equity – This statement reflects the operating revenue and expenses as well as non-operating revenue and expenses during the year. The major source of operating revenue is user charges. Net income is similar to net income for a business enterprise.

Statement of Cash Flows – This statement presents changes in cash and cash equivalents resulting from operating activities, investing activities, and financing activities.

Financial Highlights

Total Operating Revenue of \$5,110,129 was 102.8% of the adopted budget (excluding the retained earnings appropriated of \$588,000). Details will be found in the Schedule of Revenues for the year ended November 30, 2007 in the supplementary information section of this report.

Total Expenditures of \$5,615,058 was 100.9% of the adopted 2006-2007 budgeted amount. The Total Expenditures were in excess of 100% due to \$381,493 of payments for the second sludge holding tank which became payable in 2007 due to the contractor being ahead of schedule. With the budgeted \$470,000 in expenditures rather than the actual \$851,493, the Total Expenditures would have been 94.11% of budget. Details will be found in the Schedule of Expenditures for the year ended November 30, 2007 in the supplementary information section of this report.

The addition to Property Plant and Equipment during the year ended November 30, 2007 of \$890,703 was due in part to the faster than anticipated work on the second sludge holding tank.

Overall, there has been little change in the sewer use charges and fees. The user fee for one EDU (Equivalent Dwelling Unit or 300 gallons per day) remains at \$400 per year, where it has remained since 2002, while the base user fee remained set at \$51. The connection fee (set by statute) increased from \$3,634 to \$3,727.

A description of currently known facts, decisions, or conditions expected to have significant effects on the financial position or the results of operations of the RTMUA follows:

According to a Notice of Rule Proposal the NJ Department of Environmental Protection (Land Use Management) Division of Watershed Management is proposing changes to the Water Quality Management Planning rules, N.J.A.C. 7:15.

The Department is proposing to amend the rules in numerous ways to, among other things, include the following:

- Reassignment of wastewater management planning responsibility to the County Board of Chosen Freeholders.
- Withdrawal and re-designation of wastewater service areas where the applicable wastewater management plan (WMP) is not in compliance with the mandatory update schedule contained in the rules (there are 193 non-complying plans (including RTMUA) and 12 that are in compliance).
- A requirement that municipalities pass an ordinance designed to assure septic system maintenance.
- A requirement that updated WMPs address septic density in a manner that demonstrates compliance with a 2 mg/L (ppm) nitrate planning standard.

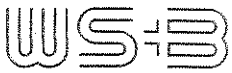
**Raritan Township Municipal Utilities Authority
Management's Discussion and Analysis
November 30, 2007 and 2006**

The first and second proposed amendments can be viewed as detrimental to RTMUA in that our involvement in the WMP process will be reduced. We will no longer be able to lead the WMP process; instead, we will be relegated to the role of a source of data for the Plan.

The effect on lost revenues and probable legal action should these rules be adopted as proposed, when withdrawn, would be significant but is unknown at this time.

There is the probability that the NJDEP will require the permit level of the main plant effluent level of phosphorous to be somewhere in the range of 0.6 mg/l which is an improvement over the previously anticipated level of less than or equal to 0.1 mg/l. The NJDEP will be setting this level after reviewing the final results of the Raritan River TMDL (Total Maximum Daily Load) study that has been completed and is awaiting publication. By regulation, 60 months are given to meet any significant changes to effluent permit levels after their establishment by NJDEP. The cost of modifications to the main plant to meet these limits would be significant but is unknown at this time.

The RTMUA is currently operating under a Capacity Assurance Program with the NJDEP that could limit the amount of new sewer connections RTMUA is allowed to make. This was brought about by a discharge rate that exceeded 80% of the main plant's permitted capacity of 3.8 million gallons per day. During 2006 and 2007 significant work was done to reduce extraneous flows aimed at reducing our discharge rate to less than 80% of rated capacity. Should the unlikely situation arise wherein the plant is deemed to be over capacity by the NJDEP, a new sewer hookup ban could be imposed with significant but unknown financial impact.



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Certified Public Accountants and Consultants

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Independent Auditors' Report on Audit of the Financial Statements

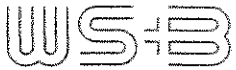
Raritan Township Municipal Utilities Authority
Flemington, New Jersey

We have audited the accompanying financial statements of the Raritan Township Municipal Utilities Authority ("the Authority") as of and for the years ended November 30, 2007 and 2006, as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Raritan Township Municipal Utilities Authority as of November 30, 2007 and 2006 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2008 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

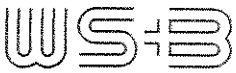


The management's discussion and analysis on pages 2 through 4 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedules listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Withers Smith + Brown, P.C.

