

**THE SOMERSET RARITAN VALLEY  
SEWERAGE AUTHORITY**

**BRIDGEWATER, NJ 08807**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED**

**DECEMBER 31, 2009**



**Prepared by:**

**Finance Department**



**SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009**

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**SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY  
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# INTRODUCTORY SECTION



The  
Somerset Raritan Valley  
Sewerage Authority

May 20, 2010

To the Board of Commissioners, Ratepayers of the Somerset Raritan Valley Sewerage Authority and all Other Interested Stakeholders:

State law (N.J.S.A. 40A:5A-15) requires all local authorities to publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted government auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Somerset Raritan Valley Sewerage Authority for the fiscal year ended December 31, 2009.

This report consists of management's representations concerning the finances of the Somerset Raritan Valley Sewerage Authority. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Somerset Raritan Valley Sewerage Authority has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Somerset Raritan Valley Sewerage Authority's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Somerset Raritan Valley Sewerage Authority's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Somerset Raritan Valley Sewerage Authority's financial statements have been audited by Suplee, Clooney and Company, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Somerset Raritan Valley Sewerage Authority for the fiscal year ended December 31, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Somerset Raritan Valley Sewerage Authority's financial statements for the fiscal year ended December 31, 2009 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Somerset Raritan Valley Sewerage Authority's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

The Somerset Raritan Valley Sewerage Authority is a public body politic and corporate, organized and existing under the Sewerage Authorities Law, constituting Chapter 138 of the P.L. 1946 of the State of New Jersey approved April 23, 1946 and the acts amendatory thereof or supplemental thereto, and was created by virtue of parallel ordinances adopted by the respective governing bodies of the participants adopted September 21, 1953. The Authority is located in Bridgewater, which is part of Somerset County of New Jersey. The Authority is a Regional Sewerage Authority providing sewerage treatment and disposal to the Boroughs of Raritan, Somerville and Manville, the Townships of Bridgewater, Branchburg, Hillsborough, and Warren, and industrial customers – Pfizer (formerly Wyeth) and the National Starch Company.

The Somerset Raritan Valley Sewerage Authority is governed by a Board of Commissioners who has vested powers for policy making and making decisions in the best interests of the Authority. The Board of Commissioners convenes every month, with notification made to the public in advance in accordance with the Open Public Meetings Act, to discuss issues related to the Somerset Raritan Valley Sewerage Authority. The Board of Commissioners is composed of two representatives from each of the seven contributing townships and boroughs and each Commissioner serves a five year term with no limit on successive terms in office.

The annual budget serves as the foundation for the Somerset Raritan Valley Sewerage Authority's financial planning and control. In accordance with N.J.A.C. 5:31-2.1 each budget includes an operations section, capital budget section and supplemental schedules and necessary certifications relating thereto. The Director of the Division of Local Government Services within the New Jersey Department of Community Affairs must certify that the approved Budget complies with the requirements of law and the rules and regulations of the Local Finance Board pursuant to N.J.S. 40A:5A-11. Please refer to the Notes to the Financial Statements for additional information on the budget.

### **Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Somerset Raritan Valley Sewerage Authority operates.

## **General Operating Environment:**

The following information was provided by the United States Bureau of the Census. The Somerset Raritan Valley Sewerage Authority is located within Somerset County.

The population of Somerset County was about 327,000 for 2009. The population that the Authority provides services to is difficult to calculate with precision but generally the Authority serves between 120,000 and 150,000 residents. The most recent per capita personal income figure for Somerset County was \$72,201 for the year 2008. The annual average unemployment rate within Somerset County was 7.4%, which is below the average state unemployment rate of 9.2% for the 2009 calendar year. Slow expected increases in sewerage flow are forecast for the service area meaning that the revenues are expected to trend upward with slow growth.

The Authority has a solid revenue base due to the strong and stable demand for services. The Authority provides sewerage treatment and disposal to municipal participants and industrial customers. Annual service charges are based on each participant's flow into the system and are the primary revenue generator. The Authority accepts septic tank waste, gray water and sludge from other facilities and this provides additional revenues. Please refer to the statistical section for further information on flows and charges.

The Authority has an assured minimum charge for each participant with sewerage flow into the plant that insulates the facility against a precipitous decline in operating revenue.

## **Capital Additions & Improvements**

The Somerset Raritan Valley Sewerage Authority has several construction projects ongoing including: Relocating the outfall pipe to the Raritan River and rebuilding the sludge Incinerator. Additional projects are planned for the future with funding derived from dedicated revenue sources or long term debt which may be financed through New Jersey Environmental Infrastructure Loans. Further information on capital construction can be found in the Management Discussion & Analysis portion of the Financial Section of this Comprehensive Financial Report.

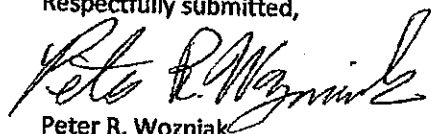
## **Debt Service Outlook**

The amount of money needed to pay back debt has increased from about \$5.15 million in 2008 to \$5.28 million in 2009. The 2010 adopted budget appropriated \$4.4 million for debt service. The Authority expects to time the financing of a portion of needed capital projects with new long term borrowings that coincide with debt retirements. Consequently, the Somerset Raritan Valley Sewerage Authority anticipates financial stability and is well positioned to fund capital additions and improvements while ensuring a healthy balance of debt burden and operating expenses in the annual budget.

**Cash management**

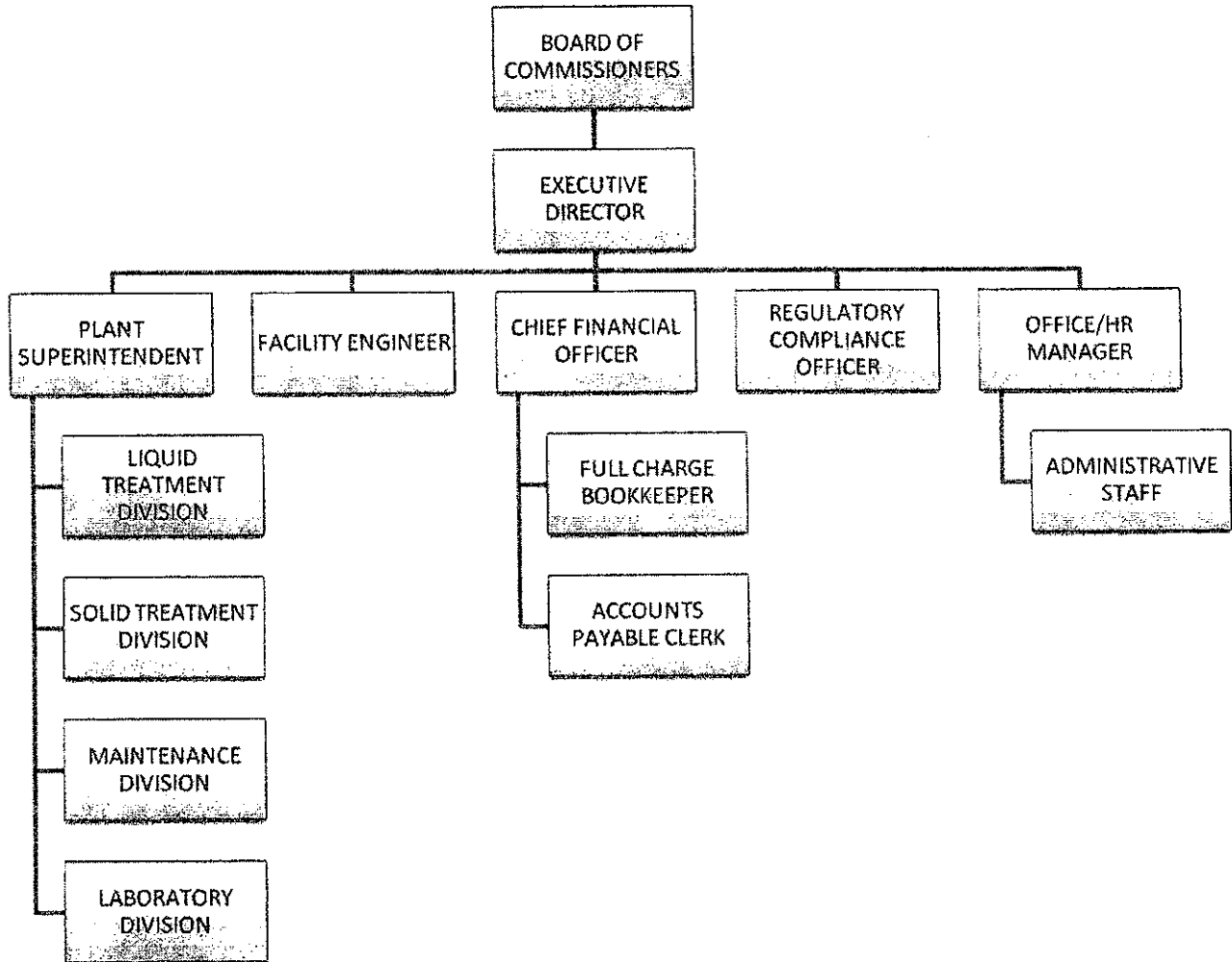
The cash available to the Somerset Raritan Valley Sewerage Authority at any given time is invested in obligations of the U.S. Treasury and interest bearing savings and checking accounts. Somerset Raritan Valley Sewerage Authority must invest and deposit funds pursuant to a cash management plan that complies with Local Fiscal Affairs Law (N.J.S.A. 40A:5-1). When New Jersey banks are referred to in the law, it means those approved by the Department of Banking and Insurance under the Government Unit Depository Protection Act. For more information on cash management please refer to the Notes of the Financial Statements.

