

**RARITAN TOWNSHIP MUNICIPAL UTILITIES  
AUTHORITY**

**Financial Statements**

**November 30, 2008 and 2007**

**With Independent Auditors' Report**

**Raritan Township Municipal Utilities Authority  
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November 30, 2008 and 2007**

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**Raritan Township Municipal Utilities Authority**  
**Roster of Officials**  
**November 30, 2008**

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Authority Members

Edward Dougherty

Michael DeVecchio

Roland D. Boehm

Patricia Stover

Peter L. Kinsella

Position

Chairperson

Vice Chairperson

Secretary

Treasurer

Asst. Treas./Asst. Sec.

Officials

Hatch Mott MacDonald

Watts, Tice & Skowronek

WithumSmith+Brown, PC

Wastewater Engineer

Attorney

Auditor

**Raritan Township Municipal Utilities Authority  
Management's Discussion and Analysis  
November 30, 2008 and 2007**

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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, 2008 and 2007. 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 2008 and 2007.

<b>Assets</b>	<b>2008</b>	<b>2007</b>
Unrestricted current assets	\$ 5,073,567	\$ 5,751,929
Restricted current assets	2,766,761	2,750,530
Property, plant and equipment – net	<u>23,223,599</u>	<u>23,020,642</u>
	<u>\$31,063,927</u>	<u>\$31,523,101</u>
<b>Liabilities and Net Assets</b>		
Unrestricted current liabilities	\$ 557,300	\$ 1,285,244
Restricted current liabilities	1,220,980	1,251,546
Long-term debt	–	217,257
Contributed capital-net	3,653,090	3,735,446
Net assets-restricted	1,545,781	1,498,984
Net assets-unrestricted	<u>24,086,776</u>	<u>22,534,624</u>
	<u>\$31,063,927</u>	<u>\$31,523,101</u>
<b>Revenue and Expenses</b>		
Operating revenue:		
User charges	\$ 4,281,106	\$ 4,308,655
Other	<u>811,540</u>	<u>801,474</u>
	5,092,646	5,110,129
Operating expenses	<u>4,664,343</u>	<u>4,350,814</u>
Operating income	428,303	759,315
Non-operating revenue-net	<u>170,646</u>	<u>155,358</u>
Increase in net assets, before contributed capital	<u>\$ 598,949</u>	<u>\$ 914,673</u>

# Raritan Township Municipal Utilities Authority Management's Discussion and Analysis November 30, 2008 and 2007

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## 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:

Statement of Net Assets – This statement presents information reflecting the Authority's assets, liabilities, and net assets. Net assets represent the amount of total assets less total liabilities.

Statement of Revenue, Expenses and Changes in Net Assets – 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 \$5,092,646 was 102.0% of the adopted budget (excluding the retained earnings appropriated of \$907,000). Details will be found in the Schedule of Revenues for the year ended November 30, 2008 in the supplementary information section of this report.

Total Expenditures of \$5,742,134 was 97.3% of the adopted 2007-2008 budgeted amount. Details will be found in the Schedule of Expenditures for the year ended November 30, 2008 in the supplementary information section of this report.

In regard to capital projects, additional capital outlays of \$649,600 are reflected in the 2007 – 2008 budget as funded from general fund reserves. Of this amount, \$139,499 has been expended and \$510,101 has been included in restricted net assets for capital projects completed during the year as described in Note 9.

Overall, there has been modest change in the sewer use charges and fees. The user fee for one EDU (Equivalent Dwelling Unit or 300 gallons per day) increased 5.0% from \$400 per year to \$420.00 per year while the base user fee remained set at \$51. The connection fee (set by statute) increased from \$3,727 to \$3,767.

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 (statewide 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, 2008 and 2007**

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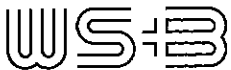
The first and second proposed amendments can be viewed as detrimental to RTMUA in that our involvement in the WMP process will be reduced. We will no longer be able to lead the WMP process; instead, we will be relegated to the role of a source of data for the Plan.