February 19, 2008



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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards

Raritan Township Municipal Utilities Authority
Flemington, New Jersey

We have audited the financial statements of the Raritan Township Municipal Utilities Authority ("the Authority") as of and for the years ended November 30, 2007 and 2006, and have issued our report thereon dated February 19, 2008. 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.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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.

We noted certain matters that we reported to management of the Authority in a separate letter dated February 19, 2008.

This report is intended solely for the information and use of the governing body, management of the Authority and the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not intended to be, and should not be, used by anyone other than these specified parties.

Witham Smith & Brown, P.C.

February 19, 2008

Raritan Township Municipal Utilities Authority
Balance Sheets
November 30, 2007 and 2006

	2007	2006
Assets		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	\$ 1,440,748	\$ 1,611,710
Investments	4,000,000	4,000,000
Accrued interest	103,200	104,400
Sewer fees receivable	207,981	123,397
Total unrestricted assets	<u>5,751,929</u>	<u>5,839,507</u>
Restricted assets:		
Cash and cash equivalents	591,656	647,806
Investments	2,150,132	2,300,224
Accrued interest	8,742	8,185
Total restricted assets	<u>2,750,530</u>	<u>2,956,215</u>
Total current assets	<u>8,502,459</u>	<u>8,795,722</u>
Property, plant and equipment:		
Land, building, machinery, equipment	35,640,637	35,376,108
Construction in progress	675,206	49,032
	<u>36,315,843</u>	<u>35,425,140</u>
Less: accumulated depreciation	<u>(13,295,201)</u>	<u>(12,788,217)</u>
Property, plant and equipment - net	<u>23,020,642</u>	<u>22,636,923</u>
	<u>\$ 31,523,101</u>	<u>\$ 31,432,645</u>

The Notes to Financial Statements are an integral part of these statements.

Raritan Township Municipal Utilities Authority
Statements of Revenue, Expenses and Changes in Fund Equity
Years Ended November 30, 2007 and 2006.

	2007	2006
Operating revenue		
User charges	\$ 4,308,655	\$ 4,119,786
Other income	496,580	482,754
Interest income	304,894	285,561
Total operating revenue	<u>5,110,129</u>	<u>4,888,101</u>
Operating expenses		
Cost of providing services	2,545,922	2,481,093
Administrative and general	1,297,908	1,145,580
	<u>3,843,830</u>	<u>3,626,673</u>
Depreciation	506,984	481,833
Total operating expenses	<u>4,350,814</u>	<u>4,108,506</u>
Operating income	<u>759,315</u>	<u>779,595</u>
Non-operating revenue (expenses)		
Interest income	85,298	83,658
Interest expense	(12,295)	(41,362)
Depreciation on assets purchased with contributed capital	82,355	82,355
Non-operating revenue (expenses) - net	<u>155,358</u>	<u>124,651</u>
Net income	914,673	904,246
Retained earnings, December 1	<u>24,118,935</u>	<u>23,214,689</u>
Retained earnings, November 30	<u>25,033,608</u>	<u>24,118,935</u>
Contributed capital - net December 1	3,817,801	3,900,156
Addition to contributed capital	-	-
Transfers of deprec. from operations to contrib. cap.	<u>(82,355)</u>	<u>(82,355)</u>
Contributed capital - net, November 30	<u>3,735,446</u>	<u>3,817,801</u>
Fund equity - November 30	<u>\$28,769,054</u>	<u>\$ 27,936,736</u>

The Notes to Financial Statements are an integral part of these statements.