Respectfully submitted,



Peter R. Wozniak  
Chief Financial Officer

# SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY ORGANIZATIONAL CHART



SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY  
BOARD OF COMMISSIONERS AND EXECUTIVE DIRECTOR  
DECEMBER 31, 2009

Gail Quabeck	Chairwoman
Peter Van Riper	Vice-Chairman
Conrad King	Secretary
William A. Poch, Sr.	Treasurer
Alvin Florey	Member
Robert McCray	Member
Kenneth Lee	Member
Theodore K. Sargent	Member
John G. Hedin	Member
Herbert Vollers	Member
Philip E. Petrone	Member
Edward J. Machala	Member
Alessandro Fischetti, Jr.	Member
Roger Guttschall	Member
Glen D. Petruski	Executive Director

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# FINANCIAL SECTION



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Westfield 908-789-9300

Somerville 908-725-6688

Fax 908-789-8535

## INDEPENDENT AUDITOR'S REPORT

The Somerset Raritan Valley  
Sewerage Authority  
P.O. Box 6400  
Bridgewater, New Jersey 08807

We have audited the accompanying statements of net assets of The Somerset Raritan Valley Sewerage Authority at December 31, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. 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 audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and 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 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 Somerset Raritan Valley Sewerage Authority at December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 17, 2010 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, grants 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 is important for considering the results of our audit.

## SUPLEE, CLOONEY & COMPANY

The Management Discussion and Analysis and the required supplementary information, as listed in the foregoing table of contents, respectively, are not a required part of the basic financial statements but are supplementary information required by the U.S. Generally Accepted Accounting Principles. 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 made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included in the supplementary schedules is presented for purposes of additional analysis and is not a required part of the financial statements, but is presented as additional analytical data. Such information has been subjected to tests and other auditing procedures applied in the examination of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

May 17, 2010

*Suplee, Clooney & Company*



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Westfield 908-789-9300

Somerville 908-725-6688

Fax 908-789-8535

INDEPENDENT AUDITOR'S 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 Somerset Raritan Valley  
Sewerage Authority  
P. O. Box 6400  
Bridgewater, New Jersey 08807

We have audited the financial statements of The Somerset Raritan Valley Sewerage Authority for the year ended December 31, 2009, and have issued our report thereon dated May 17, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Somerset Raritan Valley Sewerage Authority's internal control over financial reporting as a basis for designing our audit 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 Somerset Raritan Valley Sewerage Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Somerset Raritan Valley Sewerage 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of The Somerset Raritan Valley Sewerage Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of 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 over financial reporting 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.

# SUPLEE, CLOONEY & COMPANY

## Compliance and Other Matters

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

This report is intended for the information of The Somerset Raritan Valley Sewerage Authority and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

May 17, 2010

*Suplee, Clooney & Company*

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**MANAGEMENT DISCUSSION &**  
**ANALYSIS**

## **Management's Discussion and Analysis**

In this section of the annual report, management of The Somerset Raritan Valley Sewerage Authority (the "Authority") presents a narrative discussion and analysis of the Authority's financial activities for the years ended December 31, 2009 and 2008. This section of the report should be read in conjunction with the Authority's audited financial statements and supplementary information for the years ended December 31, 2009 and 2008. The Authority's audited financial statements are presented in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis is required supplementary information of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

### **Audit Assurance**

The unqualified opinion of our independent auditors, Suplee Clooney & Company is included in this report.

### **Financial Highlights**

At December 31, 2009 total net assets were \$57.3 million which is an increase of \$2.3 million from the prior year. Changes in total net assets are an excellent gauge of whether financial position improved or deteriorated as a result of the year's operations.

Total revenue earned by the Authority during 2009 was \$16.5 million, consisting of \$16.4 million earned from operating activities and \$96 thousand earned on investments. During 2008 total revenue earned by the Authority was \$15.8 million comprised of \$15.3 million earned from operating activities and \$486 thousand earned on investments. During 2009 participant flow was up about 112 million gallons or \$961 thousand when compared to 2008 due to more overall flow from the contributing towns and municipalities combined with a 4.9% rate increase in the participant billing rate. Please refer to the Statistical Section for more detailed information on participant flow and charges.

The expenses incurred by the Authority for 2009 were \$14.4 million. Operating expenses were \$10.6 million, depreciation & amortization was \$3.3 million and interest expense on debt was \$483 thousand. Total expenses increased \$110 thousand when compared with 2008. Please refer to Schedule 3 of the Other Supplementary Information Schedules for more detailed information regarding expenses.

Overall cash and cash equivalents in the bank decreased \$363 thousand during the year. The increase in cash balance indicates on a cash basis that receipts were greater than disbursements. The authority has enough liquidity to protect itself from having potential cash flow problems in the near future thus ensuring debts will be paid when presented for payment. The Authority does have restrictions that affect the availability of cash for future use. Please refer to the Notes to the Financial Statements for a thorough explanation.

Financing was obtained from the New Jersey Environmental Infrastructure Trust Fund. The authority borrowed \$2.48 million from the trust at market interest rates and \$2.54 million from the fund interest free. The aggregate amount borrowed was \$5.02 million and is dedicated construction funding for the purpose of completing the tunnel portion of relocating the Somerset Raritan Valley Sewerage Authority's outfall from Cuckles Brook to the Raritan River. Borrowing from the NJEIT is economically advantageous because the Authority pays less than 2.5% interest on the \$5.02 million borrowed. Please refer to the Notes to the Financial Statements for a more thorough explanation of the debt service obligations of the Authority.

Construction in progress decreased \$12.6 million or 50% during 2009 primarily due to the completion of the relief interceptor project. Most construction work on the outfall relocation project was completed however the tunnel portion of the project is to be completed in 2010. Please refer to the Notes to the Financial Statements for more information on fixed assets and construction in progress.

## **Overview of the Comprehensive Annual Financial Report**

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information. The MD&A represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's budget, and bond resolutions and other management tools were used for this analysis.

The Somerset Raritan Valley Sewerage Authority is considered a special-purpose government engaged only in business type activities for financial reporting purposes. Using the reporting criteria mandated in GASB 34, all funds that cannot be intermingled such as the connection fees, construction project account, debt service and operating account, are collectively reported under the umbrella of an enterprise fund. A distinction is made in the financial statements where appropriate between the balances of funds in each account.