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 which is expected within six months.. NJDEP has stated that discharge permits will be revised as soon as the TMDL is published and authorities will probably be given about 36 months, not the previously reported 60 months, to comply. 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 2007 and 2008 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.

The RTMUA has been advised by the Township of Raritan that the Township intends to appropriate a portion of the Authority's unrestricted net assets for use by the Township pursuant to the provisions of N.J.S.A. 40A:5A012.1. Based on the Authority's 2009 fiscal year budget, the maximum amount that can be appropriated by the Township is \$403,615. On February 19, 2009 the Authority authorized an amendment to its 2009 fiscal year budget to reflect this appropriation and has submitted the amendment to the State of New Jersey, Local Finance Board for approval.



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## Independent Auditors' Report on Audit of the Financial Statements

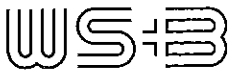
Raritan Township Municipal Utilities Authority  
Flemington, New Jersey

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, 2008 and 2007, 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, 2008 and 2007 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 March 16, 2009 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.

*Witham Smith + Brown, PC*

March 16, 2009



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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, 2008 and 2007, and have issued our report thereon dated March 16, 2009. 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.

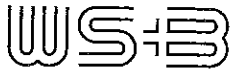
Internal Control Over Financial Reporting

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 March 16, 2009.

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.

*Withers Smith + Brown, PC*

March 16, 2009

**Raritan Township Municipal Utilities Authority**  
**Statements of Net Assets**  
**November 30, 2008 and 2007**

	2008	2007
<b>Assets</b>		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	\$ 1,200,295	\$ 1,440,748
Investments	3,489,899	4,000,000
Accrued interest	92,650	103,200
Sewer fees receivable	290,723	207,981
Total unrestricted assets	<u>5,073,567</u>	<u>5,751,929</u>
Restricted assets:		
Cash and cash equivalents	559,806	591,656
Investments	2,203,055	2,150,132
Accrued interest	3,900	8,742
Total restricted assets	<u>2,766,761</u>	<u>2,750,530</u>
Total current assets	<u>7,840,328</u>	<u>8,502,459</u>
Property, plant and equipment:		
Land, building, machinery, equipment	35,889,164	35,640,637
Construction in progress	1,152,078	675,206
	<u>37,041,242</u>	<u>36,315,843</u>
Less: accumulated depreciation	(13,817,643)	(13,295,201)
Property, plant and equipment - net	<u>23,223,599</u>	<u>23,020,642</u>
	<u>\$ 31,063,927</u>	<u>\$ 31,523,101</u>

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

**Raritan Township Municipal Utilities Authority**  
**Statements of Net Assets**  
**November 30, 2008 and 2007**

	2008	2007
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Unrestricted:		
Current portion of long-term debt	\$ 217,257	\$ 913,230
Accounts payable	158,943	211,259
Accrued salaries	79,691	69,693
Accrued vacation and sick pay	101,409	91,062
Total unrestricted liabilities	<u>557,300</u>	<u>1,285,244</u>
Restricted:		
Funds held in trust	<u>1,220,980</u>	<u>1,251,546</u>
Total current liabilities	1,778,280	2,536,790
Long-term debt	<u>-</u>	<u>217,257</u>
Total liabilities	<u>1,778,280</u>	<u>2,754,047</u>
Net assets:		
Contributed capital	5,852,891	5,852,891
Less: accumulated depreciation	<u>(2,199,801)</u>	<u>(2,117,445)</u>
Contributed capital-net	<u>3,653,090</u>	<u>3,735,446</u>
Restricted:		
Bond service	1,015	763
Bond service reserve	947,358	1,413,901
Renewal and replacement	87,307	84,320
Capital projects	510,101	-
Unrestricted	<u>24,086,776</u>	<u>23,534,624</u>
	<u>25,632,557</u>	<u>25,033,608</u>
Total net assets	<u>29,285,647</u>	<u>28,769,054</u>
	<u>\$ 31,063,927</u>	<u>\$ 31,523,101</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 Net Assets**  
**Years Ended November 30, 2008 and 2007**