Raritan Township Municipal Utilities Authority
Statements of Cash Flows
Years Ended November 30, 2007 and 2006

	2007	2006
Cash flows from operating activities		
Operating revenue collected	\$ 4,983,266	\$ 5,256,627
Operating expenses paid	(3,673,981)	(3,602,193)
Non-operating revenue collected	84,741	81,623
Interest expense paid	(12,295)	(41,362)
Net cash provided by operating activities	<u>1,381,731</u>	<u>1,694,695</u>
Cash flows from investing activities		
Decrease (Increase) in investments - net	150,092	(79,471)
Investment in property, plant and equipment	(890,703)	(1,235,447)
Net cash (used by) investing activities	<u>(740,611)</u>	<u>(1,314,918)</u>
Cash flows (used by) financing activities		
Repayment of long-term debt	<u>(868,231)</u>	<u>(838,230)</u>
Net decrease in cash and cash equivalents	(227,111)	(458,453)
Cash and Cash Equivalents		
Beginning of the year	2,259,516	2,717,969
End of year *	<u>\$ 2,032,405</u>	<u>\$ 2,259,516</u>
* Balance at end of year consists of		
Unrestricted	\$ 1,440,749	\$ 1,611,710
Restricted	<u>591,656</u>	<u>647,806</u>
	<u>\$ 2,032,405</u>	<u>\$ 2,259,516</u>
Reconciliation of net income to net cash provided by operating activities		
Net income	\$ 914,673	\$ 904,246
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	506,984	481,833
Transfer of depreciation on contributed capital	(82,355)	(82,355)
Decrease (increase) in accrued interest	643	(36,085)
Decrease (increase) in fees receivable	(84,584)	383,510
Increase (decrease) in accounts payable and accrued expenses	155,849	38,480
Increase (decrease) in funds held in trust	(29,479)	5,066
Net cash provided by operating activities	<u>\$ 1,381,731</u>	<u>\$ 1,694,695</u>
Supplemental information of non-cash investing and financing activities		
Estimated cost of property, plant and equipment acquired by contribution	<u>\$ -</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of these statements.

Raritan Township Municipal Utilities Authority
Statements of Cash Flows
Years Ended November 30, 2007 and 2006

	2007	2006
Cash flows from operating activities		
Operating revenue collected	\$ 4,983,265	\$5,256,627
Operating expenses paid	(3,673,981)	(3,602,193)
Non-operating revenue collected	84,741	81,623
Interest expense paid	(12,295)	(41,362)
Net cash provided by operating activities	<u>1,381,730</u>	<u>1,694,695</u>
Cash flows from investing activities		
Decrease (Increase) in investments - net	150,092	(79,471)
Investment in property, plant and equipment	(890,703)	(1,235,447)
Net cash (used by) investing activities	<u>(740,611)</u>	<u>(1,314,918)</u>
Cash flows (used by) financing activities		
Repayment of long-term debt	(868,231)	(838,230)
Net decrease in cash and cash equivalents	(227,112)	(458,453)
Cash and Cash Equivalents		
Beginning of the year	2,259,516	2,717,969
End of year *	<u>\$ 2,032,404</u>	<u>\$2,259,516</u>
* Balance at end of year consists of		
Unrestricted	\$ 1,440,748	\$1,611,710
Restricted	591,656	647,806
	<u>\$ 2,032,404</u>	<u>\$2,259,516</u>
Reconciliation of net income to net cash provided by operating activities		
Net income	\$ 914,673	\$ 904,246
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	506,984	481,833
Transfer of depreciation on contributed capital	(82,355)	(82,355)
Decrease (increase) in accrued interest	643	(36,085)
Decrease (increase) in fees receivable	(84,584)	383,510
Increase (decrease) in accounts payable and accrued expenses	155,848	38,480
Increase (decrease) in funds held in trust	(29,479)	5,066
Net cash provided by operating activities	<u>\$ 1,381,730</u>	<u>\$1,694,695</u>

The Notes to Financial Statements are an integral part of these statements.

Raritan Township Municipal Utilities Authority
Notes to Financial Statements
November 30, 2007 and 2006

1. Nature of Operations

The Raritan Township Municipal Utilities Authority ("the Authority") was created by Raritan Township, Hunterdon County, New Jersey to construct and operate a wastewater collection and treatment system to serve the residents of Raritan Township. The plant has 3.8 mgd of treatment capacity. The five commissioners of the Authority are appointed by the elected body of Raritan Township. The Borough of Flemington and Township of Readington are customers of the Authority. The Authority bills and collects its revenue from users of the system. The Authority has entered into a service agreement with Raritan Township to guarantee its debt.

As a public body, under existing statute, the Authority is exempt from both Federal and State taxes. The various funds used by the Authority to control its assets are authorized in the Bond Resolution adopted on August 18, 1977, the purpose of which was to refund an earlier issue. The Bond Resolution restricts various transactions and requires that certain transfers be made between funds. The Bond Resolution is on file in the Authority's office.