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a Statement of Net Assets; a Statement of Revenues, Expenses and Changes to Net Assets; a Statement of Cash Flows; and notes to the financial statements.

The Statement of Net Assets presents the financial position of the Authority on a full accrual historical cost basis. This statement presents information on all of the Authority's assets and liabilities, with the difference reported as net assets. Over time, increases and decreases in net assets is one indicator of whether the financial position of the Authority is improving or deteriorating.

While the Statement of Net Assets provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenses and Changes to Net Assets presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

## **Financial Analysis**

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

### **Bonds & Loans Payable**

The Authority issues bonds and borrows money to finance its major projects and improvements. A summary of the Bonds Payable activity for the year is as follows:

Bonds/Loans Payable at 12/31/2008	\$33,547,303
Loans Taken	5,024,887
Premium on Bonds	136,129
Scheduled Bond/Loan Retirements	<u>(4,703,601)</u>
Bonds/Loans Payable at 12/31/2009	<u>\$34,004,718</u>

### **Capital Plan**

The Authority has several capital projects under consideration for the future. The following is a list of those projects:

#### **Under Construction:**

Relocation of the outfall pipe to the Raritan River	\$12,757,250
Outfall Pipe Tunnel Completion	5,024,887

#### **Future Capital Construction:**

Demolition of Carbon Units  
Updating of 600 Building & Laboratory  
Rehabilitation of Incinerator 1 & 2  
CSP Phase II

The Authority anticipates using funds available in restricted accounts along with using some of the money available in unreserved net assets to fund a portion of these projects and to borrow the remainder from the New Jersey Environmental Infrastructure Trust.

### **Contacting the Authority's Management**

Any questions about the Authority's report or if additional information is needed, please contact the Chief Financial Officer of The Somerset Raritan Valley Sewerage Authority, P.O. Box 6400, Bridgewater, New Jersey 08807-0400.

## Somerset Raritan Valley Sewerage Authority

### Condensed Financial Statements

#### Condensed Statement of Net Assets

	December 31		Variance	
	2009	2008	Dollars	%
<b>Assets:</b>				
Cash and Investments	\$ 20,627,508	\$ 20,991,348	(\$363,840)	-1.7%
Property, Plant and Equipment - Net	52,933,220	41,738,180	11,195,040	26.8%
Other Assets	19,087,413	27,486,467	(8,399,054)	-30.6%
<b>Total Assets</b>	<b>\$ 92,648,142</b>	<b>\$ 90,215,995</b>	<b>\$2,432,146.77</b>	<b>2.7%</b>
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Long Term Liabilities	\$ 4,705,501	\$ 6,363,720	(\$1,658,219.48)	-26.1%
Total Liabilities	30,637,205	28,855,243	1,781,962	6.2%
	35,342,706	35,218,963	123,743	0.4%
<b>Net Assets:</b>				
Invested in Capital Assets Net of Related Liabilities	39,550,513	37,466,505	2,084,008	5.6%
Reserves	15,391,150	14,864,518	526,632	3.5%
Unrestricted	2,363,773	2,666,009	(302,236)	-11.3%
<b>Total Net Assets</b>	<b>\$ 57,305,436</b>	<b>\$ 54,997,032</b>	<b>2,308,404</b>	<b>4.2%</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 92,648,142</b>	<b>\$ 90,215,995</b>	<b>\$ 2,432,147</b>	<b>2.7%</b>

#### Condensed Statement of Revenue, Expenses, and Changes in Net Assets

	December 31		Variance	
	2009	2008	Dollars	%
<b>Operating Revenues:</b>				
Service Charges	\$ 15,132,540	\$ 14,171,179	\$ 961,361	6.8%
Septic and Sludge Revenue	531,208	463,198	68,010	14.7%
Connection Fees	519,192	460,725	58,467	12.7%
Other	223,308	213,704	9,604	4.5%
<b>Total operating revenues</b>	<b>16,406,248</b>	<b>15,308,806</b>	<b>1,097,442</b>	<b>7.2%</b>
<b>Operating expenses:</b>				
Operations and Maintenance	10,609,198	10,617,905	(8,707)	-0.1%
Depreciation and Amortization	3,344,321	3,156,389	187,932	6.0%
<b>Total operating expenses</b>	<b>13,953,519</b>	<b>13,774,294</b>	<b>179,225</b>	<b>1.3%</b>
<b>Operating income</b>	<b>2,452,729</b>	<b>1,534,512</b>	<b>918,217</b>	<b>59.8%</b>
<b>Non operating (expenses) revenues</b>	<b>(144,324)</b>	<b>(45,445)</b>	<b>(98,879)</b>	<b>217.6%</b>
<b>Change in net assets</b>	<b>2,308,404</b>	<b>1,489,067</b>	<b>819,337</b>	<b>55.0%</b>
<b>Net Assets, Beginning of Year</b>	<b>54,997,032</b>	<b>53,507,965</b>	<b>1,489,067</b>	<b>2.8%</b>
<b>Net Assets, End of Year</b>	<b>\$ 57,305,436</b>	<b>\$ 54,997,032</b>	<b>\$ 2,308,404</b>	<b>4.2%</b>

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**BASIC FINANCIAL STATEMENTS**

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

STATEMENTS OF NET ASSETS  
DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Current Restricted Assets:		
Operating Account:		
Cash and Cash Equivalents	\$ 3,498,613.65	\$ 2,610,774.63
Connection Fee:		
Cash and Cash Equivalents	7,760,982.47	7,796,136.14
Revenue Account:		
Cash and Cash Equivalents	1,323,834.60	876,885.57
Accounts Receivable-Participants	108,027.26	-
Accounts Receivable-Septage and Sludge	31,703.50	32,428.00
Accounts Receivable-Industrial Pretreatment Program	139,977.00	-
Accounts Receivable-Other	7,284.15	-
Debt Service Account:		
Cash and Cash Equivalents	1,391,688.35	3,377,990.67
Debt Service Reserve Account:		
Cash and Cash Equivalents	2,824,833.89	4,419,814.65
General Account:		
Cash and Cash Equivalents	3,469,402.44	1,748,209.78
Construction Account:		
Cash and Cash Equivalents	358,153.09	161,537.06
Accounts Receivable-State of New Jersey	6,650,816.00	2,715,544.00
	<u>27,565,316.40</u>	<u>23,739,320.50</u>
<u>TOTAL CURRENT RESTRICTED ASSETS</u>		
Long Term Capital Assets:		
Deferred Charges-Bond Issuance Costs	107,579.11	-
Property, Plant and Equipment	96,772,887.81	82,347,518.02
Less: Accumulated Depreciation	43,947,246.73	40,609,338.09
	<u>52,933,220.19</u>	<u>41,738,179.93</u>
Construction in Progress	<u>12,149,605.18</u>	<u>24,738,495.00</u>
	<u>\$ 92,648,141.77</u>	<u>\$ 90,215,995.43</u>
<u>TOTAL ASSETS</u>		