	2008	2007
Operating revenue		
User charges	\$ 4,281,106	\$ 4,308,655
Other income	579,796	496,580
Interest income	231,744	304,894
Total operating revenue	<u>5,092,646</u>	<u>5,110,129</u>
Operating expenses		
Cost of providing services	2,797,246	2,545,922
Administrative and general	<u>1,344,655</u>	<u>1,297,908</u>
	4,141,901	3,843,830
Depreciation	<u>522,442</u>	<u>506,984</u>
Total operating expenses	<u>4,664,343</u>	<u>4,350,814</u>
Operating income	<u>428,303</u>	<u>* 759,315</u>
Non-operating revenue (expenses)		
Interest income	49,894	85,298
Interest savings (expense)	38,396	(12,295)
Depreciation on assets purchased with contributed capital	<u>82,356</u>	<u>82,355</u>
Non-operating revenue (expenses) - net	<u>170,646</u>	<u>155,358</u>
Increase in net assets, before contributed capital	598,949	914,673
Contributed capital, net December 1	3,735,446	3,817,801
Transfer of depreciation from operations to contributed capital	<u>(82,356)</u>	<u>(82,355)</u>
Contributed capital - net, November 30	<u>3,653,090</u>	<u>3,735,446</u>
Net assets, December 1	<u>25,033,608</u>	<u>24,118,935</u>
Net assets, November 30	<u>\$ 29,285,647</u>	<u>\$ 28,769,054</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, 2008 and 2007**

	2008	2007
<b>Cash flows from operating activities</b>		
Operating revenue collected	\$ 4,989,888	\$ 4,983,265
Operating expenses paid	(4,173,872)	(3,673,981)
Non-operating revenue collected	54,736	84,741
Interest savings (expense paid)	38,396	(12,295)
Net cash provided by operating activities	<u>909,148</u>	<u>1,381,730</u>
<b>Cash flows from investing activities</b>		
Decrease in investments	457,178	150,092
Investment in property, plant and equipment	(725,399)	(890,703)
Net cash used in investing activities	<u>(268,221)</u>	<u>(740,611)</u>
<b>Cash flows used in financing activities</b>		
Repayment of long-term debt	(913,230)	(868,231)
Net decrease in cash and cash equivalents	(272,303) *	(227,112)
<b>Cash and Cash Equivalents</b>		
Beginning of the year	<u>2,032,404</u>	<u>2,259,516</u>
End of year *	<u>\$ 1,760,101</u>	<u>\$ 2,032,404</u>
* Balance at end of year consists of		
Unrestricted	\$ 1,200,295	\$ 1,440,748
Restricted	559,806	591,656
	<u>\$ 1,760,101</u>	<u>\$ 2,032,404</u>
<b>Reconciliation of increase in net assets, before contributed capital to net cash provided by operating activities</b>		
Increase in net assets, before contributed capital	\$ 598,949	\$ 914,673
Adjustments to reconcile increase to net assets, before contributed capital to net cash provided by operating activities		
Depreciation	522,442	506,984
Depreciation on assets purchased with contributed capital	(82,356)	(82,355)
Decrease (increase) in accrued interest	15,392	643
(Increase) decrease in sewer fees receivable	(82,742)	(84,584)
Increase (decrease) in accounts payable and accrued expenses	(31,971)	155,848
Increase (decrease) in funds held in trust	(30,566)	(29,479)
Net cash provided by operating activities	<u>\$ 909,148</u>	<u>\$ 1,381,730</u>

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

**Raritan Township Municipal Utilities Authority**  
**Notes to Financial Statements**  
**November 30, 2008 and 2007**

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**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, 2008 and 2007 and the revenue recognized for the years then ended are listed as follows:

	2008		2007	
	Number	Revenue	Number	Revenue
Residential	3,882	\$1,513,882	3,858	\$1,507,789
Commercial	278	827,225	264	805,702
Industrial	16	661,391	16	592,107
Special Users:				
Borough of Flemington	1	1,130,151	1	1,245,160
Township of Readington	1	148,457	1	157,897
	<u>4,178</u>	<u>\$4,281,106</u>	<u>4,140</u>	<u>\$4,308,655</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, 2008 and 2007**

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**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 Net Assets**

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.
Capital Projects	Amount used for future capital projects as determined by Authority commissioners	For capital projects and improvements
General	Excess from other funds.	If all other funds are at required amounts, funds are not restricted.