Classification of Users:

Section 617 of the 1977 Bond Resolution requires the annual audit to contain "the numbers, amount and classification of users and services of the system and annual charges, service charges and revenues collected in each classification." The number of users as of November 30, 2007 and 2006 and the revenue recognized for the years then ended are listed as follows:

	2007		2006	
	Number	Revenue	Number	Revenue
Residential	3,858	\$1,507,789	3,839	\$1,501,758
Commercial	264	805,702	255	790,900
Industrial	16	592,107	16	522,546
Special Users:				
Borough of Flemington	1	1,245,160	1	1,142,081
Township of Readington	1	157,897	1	162,501
	<u>4,140</u>	<u>\$4,308,655</u>	<u>4,112</u>	<u>\$4,119,786</u>

2. Summary of Significant Accounting Policies

The accounting policies of the Authority conform to generally accepted accounting principles ("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.

Basis of Presentation – Fund Accounting

The operations of the Authority are recorded in a proprietary fund type. Proprietary funds are used to account for activities that are financed and operated in a manner similar to business enterprises and the intention is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis are to be financed or recovered primarily through user charges. The Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements that do not conflict with or contradict GASB pronouncements and that are developed for business enterprises.

Basis of Accounting

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types. Under this method, revenues are recorded in the accounting period in which they are earned and expenses are recorded as incurred.

Raritan Township Municipal Utilities Authority
Notes to Financial Statements
November 30, 2007 and 2006

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Property, Plant, and Equipment

Property, plant and equipment are stated at cost. Depreciation of plant and equipment is provided using the straight-line method over the following estimated useful lives:

Building, Sewerage Treatment Plant and Pumping Stations	15-75 years
Sewer Mains	75 years
Other Equipment	5-15 years
Vehicles	7-10 years

Depreciation on assets acquired with government grants or other contributed capital is recorded as a reduction of contributed capital.

Restricted Accounts and Restrictions on Retained Earnings

In accordance with the 1977 Bond Resolution, the Authority has established the following funds to maintain the cash and investments accounts for the deposit, in the priority of the order listed, of all revenues received by the Authority:

<u>Fund</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
Revenue	All revenue received by the Authority using several bank accounts.	Authorized operating expense transfers to the various accounts described below.
Bond Service (Current Debt Service)	Amount needed to pay matured principal and interest two months prior to due date.	Principal and interest on the bonds.
Bond Reserve (Future Debt Service)	Amount needed to equal the maximum future annual debt service.	Transfers to meet minimum levels required in the bond service or sinking accounts. Any excess may be transferred into the General Fund.
Renewal and Replacement	Amount needed to increase the balance to equal the renewal and replacement requirements as defined by the resolution.	Transfers to meet minimum levels required in the bond service, sinking or bond reserve accounts for major repairs, renewals and extensions of the system.
General	Excess from other funds.	If all other funds are at required amounts, funds are not restricted.

Disbursements from these accounts are made by the Trustee upon requisition of the Authority.

In addition to the above, the Authority has also established the following restricted accounts:

Funds Held in Trust - primarily customer deposits held to assure payment or performance.

Raritan Township Municipal Utilities Authority
Notes to Financial Statements
November 30, 2007 and 2006

Budgetary Procedures and Budgetary Accounting

The Authority adheres to the following procedures in establishing the budgetary data reflected in these financial statements:

At least 60 days prior to November 30, the Authority must file its operating budget with the director of the Division of Local Government Services for his/her approval. Within 45 days after receipt of the Authority budget, the director shall either approve the budget or notify the Authority of his/her reasons for refusing to approve and state the conditions upon which approval will be granted. After the Director's approval, the Authority formally adopts the budget.

The Authority prepares its budget on a basis of accounting that conforms to the practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Compensated Absences

The Authority allows all employees to accumulate unused sick time, which may be paid as of the last day of the calendar year or at retirement at the employee's current rate of pay. Administrative personnel are allowed to accumulate up to 40 hours unused vacation pay, which may be paid at retirement or resignation at the employee's current rate of pay. The union contract does not allow union personnel to accumulate unused vacation. Any vacation accumulating because of work is credited to the individual employee and must be taken during the next six months. The Authority has accrued for these liabilities.