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

STATEMENTS OF NET ASSETS  
DECEMBER 31, 2009 AND 2008

<u>LIABILITIES AND FUND EQUITY</u>	<u>2009</u>	<u>2008</u>
Current Liabilities Payable From Restricted Assets:		
Accounts Payable	\$ 453,146.59	\$ 533,600.74
Accrued Expenses	380,950.78	385,880.39
Participant Refunds	-	133,855.87
Other Liabilities	175,957.61	177,074.15
Interest Payable	327,932.52	441,248.97
Current Portion of Revenue Bonds Payable	1,440,000.00	1,858,000.00
Current Portion of Intergovernmental Loans Payable	1,927,513.02	2,834,060.00
	<hr/>	<hr/>
<b>TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>	<b>4,705,500.52</b>	<b>6,363,720.12</b>
	<hr/>	<hr/>
Long - Term Portion of Bonds Payable	770,000.00	2,210,000.00
Long - Term Portion of Intergovernmental Loans	29,867,204.99	26,645,243.44
	<hr/>	<hr/>
<b><u>TOTAL LIABILITIES</u></b>	<b>35,342,705.51</b>	<b>35,218,963.56</b>
	<hr/>	<hr/>
Net Assets:		
Reserves For:		
Operating	3,283,720.00	3,201,033.83
Operating Debt Service	2,268,112.53	2,268,112.53
Debt Service Reserve	1,599,235.31	1,599,235.31
Connection Fees	7,760,982.47	7,796,136.14
Budget Reserve	479,100.00	-
Unreserved Net Assets	2,363,772.74	2,666,008.72
Invested in Capital Assets, Net of Related Liabilities	39,550,513.21	37,466,505.34
	<hr/>	<hr/>
<b><u>TOTAL NET ASSETS</u></b>	<b>57,305,436.26</b>	<b>54,997,031.87</b>
	<hr/>	<hr/>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b>\$ 92,648,141.77</b>	<b>\$ 90,215,995.43</b>
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See Notes to Financial Statements

## EXHIBIT "B"

## THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Operating Revenues:		
Service Charges-Participants	\$ 15,132,540.00	\$ 14,171,179.00
Septage and Sludge Dumping Charges	531,207.50	463,197.88
Connection Fees	519,192.00	460,725.00
Pretreatment Program	153,252.98	154,012.00
Ground Water Discharge	49,920.73	39,858.78
Review Fees	3,800.00	4,800.00
Miscellaneous Income	16,334.42	15,033.80
	<u>16,406,247.63</u>	<u>15,308,806.46</u>
<u>TOTAL OPERATING REVENUES</u>		
Operating Expenses Exclusive of Interest and Depreciation	<u>10,609,197.61</u>	<u>10,617,905.55</u>
Operating Income Before Interest, Depreciation & Amortization	<u>5,797,050.02</u>	<u>4,690,900.91</u>
Depreciation	3,337,908.64	3,156,389.22
Amortization	6,412.50	
	<u>2,452,728.88</u>	<u>1,534,511.69</u>
<u>OPERATING INCOME</u>		
Non-Operating Revenue (Expense):		
Interest Earned on Investments	96,043.66	486,169.39
Interest Expense - Debt Service	(483,768.20)	(531,614.63)
Gain on Debt Retirement	243,400.05	-
	<u>(144,324.49)</u>	<u>(45,445.24)</u>
<u>TOTAL NON-OPERATING REVENUE (EXPENSE)</u>		
Net Income	2,308,404.39	1,489,066.45
Net Assets, Beginning of Year	<u>54,997,031.87</u>	<u>53,507,965.42</u>
Net Assets, End of Year	\$ <u>57,305,436.26</u>	\$ <u>54,997,031.87</u>

See Notes to Financial Statements

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from Participants	\$ 14,890,656.87	\$ 15,461,733.23
Receipts from Septic and Sludge	531,932.00	469,450.98
Miscellaneous Receipts	654,987.48	696,359.05
Payments to Suppliers	(5,620,718.65)	(5,674,067.08)
Payments to Employees	(5,133,611.22)	(4,991,817.93)
	<u>5,323,246.48</u>	<u>5,961,658.25</u>
<u>Net Cash Provided By (Used in) Operating Activities</u>		
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
State of New Jersey	1,111,752.00	8,660,992.00
Acquisition of Capital Assets	(1,501,718.44)	(8,641,694.40)
Principal Payments on Debt	(4,460,200.99)	(4,161,312.71)
Interest Paid on Bonds	(932,962.72)	(965,033.75)
Miscellaneous		720.35
	<u>(5,783,130.15)</u>	<u>(5,106,328.51)</u>
<u>Net Cash Provided by (Used in) Capital and Related Financing Activities</u>		
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest Received	96,043.66	497,201.95
	<u>96,043.66</u>	<u>497,201.95</u>
<u>Net Cash Provided by (Used in) Investing Activities</u>		
Net Increase (Decrease) in Cash and Cash Equivalents	(363,840.01)	1,352,531.69
Cash and Cash Equivalents, Beginning of Year	20,991,348.50	19,638,816.81
Cash and Cash Equivalents, End of Year	<u>\$ 20,627,508.49</u>	<u>\$ 20,991,348.50</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</u>		
Operating Income	\$ 2,452,728.88	\$ 1,534,511.69
Depreciation	3,337,908.64	3,156,389.22
Amortization	6,412.50	
Changes in operating assets and liabilities:		
Accounts Receivable	(254,563.91)	1,163,126.76
Accounts Payable	(80,454.15)	(31,303.09)
Participant Refunds	(133,855.87)	133,855.87
Accrued Expenses	(4,929.61)	5,077.80
	<u>5,323,246.48</u>	<u>5,961,658.25</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		

See Notes to Financial Statements

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with U.S. 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 most significant of the GASB's accounting policies are described below.

Reporting Entity

The Authority's financial statements include the operations of the collection system and waste-water treatment plant for which the Board of Commissioners of the Authority exercises financial accountability. The Authority is considered a joint venture of the participating governments. The Board members are appointed to five-year terms by their respective municipalities. There are no additional entities required to be included in the reporting entity and the Authority is not included in any other reporting entity.

Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis and in accordance with generally accepted accounting principles applicable to enterprise funds of state and local governments. An Enterprise Fund is used to account for operations: (i) that are financed primarily through user charges, or (ii) where the governing body has decided that determination of net income is appropriate.

The Authority's reports are based on all applicable Government Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and interpretations, Accounting Principles, Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

The Authority considers petty cash, change funds, cash in banks, deposits and short-term investments with original maturities of three months or less as cash and cash equivalents.

Investments

Investments are stated at fair market value. Investment options are restricted to securities fully guaranteed by the United States Government.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment

The collection system, plant, facilities and equipment are stated at cost, plus capitalized interest during construction less interest earned from investment of certain funds during construction.

Depreciation is determined on a straight-line basis over various economic lives, which are fixed by management.

Management has elected not to include depreciation expense in the service charge rate structure.

Depreciation is provided for over the following estimated useful lives:

Buildings and Improvements	45 years
Treatment Facilities	45 years
Machinery and Equipment	10-20 years
Electronic Equipment	5 years
Furniture and Fixtures	10 years
Vehicles	5 years

The capitalization threshold for capital assets is based on the criteria established by Local Finance Notice CFO-96-13, Accounting for Governmental Fixed Assets. Accordingly, management has established a capitalization level of \$5,000. The capital asset must be nonexpendable, tangible property having a useful life of more than five years.

Inventory

Inventory of supplies, estimated to be immaterial at year end, is recorded as an expense when purchased and accordingly, is not included in the financial statements.

Interest Expense

Interest payments due January 1, 2010 are reflected in these statements as of December 31, 2009.

Operating Revenues versus Non-operating Revenues

Operating revenues are all revenues directly derived from providing sewerage treatment to customers. Non-operating revenues are revenues derived from peripheral business activities.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Expenses versus Non-operating Expenses

Operating Expenses are direct expenses necessary to maintain the sewerage system working properly. Non-operating expenses are ancillary expenses such as interest expense that are not directly related to maintain the sewerage system working properly.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted Assets

In accordance with the Bond Indenture and supplemental resolutions, the Authority has established various cash and investment accounts with a trustee. In addition, the Bond Indenture provides for certain restrictions on the use of funds in these accounts.

Revenue Account

The Revenue Account is established by the Bond Indenture to receive all revenues due to the Authority. Periodic withdrawals are made from the Revenue Account to each of the operating and related accounts to provide the financial resources necessary for the other accounts to carry out their required activities. The Revenue Account is under the direct control of the Trustee for the bond holders.