**Raritan Township Municipal Utilities Authority**  
**Notes to Financial Statements**  
**November 30, 2008 and 2007**

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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.

**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, 2008, the carrying amount of the Authority's cash and cash equivalents was \$1,760,101, which was comprised of:

Bank checking and savings accounts (bank balances of \$799,293)	\$ 786,459
First American Treasury Obligation Fund - Money Market	<u>973,642</u>
	<u>\$1,760,101</u>
Unrestricted cash and cash equivalents	\$1,200,295
Restricted cash and cash equivalents	<u>559,806</u>
	<u>\$1,760,101</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). The FDIC limit was increased to \$250,000 by Congress as of October 3, 2008.

**Raritan Township Municipal Utilities Authority**  
**Notes to Financial Statements**  
**November 30, 2008 and 2007**

**4. Investments and Accrued Interest**

At November 30, 2008, the face amount of the Authority's certificates of deposits and related interest rates and maturity dates were as follows:

<u>Fund</u>	<u>Bank</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>
General (unrestricted)	Skylands	2.96%	12/4/08	\$1,489,899
	TD	2.55	12/4/08	1,000,000
	Sun Nat'l	2.77	12/4/08	<u>1,000,000</u>
Total unrestricted investments				<u>3,489,899</u>
Bond Reserve	Sun Natl.	3.20%	4/23/09	944,359
Renewal and Replacement	Skylands	3.15%	2/07/09	86,407
General (Reserved)	Skylands	2.96%	12/04/08	510,101
Trust:				
Reserve capacity	Sun Natl.	3.75%	10/30/09	630,179
Bond & coupon	Skylands	3.10	5/22/09	<u>32,009</u>
Total restricted investments				<u>2,203,055</u>
Total investments				<u>\$5,692,954</u>

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

<u>Fund</u>	<u>Bank</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>
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	5.15	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, 2008 and 2007, investments at face amount approximate fair market value.

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). The FDC limit was increased to \$250,000 by Congress as of October 3, 2008.

**Raritan Township Municipal Utilities Authority**  
**Notes to Financial Statements**  
**November 30, 2008 and 2007**

**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 \$85,746 in 2008 and \$48,066 in 2007.

**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:

	<u>DEP Amount</u>	<u>Interest Rates</u>	<u>WWT Amount</u>	<u>Remaining Interest Rates</u>
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 \$368,482.

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 savings of \$83,134.

The scheduled remaining principal maturities in the final year are as follows:

<u>Payment Date</u>	<u>DEP Bonds</u>		<u>WWT Bonds</u>		<u>Total</u>
	<u>1988</u>	<u>1989</u>	<u>1988</u>	<u>1989</u>	
2009	<u>--</u>	<u>77,257</u>	<u>--</u>	<u>140,000</u>	<u>217,257</u>

**Raritan Township Municipal Utilities Authority**  
**Notes to Financial Statements**  
**November 30, 2008 and 2007**

**8. Amounts Required by Bond Resolution**

The following fund balances are required by the bond resolution for long term debt as described in Note 7.