Cash and Cash Equivalents

The Authority considers all unrestricted and restricted checking, savings, and money market accounts to be cash equivalents. All certificates of deposit with financial institutions are considered investments.

3. Cash and Cash Equivalents

At November 30, 2007, the carrying amount of the Authority's cash and cash equivalents was \$2,032,404, which was comprised of:

Bank checking and savings accounts (bank balances of \$835,685)	\$ 779,837
First American Treasury Obligation Fund - Money Market	<u>1,252,567</u>
	<u>\$2,032,404</u>
Unrestricted cash and cash equivalents	\$1,440,748
Restricted cash and cash equivalents	<u>591,656</u>
	<u>\$2,032,404</u>

All of the bank balances have been deposited in public depositories, which are fully insured up to \$100,000 per institution by the Federal Deposit Insurance Corporation (FDIC) and in excess of \$100,000 are fully collateralized by the bank through the Government Unit Deposit Protection Act (GUDPA).

Raritan Township Municipal Utilities Authority
Notes to Financial Statements
November 30, 2007 and 2006

4. Investments and Accrued Interest

At November 30, 2007, the face amount of the Authority's certificates of deposits and related interest rates and maturity dates were as follows:

Fund	Bank	Interest Rate	Maturity Date	Face Amount
General (unrestricted)	Skylands	5.26%	12/4/07	\$2,000,000
	Commerce	5.02	12/4/07	1,000,000
	Wachovia	5.10	12/4/07	<u>1,000,000</u>
Total unrestricted investments			<u>4,000,000</u>	
Bond Reserve	Yardville	5.00	4/23/08	1,406,579
Renewal and Replacement	Commerce	5.15	2/07/08	82,900
Trust	Skylands	4.92	4/30/08	630,179
	Yardville	5.02	5/22/08	<u>30,474</u>
Total restricted investments			<u>2,150,132</u>	
Total investments			<u>\$6,150,132</u>	

At November 30, 2006, the face amount of the Authority's certificates of deposits and related interest rates and maturity dates were as follows:

Fund	Bank	Interest Rate	Maturity Date	Face Amount
General (unrestricted)	Commerce	5.22%	12/4/06	\$2,000,000
	Wachovia	5.10	12/4/06	1,000,000
	Yardville	5.20	12/4/06	<u>1,000,000</u>
Total unrestricted investments			<u>4,000,000</u>	
Bond Reserve	Commerce	5.25	4/27/07	1,562,251
Renewal and Replacement	Somerset Valley	5.30	2/07/07	78,785
Trust	Sun	5.30	4/30/07	630,179
	Yardville	5.05	5/22/07	<u>29,009</u>
Total restricted investments			<u>2,300,224</u>	
Total investments			<u>\$6,300,224</u>	

All of the certificates of deposit have been deposited in public depositories, which are fully insured up to \$100,000 per institution by the Federal Deposit Insurance Corporation (FDIC) and in excess of \$100,000 are fully collateralized by the bank through the Government Unit Deposit Protection Act (GUDPA).

Raritan Township Municipal Utilities Authority
Notes to Financial Statements
November 30, 2007 and 2006

5. Pension Contribution

The Authority participates in the Public Employees' Retirement System of New Jersey ("PERS"), which is a part of the Division of Pensions in the Department of the Treasury, State of New Jersey. The plan, which covers public employees throughout the State, does not maintain separate records for each reporting unit and, accordingly, the actuarial data for the employees of the Authority who are members of the plan is not available. Employees of the Authority contribute to the plan. The Authority was required to make a contribution of \$48,066 in 2007 and \$27,329 in 2006.

6. Risk Management

Risks of losses from worker's compensation, property, automobile, liability, and public officials liability are covered by commercial insurance, including excess liability insurance.

7. Long Term Debt

The Authority received loans from the State of New Jersey, Department of Environmental Protection ("DEP") and the New Jersey Wastewater Treatment Trust ("WWT") in 1988 and 1989 to finance plant expansion, as follows:

	DEP Amount	Interest Rates	WWT Amount	Remaining Interest Rates
1988	\$4,517,500	0%	\$ 4,830,000	7.375%
1989	<u>1,467,899</u>	0%	<u>1,545,000</u>	7.00%
	<u>\$5,985,399</u>		<u>\$ 6,375,000</u>	

The DEP loans are interest free.