Operating Account

The Operating Account is used to carry on the operations of the Authority. The Bond Indenture requires that the Revenue Account turn over to the Operating Account the total amount of the operating expenses for the current fiscal year. The Revenue Account must also turn over to the Operating Account an amount equal to the sum of the operating expenses for the next succeeding three months as shown in the annual budget, plus such additional amounts as shall be necessary to provide and maintain in the account a reserve equal to ten percent (10%) of the operating expenses for the next succeeding three months. The Operating Account is under the direct control of the Authority. Included in Operating Account is \$70,000.00 transferred from the proceeds of the March 26, 1958 Bond Issue.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets (Continued)

Debt Service Account

The Debt Service Account is used to pay the principal and interest to the bond holders as such obligations come due. The bond indenture requires that the Revenue Account turn over to it the funds required to pay the principal and interest when due (July 1 and January 1). All income earned on investments of the Debt Service Account is turned over to the Revenue Account. The Debt Service Account is under the control of the Trustee for the bond holders.

Debt Service Reserve Account

The Debt Service Reserve Account provides additional security to the bond holders. This account is required to have a balance equal to the maximum amount of principal and interest due to the bond holders in any succeeding year. In the event the Debt Service Reserve Account balance exceeds the maximum amount of principal and interest in the succeeding years, the trustee shall withdraw from the Debt Service Reserve Account the amount of any excess and deposit such funds into the General Account. All income earned on investments of the Debt Service Reserve Account is turned over to the Revenue Account. The Debt Service Reserve Account is under the direct control of the trustee for the bond holders. Included in Debt Service Reserve Account is \$2,824,834 transferred from the proceeds of the various bond issues.

Operating Reserve For Deficits

The Operating Reserve for Deficits Account provides for any deficits resulting from failure to receive sums payable to the Authority by any participant or customer, or from any other cause.

Operating Reserve for Debt Service

The Operating Reserve for Debt Service Account provides a further reserve for debt service.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets (Continued)

General Account

The General Account is established to receive the excess revenues after the other funds have been brought up to the amounts required by the bond indenture. Funds from the General Account may be used by the Trustee to increase the Debt Service Reserve Account to equal the debt service reserve requirement. If at any time there is not a sufficient amount in the Operating Account to provide for any payment required by the bond indenture, the General Account may transfer funds to make up the deficiency. If on any date the amount in every other fund equals or exceeds the amount required, the Trustee may, upon direction by resolution of the Authority, withdraw any or all moneys in the General Account and pay the same to the Authority for expenditure for any lawful corporate purpose. All income earned on investments of the General Account is turned over to the Revenue Account. Included in the General Account is \$13,375.00 transferred from the proceeds of the March 26, 1958 bond issue.

Construction Account

The Construction Account has been established to receive and disburse funds for construction projects undertaken by the Authority. The Construction Account will receive all moneys from government and state grants, proceeds from sale of bonds, income on Construction Account investments and from other sources for the construction of the system. Funds are disbursed by a resolution of the Authority accompanied by the consulting engineer's certificate as to the need, receipt or performance of the items indicated in the requisition. Upon completion of a construction project, any funds remaining will be turned over to the General Account.

In addition to the above, the Authority has also established the following Restricted Accounts:

Connection Fees Account

The Connection Fees Account has been established to receive all connection fees due the Authority. Funds in this account are dedicated to capital projects.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

(2) REVENUE SOURCES

Revenue is provided primarily from annual service charges based on each participant's flow into the system.

Revenue is also provided through agreements, which have been made to accept septic tank waste and sludge from other treatment facilities.

Connection fees are one-time charges billed to all persons contracting for connection to the sewerage system maintained by the Authority. Legal authorization is provided to all sewerage authorities to impose connection fee charges by N.J.S. 40:14A-8.

Other revenues are collected for regulatory compliance monitoring that the Authority conducts (Pretreatment Program) along with interest received on short term deposits/investments, groundwater discharge fees and miscellaneous other sources. The Authority bills out costs incurred administering the Pretreatment Program in accordance with regulations.

(3) BUDGETARY PROCEDURES

The Authority follows these procedures in establishing the Operating Fund budget:

The annual budget for each fiscal year of the Authority is introduced by resolution passed by not less than a majority of the governing body. Copies are submitted to the Director of the Division of Local Government Services prior to the beginning of the Authority's fiscal year for approval prior to its adoption.

The budget must comply with the terms and provisions of any security agreements, and is to be in such form and detail as to items of revenue, expenses and other contents as required by law or by rules and regulations of the Local Finance Board.

No authority budget can be finally adopted until the Director has approved the budget.

Public hearings are conducted to obtain citizen comments on the proposed budget.

Appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

The level at which expenditures cannot exceed the budget is at the total budget level.

The budget may be increased after adoption when an item of revenue has been made available after the adoption date.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

(4) CASH DEPOSITS

The Authority's policy is to invest and deposit funds pursuant to a cash management plan specified by the Local Fiscal Affairs Law (N.J.S.A. 40A:5-1). The provisions of the law mandate that the Authority invest and deposit funds with approved banks mandated by the New Jersey Department of Banking and Insurance under the Government Unit Deposit Protection Act (GUDPA). The first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds in excess of \$250,000 are protected by (GUDPA) through pledging of collateral requirements codified in the New Jersey Statutes as N.J.S.A. 17:9-41.

As of December 31, cash and cash equivalents of the Authority consisted of the following:

	<u>2009</u>	<u>2008</u>
Checking and Money Market Accounts	\$12,993,031.71	\$10,043,460.63
United States Treasury Obligations	<u>7,634,476.78</u>	<u>10,947,887.87</u>
	<u>\$20,627,508.49</u>	<u>\$20,991,348.50</u>

(5) BONDS PAYABLE

For the purpose of paying construction costs relating to the Authority's collection and treatment facilities system the Authority has issued two series of bonds.

A portion of the bonds are payable July 1 of each year.

Please refer to the next page for disclosure on all future debt service related to bonds.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

SEWER REVENUE BONDS PAYABLE - DECEMBER 31, 2009

<u>YEAR OF MATURITY</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL</u>
2010	0.046	\$ 1,440,000.00
2011	0.0465	230,000.00
2012	0.0525	250,000.00
2013	0.0485	290,000.00
		<u>\$ 2,210,000.00</u>

Principal Matures July 1  
Interest Payable January 1 and July 1

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

(6) ADVANCED REFUNDING

In 1998 the Authority issued \$13,810,000.00 of Sewer Revenue Refunding Bonds to advance, refund and defease \$12,755,000.00 of the Authority's existing Bonds. The proceeds of this issue were used to establish an irrevocable escrow account to pay the principal and interest on the \$12,755,000.00 of Bonds as they become due. These refunded Bonds are not reflected in these statements due to the creation of this irrevocable escrow account. The 1998 bond issue was used to finance various plant upgrades.

(7) ARBITRAGE REBATE & YIELD RESTRICTION

Section 148(f) of the Internal Revenue Code of 1986 requires the Authority to perform arbitrage rebate and yield restriction compliance calculations. The Authority cannot profit on the bond issued by investing the bond proceeds in investments that earn a higher yield than the interest rate the bonds pay to bondholders. The Authority is in full compliance with the Internal Revenue Code.

(8) LOANS PAYABLE

For the purpose of paying construction costs relating to the Authority's collection and treatment facilities system the Authority has borrowed from the New Jersey Environmental Infrastructure Trust and Fund. The 2004 loan of \$5,190,000 was used to finance the construction of the relief interceptor project. The 2007 loan of \$12,757,250 is being used to finance the outfall relocation construction project. The 2009 loan of \$5,024,887 is being used as supplemental funding to finish the outfall relocation construction project.

A portion of the loans are payable February 1 and August 1 of each year.