	2008	2007
Bond Service Fund:		
Required		
Actual, November 30	\$ 108,908	\$ 455,691
Deficit	<u>1,015</u>	<u>763</u>
	<u>\$ (107,893)</u>	<u>\$ (454,928)</u>
Bond Service Reserve Fund:		
Required		
Actual, November 30	\$ 217,816	\$ 911,382
Excess	<u>947,358</u>	<u>1,413,901</u>
	<u>\$ 729,542</u>	<u>\$ 502,519</u>
Renewal and Replacement Fund:		
Required		
Actual, November 30	\$ 84,320	\$ 82,900
Excess	<u>87,307</u>	<u>84,320</u>
	<u>\$ 2,987</u>	<u>\$ 1,420</u>
Totals:		
Required		
Actual, November 30	\$ 411,044	\$1,449,973
Excess	<u>1,035,680</u>	<u>1,498,984</u>
	<u>\$ 624,636</u>	<u>\$ 49,011</u>

**9. Analysis and Planned Use of The Authority's Net Assets**

The Authority's net assets are comprised of the following components:

Restricted	\$ 1,545,781
Unrestricted	<u>24,086,776</u>
Total net assets	<u>\$ 25,632,557</u>

Restricted:

Of the \$1,545,781 of restricted net assets, \$510,101 is included for capital projects which were budgeted and not completed in 2008.

Unrestricted:

Unrestricted net assets at November 30, 2008	\$ 24,086,776
Fixed assets, net of contributed capital	31,188,351
Accumulated depreciation on fixed assets	<u>(11,617,842)</u>
	19,570,509
Long-term debt payable	217,257
Accounts payable and accrued expenses	<u>340,043</u>
Unrestricted net assets available	<u>\$ 3,958,967</u>

In the 2009 budget, the Authority has earmarked \$3,024,904 of unrestricted net assets to fund additional capital projects required to be done in 2009.

In addition, capital projects for future years (after 2009) total \$4,240,000. These projects will require funding from unrestricted cash or additional borrowings.

**Raritan Township Municipal Utilities Authority**  
**Notes to Financial Statements**  
**November 30, 2008 and 2007**

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**10. 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.

**11. Subsequent Events**

The Authority has been advised by the Township of Raritan that the Township intends to appropriate a portion of the Authority's unrestricted net assets for use by the Township pursuant to the provisions of N.J.S.A. 40A:5A012.1. Based upon the Authority's 2009 fiscal year budget, the maximum amount that can be appropriated by the Township is \$403,615. On February 19, 2009 the Authority authorized an amendment to its 2009 fiscal year budget to reflect this appropriation and has submitted the amendment to the State of New Jersey, Local Finance Board for approval.

**Supplementary Information**

**Raritan Township Municipal Utilities Authority**  
**Revenue Fund**  
**Schedule of Revenues**  
**Year Ended November 30, 2008**

	<u>Adopted Budget</u>	<u>Realized</u>
Net assets appropriated	\$ 907,000	\$ -
User charges and fees	4,211,428	4,281,106
Interest on investments and deposits	310,000	231,744
Other revenues	<u>470,080</u>	<u>579,796</u>
	<u>\$ 5,898,508</u>	<u>\$ 5,092,646</u>
Analysis of other revenues		
Interest on delinquent accounts	\$ 10,000	\$ 10,444
Septage and GreyWater income	250,000	267,442
Hook-up fees	200,000	292,910
Other	<u>10,080</u>	<u>9,000</u>
	<u>\$ 470,080</u>	<u>\$ 579,796</u>

See Independent Auditors' Report.

Raritan Township Municipal Utilities Authority  
 Revenue Fund  
 Schedule of Expenditures  
 Year Ended November 30, 2008

	Adopted 2007-2008 Budget	Expended Paid or Charged
Operating appropriations		
Personnel services		
Salaries and wages		
5001	\$ 244,982	\$ 257,101
5002	1,513,821	1,377,822
5003	10,500	8,689
5012	85,000	100,396
5013	3,000	1,914
5014	23,000	21,769
	<u>1,880,303</u>	<u>1,767,691</u>
Employee benefits		
6010	85,746	85,746
6030	418,750	349,758
6040	143,843	137,268
	<u>648,339</u>	<u>572,772</u>
Administrative expenses		
6050	30,000	21,997
6060	20,000	20,000
6065	2,000	13,110
6070	45,000	53,859
6080	1,000	-
6090	10,000	764
6095	38,140	29,847
6101	195,000	169,915
6110	15,000	12,525
6120	15,000	20,305
6130	4,000	3,506
6140	7,000	4,463
6155	15,000	27,040
6160	3,000	4,801
6165	6,650	7,992
6180	23,000	18,683
6201	1,000	10
6301	31,000	37,102
6401	6,000	36,492
	<u>467,790</u>	<u>482,411</u>

See Independent Auditors' Report.