The New Jersey Wastewater Treatment Trust closed on a refinancing of four previously issued bond series on July 1, 1996. One of the refinancings refunded part of the Wastewater Treatment Loan Revenue Bonds Series 1988A. The Authority received a loan on November 1, 1988 from the 1988A financing. As a result of this refinancing, the Authority has incurred savings of \$338,870 and expects to realize additional savings in debt service on the 1988 loan which is estimated to be \$29,612 during the period May 1, 2007 to May 1, 2008.

The New Jersey Wastewater Treatment Trust closed on a refinancing of four previously issued bond series on January 30, 1997. One of the refinancings refunded part of the Wastewater Treatment Loan Revenue Bonds Series 1989A. The Authority received a loan on November 1, 1989 from the 1989A financing. As a result of this refinancing, the Authority has incurred a savings of \$75,428 and expects to realize additional savings in debt service on the 1989 loan which is estimated to be \$7,706 during the period April 15, 2008 to April 15, 2009.

The scheduled remaining principal maturities are as follows:

Payment Date	DEP Bonds		WWT Bonds		Total
	1988	1989	1988	1989	
2008	250,973	77,257	455,000	130,000	913,230
2009	<u>--</u>	<u>77,257</u>	<u>--</u>	<u>140,000</u>	<u>217,257</u>
Total	<u>250,973</u>	<u>154,514</u>	<u>455,000</u>	<u>270,000</u>	<u>1,130,487</u>

Raritan Township Municipal Utilities Authority
Notes to Financial Statements
November 30, 2007 and 2006

8. Amounts Required by Bond Resolution

The following fund balances are required by the bond resolution.

Bond Service Fund:	
Required	\$ 455,691
Actual, November 30, 2007	<u>763</u>
Deficit	<u>\$ (454,928)</u>
Bond Service Reserve Fund:	
Required	\$ 911,382
Actual, November 30, 2007	<u>1,413,901</u>
Excess	<u>\$ 502,519</u>
Renewal and Replacement Fund:	
Required	\$ 82,900
Actual, November 30, 2007	<u>84,320</u>
Excess	<u>\$ 1,420</u>
Totals	
Required	\$ 1,449,973
Actual, November 30, 2007	<u>1,498,984</u>
Excess	<u>\$ 49,011</u>

9. Contingencies

There is the possibility that the NJDEP will require the permit level of the main plant effluent level of phosphorous to be approximately equal to 0.6 mg/l. The cost of modifications to the main plant to meet these limits would be significant but is unknown at this time.

The RTMUA is currently operating under a Capacity Assurance Program with the NJDEP that could limit the amount of new sewer connections allowed. Should the unlikely situation arise wherein the plant is deemed to be over capacity by the NJDEP, a ban on new sewer hookups could be imposed.

Supplementary Information

Raritan Township Municipal Utilities Authority
Revenue Fund
Schedule of Revenues
Year Ended November 30, 2007

	<u>Adopted Budget</u>	<u>Realized</u>
Retained earnings appropriated	\$ 588,000	\$ -
User charges and fees	4,098,332	4,308,655
Interest on investments and deposits	325,000	304,894
Other revenues	<u>550,068</u>	<u>496,580</u>
	<u>\$ 5,561,400</u>	<u>\$ 5,110,129</u>
Analysis of other revenues		
Interest on delinquent accounts		\$ 11,978
Septage and GreyWater income		257,289
Hook-up fees		217,899
Other		<u>9,414</u>
		<u>\$ 496,580</u>

See Independent Auditors' Report.

Raritan Township Municipal Utilities Authority
Revenue Fund
Schedule of Expenditures
Year Ended November 30, 2007