Please refer to the next two pages for disclosure on all future debt service related to loans.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

LOANS PAYABLE - DECEMBER 31, 2009

YEAR OF MATURITY	1998 SERIES B INTEREST FREE DATED NOVEMBER 1, 1998		1998 SERIES "C" DATED NOVEMBER 1, 1998		NJEIF TRUST DATED NOVEMBER 24, 2004		NJEIF TRUST INTEREST FREE DATED NOVEMBER 24, 2004	
	TOTAL	PRINCIPAL	INTEREST RATE	PRINCIPAL	INTEREST RATE	PRINCIPAL	INTEREST RATE	PRINCIPAL
2010	\$ 1,285,214.46	\$ 498,378.45	4.500%	\$ 545,000.00	5.000%	\$ 105,000.00	5.000%	\$ 136,836.01
2011	1,315,341.98	498,670.86	4.500%	570,000.00	5.000%	110,000.00	5.000%	136,671.12
2012	1,344,612.04	498,270.72	4.500%	595,000.00	5.000%	115,000.00	5.000%	136,341.32
2013	1,373,024.69	497,178.06	4.500%	620,000.00	5.000%	120,000.00	5.000%	135,846.63
2014	1,408,657.88	498,470.79	4.500%	650,000.00	4.000%	125,000.00	4.000%	135,187.04
2015	1,436,041.59	495,854.55	4.500%	675,000.00	4.000%	130,000.00	4.000%	135,187.04
2016	1,478,756.75	498,701.63	4.500%	710,000.00	5.000%	135,000.00	5.000%	135,055.12
2017	1,512,292.53	497,501.24	4.500%	740,000.00	5.000%	140,000.00	5.000%	134,791.29
2018	1,552,020.05	498,547.94	4.500%	775,000.00	5.000%	145,000.00	5.000%	133,472.11
2019	290,285.98				5.000%	155,000.00	5.000%	135,285.98
2020	301,770.05				5.000%	165,000.00	5.000%	136,770.05
2021	304,626.38				5.000%	170,000.00	5.000%	134,626.38
2022	315,615.78				5.000%	180,000.00	5.000%	135,615.78
2023	326,275.36				4.250%	190,000.00	4.250%	136,275.36
2024	329,247.32				4.375%	195,000.00	4.375%	134,247.32
	<u>\$ 14,573,782.79</u>	<u>\$ 4,481,574.24</u>		<u>\$ 5,880,000.00</u>		<u>\$ 2,180,000.00</u>		<u>\$ 2,032,208.55</u>

Principal Matures July 1  
Interest Payable January 1 and July 1

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

LOANS PAYABLE (CONTINUED) - DECEMBER 31, 2009

YEAR OF MATURITY	NJEIF TRUST INTEREST FREE DATED NOVEMBER 8, 2007		NJEIF TRUST INTEREST FREE DATED NOVEMBER 8, 2007		NJEIF TRUST INTEREST FREE DATED DECEMBER 2, 2009		NJEIF TRUST INTEREST FREE DATED DECEMBER 2, 2009	
	TOTAL	INTEREST RATE	PRINCIPAL	PRINCIPAL	INTEREST RATE	PRINCIPAL	INTEREST RATE	PRINCIPAL
2010	\$ 642,298.56	5.00%	\$ 230,000.00	326,031.21	2.00%	\$ 90,000.00	86,267.36	129,401.02
2011	792,684.46	5.00%	245,000.00	328,283.44	2.00%	90,000.00	129,401.02	129,401.02
2012	801,236.59	3.40%	255,000.00	326,835.57	3.00%	95,000.00	129,401.02	129,401.02
2013	817,092.45	3.50%	266,000.00	327,691.43	5.00%	100,000.00	129,401.02	129,401.02
2014	832,558.98	3.60%	275,000.00	328,157.96	5.00%	100,000.00	129,401.02	129,401.02
2015	842,623.32	5.00%	286,000.00	328,222.30	5.00%	105,000.00	129,401.02	129,401.02
2016	854,898.48	5.00%	295,000.00	325,487.46	5.00%	115,000.00	129,401.02	129,401.02
2017	880,049.35	5.00%	310,000.00	325,648.33	5.00%	120,000.00	129,401.02	129,401.02
2018	899,727.61	5.00%	325,000.00	325,326.58	5.00%	125,000.00	129,401.02	129,401.02
2019	927,140.70	4.00%	345,000.00	327,739.68	4.00%	130,000.00	129,401.02	129,401.02
2020	947,912.90	4.00%	360,000.00	328,511.88	4.00%	135,000.00	129,401.02	129,401.02
2021	960,081.52	5.00%	370,000.00	325,680.50	4.00%	140,000.00	129,401.02	129,401.02
2022	986,046.76	5.00%	390,000.00	326,645.74	3.50%	145,000.00	129,401.02	129,401.02
2023	1,011,368.51	4.25%	410,000.00	326,967.49	4.00%	150,000.00	129,401.02	129,401.02
2024	1,029,808.04	4.50%	425,000.00	325,407.02	4.00%	155,000.00	129,401.02	129,401.02
2025	1,055,371.09	4.50%	445,000.00	325,970.07	3.75%	160,000.00	129,401.02	129,401.02
2026	1,080,355.01	4.50%	465,000.00	325,953.99	4.00%	170,000.00	129,401.02	129,401.02
2027	1,109,759.97	4.28%	485,000.00	325,358.95	4.00%	175,000.00	129,401.02	129,401.02
2028	304,401.02				4.00%	180,000.00		
2029	309,401.29				4.00%			
	\$ 17,084,806.61		\$ 6,180,000.00	5,879,919.61		\$ 2,480,000.00	2,544,887.00	

Interest and Principal Mature February 1 and August 1

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

(9) BONDS AND LOANS PAYABLE

The Authority has issued various bonds and loans for capital purposes. Principal payments due on the bonds for the next five years are as follows:

2010	3,367,513.02
2011	2,338,026.44
2012	2,395,848.63
2013	2,480,117.14
2014	<u>2,241,216.81</u>
2015 AND AFTER	<u>21,045,867.36</u>
TOTAL BONDS & LOANS OUTSTANDING	\$ <u><u>33,868,589.40</u></u>

(10) CHANGES IN LONG TERM DEBT

	<u>Outstanding January 1st 2009</u>		<u>Additions</u>		<u>Deductions</u>		<u>Outstanding December 31st 2009</u>
Bonds Payable	\$ 2,210,000.00	\$		\$	1,440,000.00	\$	770,000.00
Loans Payable	<u>26,645,243.44</u>		<u>5,024,887.00</u>		<u>1,939,054.06</u>		<u>29,731,076.38</u>
Total	<u><u>28,855,243.44</u></u>		<u><u>5,024,887.00</u></u>		<u><u>3,379,054.06</u></u>		<u><u>30,501,076.38</u></u>

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

(11) PROPERTY PLANT AND EQUIPMENT

Details of property, plant and equipment as of December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Original Treatment Plant	\$ 2,138,512.41	\$ 2,138,512.41
Additional Treatment Facilities	79,141,855.97	79,141,855.97
Relief Interceptor	14,425,369.79	0
Equipment	883,048.60	883,048.60
Vehicles	147,921.04	147,921.04
Miscellaneous	<u>36,180.00</u>	<u>36,180.00</u>
	\$96,772,887.81	\$82,347,518.02
Less: Accumulated Depreciation	<u>43,947,246.73</u>	<u>40,609,338.09</u>
Net, Property, Plant and Equipment	<u>\$52,825,641.08</u>	<u>\$41,738,179.93</u>
Construction in Progress	<u>\$12,149,605.18</u>	<u>\$24,738,495.00</u>

The following is a summary of the changes in fixed assets, accumulated depreciation and construction in progress for the period ending December 31, 2009:

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

(11) PROPERTY PLANT AND EQUIPMENT CONTINUED

	Balance December 31, <u>2008</u>	<u>Increase</u>	<u>Decrease</u>	Balance December 31, <u>2009</u>
Original Treatment Plant	\$ 2,138,512.41			\$ 2,138,512.41
Additional Treatment Facilities	79,141,855.97			79,141,855.97
Relief Interceptor		\$14,425,369.79		14,425,369.79
Equipment	883,048.60			883,048.60
Vehicles	147,921.04			147,921.04
Miscellaneous	<u>36,180.00</u>			<u>36,180.00</u>
Historical Cost Balance	<u>\$ 82,347,518.02</u>	<u>\$14,425,369.79</u>	<u>\$</u>	<u>\$96,772,887.81</u>
Less: Accumulated Depreciation				
Original Treatment Plant	\$2,138,512.41			\$2,138,512.41
Additional Treatment Facility	37,693,174.19	\$3,083,022.92		40,776,197.11
Interceptor		160,281.89		160,281.89
Equipment	682,140.89	65,019.70		747,160.59
Vehicles	59,330.60	29,584.13		88,914.73
Miscellaneous	<u>36,180.00</u>			<u>36,180.00</u>
Total Accumulated Depreciation	<u>\$ 40,609,338.09</u>	<u>\$ 3,337,908.64</u>		<u>\$43,947,246.73</u>
Construction in Progress	<u>\$ 24,738,495.00</u>	<u>\$ 1,836,479.97</u>	<u>\$ 14,425,369.79</u>	<u>\$ 12,149,605.18</u>

(12) RISK MANAGEMENT

The Authority participates in the New Jersey Utility Authorities Joint Insurance Fund, established effective August 21, 1991 pursuant to N.J.S.A. 40A:10-36. The law permits utility authorities to join together to form a joint insurance fund. The Somerset Raritan Valley Sewerage Authority is exposed to various risks of loss related to torts, theft of, damage to property, destruction of assets, automobile accidents and workers' compensation. The Authority is insured against the perils or liability of the said risks and the Authority may derive benefit from the insurance policy to the extent determined by the fund.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

(13) ACCRUED LEAVE PAY

Certain employees are permitted to accrue unused leave time. The Authority unused leave time liability was \$380,950 at December 31, 2009 and \$368,174 at December 31, 2008.

(14) LITIGATION, CLAIMS AND CONTINGENT LIABILITIES

In the ordinary conduct of its business, the Authority may be a party to litigation. At December 31, 2009, in the opinion of management based upon consultation with legal counsel, there were no matters pending or threatened which would have a material adverse effect on the financial position of the Authority.

(15) PENSION PLAN

All employees participate in the Public Employees' Retirement System (PERS). The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the funds and charges the Authority annually for its respective contributions. The plan does not maintain separate records for each Authority in the State and, therefore, the actuarial data for the Authority is not available.

The plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits vest after 8-10 years of service for pension benefits. The plan is a cost sharing multi-employer defined benefit plan and as such does not maintain separate records for each Authority in the state and, therefore, the actual data for the Authority is not available. The division of pensions issues a publicly available financial report for the plan which includes financial statements and required supplementary information. The report may be obtained by writing the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Covered employees are required by State Statute to contribute a certain percentage of their salary to the plan. Each member's percentage is based on age determined at the effective date of enrollment. In addition, the PERS may bill the Authority annually at an actuarially determinable rate for its required contribution. The current required employee contribution rate is 5.5% of base salary and the Authority makes the full amount of this payment annually.

The contribution requirements of plan members and the Authority are established and may be amended by the PERS Board of Trustees. For the years ended December 31, 2009 and 2008, the Authority was required to contribute \$250,633 and \$183,601 respectively. In 2007, the Authority contributed \$114,750.

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

(16) OTHER POSTEMPLOYMENT BENEFITS

**Plan Description:**

The Somerset Raritan Valley Sewerage Authority contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 1965, Somerset Raritan Valley Sewerage Authority authorized participation in the SHBP's post-retirement benefit program through resolution number 65-0701-01. The Collective Bargaining Agreement between the Authority and the Utility Workers Union of America AFL-CIO, Local 423 serves as the basis for health benefit funding policy requirements for all employees. The Somerset Raritan Valley Sewerage Authority pays for the cost of the NJ Direct 15 health benefit plan as well as the Prescription Drug Program and Dental Plan Organization benefits for all active employees. The Authority pays for the health benefit and prescription drug premiums of a retiree, their spouse and eligible dependents if an employee retires with 25 years of public service. The SHBP is the primary coverage for retirees, their spouses and dependents until Medicare eligibility is reached. Upon Medicare eligibility the SHBP will become the secondary coverage. Once the retiree and/or spouse reach Medicare eligibility, the Authority enrolls the retiree or spouse in Medicare and pays for Medicare premiums while the SHBP becomes the secondary coverage.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at [www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf](http://www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf)

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

(16) OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**Funding Policy:**

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Somerset Raritan Valley Sewerage Authority on a monthly basis. Once the retiree and/or spouse reach Medicare eligibility with 25 years of service, the retiree or spouse enrolls in Medicare and the Authority reimburses the employee for Medicare premiums while the SHBP becomes the secondary coverage for eligible members. After Medicare enrollment the Authority pays for secondary coverage in the SHBP for employees, their spouse and eligible dependents based on retirement with 25 years of service.

The Somerset Raritan Valley Sewerage Authority contributes to SHBP for active and retired participants for the years ended December 31, 2009, 2008, and 2007 were \$683,807, \$647,807 and \$692,534. The amount of the contributions to SHBP for retired participants for the years ended December 31, 2009, 2008, and 2007 were \$124,342, \$112,477 and \$109,644. There were approximately 10 retired participants eligible at December 31, 2009, 2008, and 2007, respectively.

(17) SUBSEQUENT EVENTS

The Somerset Raritan Valley Sewerage Authority has evaluated subsequent events occurring after the financial statement date through May 17, 2010, which is the date the financial statements were available to be issued. Based on this evaluation, the Somerset Raritan Valley Sewerage Authority has determined that no subsequent events have occurred which require disclosure in the financial statements.

# SUPPLEMENTARY SECTION

SCHEDULE 1

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN  
NET ASSETS - RESERVED AND UNRESERVED  
DECEMBER 31, 2009

	UNRESERVED/ INVESTMENT FIXED ASSETS	OPERATING	OPERATING DEBT SERVICE	RESERVED			CONNECTION FEES	TOTAL
				OPERATING DEBT SERVICE	DEBT SERVICE RESERVE	GENERAL		
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Service Charges-Participants	15,132,540.00							15,132,540.00
Septage and Sludge Dumping Charges	531,207.50							531,207.50
Connection Fee							519,192.00	519,192.00
Pretreatment Program	153,252.98							153,252.98
Ground Water Discharge	49,920.73							49,920.73
Interest Income	2,453.47	7,677.67	3,256.85	5,232.29	14,397.38			96,043.86
Review Fees	3,800.00							3,800.00
Miscellaneous Income	16,334.42							16,334.42
Operating Expense	15,889,509.10	7,677.67	3,256.85	5,232.29	14,397.38	582,218.00		16,502,291.29
	10,609,197.61							10,609,197.61
Operating Income	5,280,311.49	7,677.67	3,256.85	5,232.29	14,397.38	582,218.00		5,893,093.89
Non-Operating Revenue (Expense):								
Interest on Bonds	(483,768.20)							(483,768.20)
Other	243,400.05							243,400.05
	(240,368.15)							(240,368.15)
Income Before Depreciation	5,039,943.34	7,677.67	3,256.85	5,232.29	14,397.38	582,218.00		5,652,725.53
Depreciation & Amortization Expense	3,344,321.14							3,344,321.14
Net Income Before Transfers	1,695,622.20	7,677.67	3,256.85	5,232.29	14,397.38	582,218.00		2,308,404.39
Transfers:								
Interest Income	61,452.91	(7,677.67)	(3,256.85)	(5,232.29)	(14,397.38)			(30,888.72)
Budget Reserve	(479,100.00)					479,100.00		
Capital Expenditures	446,482.95							(446,482.95)
To Restituted Assets	57,313.83	82,686.17						(140,000.00)
Increase (Decrease) In Net Assets	1,781,771.89	82,686.17				479,100.00		2,308,404.39
Net Assets January 1	40,132,514.06	3,201,033.83	2,268,112.53	1,599,235.31		7,796,136.14		54,997,031.87
Net Assets December 31	41,914,285.95	3,283,720.00	2,268,112.53	1,699,235.31		7,760,982.47		57,305,435.26