Raritan Township Municipal Utilities Authority  
 Revenue Fund  
 Schedule of Expenditures  
 Year Ended November 30, 2008

		Adopted 2007-2008 Budget	Expended Paid or Charged
	Operations and maintenance expenses		
7010	Chemical costs - chlorine	55,000	45,926
7011	Chemical costs - polymer	28,000	19,658
7015	Chemical costs - other	30,000	17,153
7110	Utility costs - electric	351,423	526,566
7112	Utility costs - natural gas and propane	36,000	30,711
7114	Utility costs - telephone	13,500	14,418
7211	Supplies and services - sludge disposal	383,733	336,480
7212	Tools	6,500	2,043
7213	Janitorial supplies	2,500	3,318
7214	Supplies and services - gasoline	15,000	21,078
7216	Supplies and services - lab expense	11,500	15,224
7217	Supplies and services - independent lab	11,500	8,819
7218	Safety equipment	8,000	5,291
7309	Maintenance - collection system	30,000	33,379
7310	Maintenance - treatment plant	130,000	50,299
7311	Maintenance - buildings and grounds	20,000	33,019
7312	Maintenance - painting	2,000	1,314
7314	Maintenance - instr. and meter calib	8,500	2,996
7315	Maintenance - vehicle	6,500	3,510
7316	Maintenance lab plan	2,000	1,616
7501	Miscellaneous contingencies	20,000	-
7317	Maintenance - septage	25,000	20,805
7701	Leasing - vehicle	2,000	4,689
	Sub-total operations and maintenance expenses	<u>1,198,656</u>	<u>1,198,312</u>
	Flemington Storm Water Facility:		
5005	Salaries and wages	13,000	11,472
5006	Salaries and wages - overtime	13,000	25,703
8010	Legal	1,000	-
8013	Accounting	1,000	-
8015	Engineering	2,000	17,125
8020	Insurance	1,000	-
8030	Permits	6,500	4,987
8101	Chemicals	10,000	5,391

See Independent Auditors' Report.

Raritan Township Municipal Utilities Authority  
 Revenue Fund  
 Schedule of Expenditures  
 Year Ended November 30, 2008

		Adopted 2007-2008 Budget	Expended Paid or Charged
8110	Utilities	35,000	26,927
8201	Services and supplies - lab	10,000	8,155
8210	Safety supplies and equipment	1,000	125
8301	Maintenance - operations	10,000	268
8310	Maintenance - buildings and grounds	10,000	19,873
8320	Maintenance - instrumentation and metering	1,500	688
	Sub-total Flemington facility	115,000	120,714
	Sub-total operating	4,310,088	4,141,901
	Capital outlays		
7411	Capital acquisition - plant equip (Over 5 years)	562,400	579,770
7412	Capital acquisition - vehicle	8,500	-
7414	Capital acquisition - lab equipment	15,000	2,155
7415	Capital acquisition - office equipment	-	3,975
	Sub-total capital	585,900	585,900
	Sub-total operating and capital	4,895,988	4,727,801
	Debt service		
	Bond principal and interest	911,382	874,834
	Section 612 requirement	91,138	-
		1,002,520	874,834
		\$ 5,898,508	\$ 5,602,635

\* Additional capital outlays of \$649,600 are reflected in the 2007-2008 budget as funded from general fund reserves. Of this amount, \$139,499 has been expended and \$510,101 has been included in restricted net assets for capital projects not completed during the year, as described in Note 9.

**Raritan Township Municipal Utilities Authority**  
**Comments and Recommendations**  
**November 30, 2008**

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Comments -

None

Recommendations -

None