	Adopted 2006-2007 Budget	Expended Paid or Charged
Operating appropriations		
Personnel services		
Salaries and wages		
5001 Administration	\$ 243,223	\$ 250,301
5002 Operations	1,464,454	1,350,431
5003 Commissioners	10,500	8,521
5012 Operations overtime	85,000	73,062
5013 Administration overtime	3,000	887
5014 Sick/vacation time purchased	16,000	21,140
Sub-total personnel services	<u>1,822,177</u>	<u>1,704,342</u>
Employee benefits		
6010 P/R benefits - PERS pension and insurance	48,062	48,066
6030 P/R benefits - medical plan	386,097	361,961
6040 P/R taxes	139,397	133,090
Sub-total employee benefits	<u>573,556</u>	<u>543,117</u>
Administrative expenses		
6050 Professional services - legal	30,000	25,966
6060 Professional services - auditor	20,000	26,150
6065 Professional services - accounting	2,000	
6070 Professional services - engineering	45,000	79,492
6080 Professional services - medical	1,000	
6090 Trustee fee	10,000	1,077
6095 Professional services - independent contractor	38,040	27,346
6101 Insurance	187,000	184,736
6110 Education	10,000	12,201
6120 Travel expenses	10,000	14,683
6130 Dues and memberships	4,000	3,615
6140 Conferences and seminars	4,000	5,375
6155 Office expense	15,000	19,331
6160 Public advertisements	3,000	2,324
6165 Postage	6,000	7,305
6180 Permits, licenses, easement fees	18,000	23,101
6201 Administrative housing - maintenance	1,000	313
6301 Retirement benefits	29,000	23,526
6401 Computer maintenance and upgrade	6,000	17,401
Sub-total administrative expenses	<u>439,040</u>	<u>473,942</u>
Operations and maintenance expenses		
7010 Chemical costs - chlorine	18,000	41,157
7011 Chemical costs - polymer	26,023	15,350
7015 Chemical costs - other	26,580	18,182
7110 Utility costs - electric	330,808	456,030
7112 Utility costs - natural gas and propane	35,000	29,585
7114 Utility costs - telephone	16,134	14,369

See Independent Auditors' Report.

Raritan Township Municipal Utilities Authority
Revenue Fund
Schedule of Expenditures
Year Ended November 30, 2007

	Adopted 2006-2007 Budget	Expended Paid or Charged
Operations and maintenance expenses		
7211 Supplies and services - sludge disposal	326,468	309,529
7212 Tools	5,000	916
7213 Janitorial supplies	2,000	2,614
7214 Supplies and services - gasoline	10,500	14,232
7216 Supplies and services - lab expense	11,000	16,206
7217 Supplies and services - independent lab	7,546	7,623
7218 Safety equipment	8,000	3,725
7309 Maintenance - collection system	20,000	31,568
7310 Maintenance - treatment plant	130,000	46,427
7311 Maintenance - buildings and grounds	15,000	5,778
7312 Maintenance - painting	2,000	9,650
7314 Maintenance - instr. and meter calib	8,500	6,378
7315 Maintenance - vehicle	5,000	5,156
7316 Maintenance lab plan	2,000	1,545
7501 Miscellaneous contingencies	20,000	1,905
7317 Maintenance - septage	25,000	177
7701 Leasing - vehicle	1,000	1,111
Sub-total operations and maintenance expenses	1,051,559	1,039,213
Flemington Storm Water Facility:		
5005 Salaries and wages	13,000	12,791
5006 Salaries and wages - overtime	13,000	22,455
8010 Legal	1,000	-
8013 Accounting	1,000	-
8015 Engineering	2,000	-
8020 Insurance	1,000	-
8030 Permits	6,500	4,658
8101 Chemicals	10,000	7,202
8110 Utilities	35,000	25,252
8201 Services and supplies - lab	7,000	6,605
8210 Safety supplies and equipment	1,000	-
8301 Maintenance - operations	8,000	2,827
8310 Maintenance - buildings and grounds	6,000	1,204
8320 Maintenance - instrumentation and metering	1,500	222
Sub-total Flemington facility	106,000	83,216
Sub-total operating	3,992,332	3,843,830
Capital outlays		
7411 Capital acquisition - plant equip (Over 5 years)	470,000	851,493
7412 Capital acquisition - vehicle	75,000	32,197
7414 Capital acquisition - lab equipment	8,500	7,013
7415 Capital acquisition - office equipment	15,000	-
Sub-total capital	568,500	890,703
Sub-total operating and capital	4,560,832	4,734,533

See Independent Auditors' Report.

Revenue Fund
 Schedule of Expenditures
 Year Ended November 30, 2007

	<u>Adopted 2006-2007 Budget</u>	<u>Expended Paid or Charged</u>
Debt service		
Bond principal and interest	909,607	880,525
Section 612 requirement	<u>90,961</u>	<u>-</u>
	<u>1,000,568</u>	<u>880,525</u>
	<u>\$ 5,561,400</u>	<u>\$ 5,615,058</u>

See Independent Auditors' Report.

**Raritan Township Municipal Utilities Authority
Comments and Recommendations
November 30, 2007**

Comments -

None

Recommendations -

None