SCHEDULE 2

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY  
 SCHEDULE OF CHANGES IN CASH AND INVESTMENTS (NET)  
 FOR THE YEAR ENDED DECEMBER 31, 2009

	TOTAL	REVENUE ACCOUNT	AUTHORITY OPERATING ACCOUNT	DEBT SERVICE ACCOUNT	DEBT SERVICE RESERVE ACCOUNT	GENERAL ACCOUNT	CONSTRUCTION ACCOUNT	CONNECTION FEE ACCOUNT
Balance, January 1, 2009	\$ 20,891,348.50	\$ 876,885.57	\$ 2,610,774.63	\$ 3,377,990.67	\$ 4,419,814.65	\$ 1,748,209.78	\$ 161,537.06	\$ 7,796,138.14
Increased by Receipts:								
Service Charges-Participants	14,890,656.87	14,890,656.87						
Septage and Sludge Dumping Charges	531,932.00	531,932.00						
Interest Income	96,043.66	2,352.91	7,677.67		5,232.29	14,397.38	100.56	63,026.00
Review Fees	3,800.00	3,800.00						
Pretreatment Program	13,275.98	13,275.98						
Ground Water Discharge	49,920.73	49,920.73						
Miscellaneous	48,581.42		48,581.42					
Connection Fee	519,192.00							519,192.00
Bond Earnings Credits	20,237.35			20,237.35				
State of New Jersey Loan Proceeds	1,111,752.00						1,111,752.00	
Transfers	36,526,390.31	1.04	29,237,581.90	3,657,756.66	14,858.01	2,954,221.31	316,248.15	345,723.24
TOTAL	74,803,110.82	16,368,825.10	31,904,565.62	7,059,241.55	4,439,304.95	4,716,628.47	1,589,637.77	8,724,077.38
Decreased by Disbursements:								
Accounts Payable and Accruals-December 31, 2008	1,069,905.44							
2009 Salaries, Benefits & Taxes Expenses	4,987,500.64		628,056.47	441,248.97				
2009 Operating Expenses	5,158,172.76		4,997,500.64	88,917.50				
Interest on Bonds	491,713.75		5,089,255.26	481,713.75				
Construction in Progress	1,501,718.44						1,055,235.49	446,482.95
Principal on Bonds	4,460,200.99	15,044,990.50	17,720,569.60	4,460,200.99	1,615,071.06	1,247,428.03	176,249.19	516,611.96
Transfers	36,526,390.31	15,044,990.50	28,405,981.97	205,471.97	1,615,071.06	1,247,428.03	1,231,484.68	963,094.91
TOTAL	54,175,602.33	15,044,990.50	34,988,613.65	5,667,553.18	2,824,833.89	3,469,402.44	359,153.09	7,760,962.47
Balance, December 31, 2009	\$ 20,627,508.48	\$ 1,323,834.60	\$ 3,498,613.65	\$ 1,391,688.35	\$ 2,824,833.89	\$ 3,469,402.44	\$ 359,153.09	\$ 7,760,962.47

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY  
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED  
BY OPERATING REVENUES COMPARED TO BUDGET FOR THE YEAR  
ENDED DECEMBER 31, 2009

	<u>2009 BUDGET</u>	<u>2009 ACTUAL</u>	<u>2008 ACTUAL</u>
<u>REVENUE</u>			
Retained Earnings	\$ 799,719.00	\$	\$
Service Charges-Participants	15,089,047.00	15,132,540.00	14,171,179.00
Septage and Sludge Dumping Charges	643,555.00	531,207.50	463,197.88
Connection Fees	350,000.00	519,192.00	460,725.00
Pretreatment Program	120,000.00	153,252.98	154,012.00
Ground Water Discharge	49,600.00	49,920.73	39,858.78
Interest Income	288,600.00	33,017.66	237,896.14
Interest Income - Connection	222,500.00	63,026.00	209,401.37
Review Fees	5,500.00	3,800.00	4,800.00
Miscellaneous Bond Income	20,000.00	10,104.47	38,873.79
Miscellaneous Income	3,500.00	6,229.95	15,031.89
Gain on Debt Retirement		243,400.05	
<b>TOTAL REVENUE</b>	<b>\$ 17,592,021.00</b>	<b>\$ 16,745,691.34</b>	<b>\$ 15,794,975.85</b>
<u>OPERATING EXPENSES</u>			
<u>SALARIES, WAGES AND BENEFITS</u>			
Salaries and Wages	\$ 3,884,408.00	\$ 3,848,328.01	\$ 3,838,381.33
Payroll Taxes	305,000.00	291,342.63	272,329.33
Benefits	1,011,267.00	985,549.84	881,107.27
<b>TOTAL</b>	<b>\$ 5,200,673.00</b>	<b>\$ 5,125,220.48</b>	<b>\$ 4,991,817.93</b>
<u>ADMINISTRATION, OFFICE EXPENSE</u>			
Professional Services	\$ 511,000.00	\$ 415,463.60	\$ 437,284.52
Office Expense	108,400.00	103,020.97	117,254.50
Permit Fees	120,000.00	66,076.00	78,712.87
Insurance Expense	380,000.00	290,517.95	336,309.20
Utility Expense	2,485,500.00	2,091,494.28	2,175,282.45
<b>TOTAL</b>	<b>\$ 3,604,900.00</b>	<b>\$ 2,966,572.80</b>	<b>\$ 3,144,843.54</b>
<u>FACILITY OPERATING EXPENSE</u>			
Wastewater Treatment	\$ 730,000.00	\$ 607,175.32	\$ 432,966.31
Incinerator/Sludge Operating Expense	902,000.00	903,828.05	895,311.83
General Expenses	74,200.00	66,918.33	67,005.69
Major Equipment Repair			244,973.43
<b>TOTAL</b>	<b>\$ 1,706,200.00</b>	<b>\$ 1,577,921.70</b>	<b>\$ 1,640,257.26</b>
<u>MAINTENANCE</u>			
Wastewater Treatment	\$ 320,250.00	\$ 282,642.45	\$ 265,264.16
Incinerator Sludge	212,500.00	218,750.15	172,201.89
General Expense	35,250.00	20,541.67	27,504.43
Building and Grounds	69,100.00	82,611.21	66,346.73
Vehicle Maintenance	13,000.00	15,692.57	6,710.90
Interceptor System	30,000.00	771.54	8,591.94
Meter Chamber Maintenance	10,000.00	143.20	3,586.36
Major Equipment Repair			19,150.30
<b>TOTAL</b>	<b>\$ 690,100.00</b>	<b>\$ 621,152.79</b>	<b>\$ 569,336.71</b>

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY  
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED  
BY OPERATING REVENUES COMPARED TO BUDGET FOR THE YEAR  
ENDED DECEMBER 31, 2009

<u>OPERATING EXPENSES (CONTINUED)</u>	<u>2009 BUDGET</u>	<u>2009 ACTUAL</u>	<u>2008 ACTUAL</u>
<u>LABORATORY AND TESTING</u>			
Wastewater	\$ 80,100.00	\$ 51,620.44	\$ 60,118.50
Incinerator/Sludge	9,500.00	5,837.99	5,927.50
General Expense	5,100.00	1,293.98	5,161.05
<b>TOTAL</b>	<b>\$ 94,700.00</b>	<b>\$ 58,752.41</b>	<b>\$ 71,207.05</b>
<u>METERS AND INSTRUMENTATION</u>			
Interceptor Flow Meters	\$ 251,100.00	\$ 159,503.88	\$ 142,852.97
Telemetrying	26,000.00	22,362.92	14,217.08
<b>TOTAL</b>	<b>\$ 277,100.00</b>	<b>\$ 181,866.80</b>	<b>\$ 157,070.05</b>
<u>PRETREATMENT</u>			
Surveillance and Monitoring	\$ 14,600.00	\$ 11,307.09	\$ 8,185.00
General Expense	51,850.00	66,403.54	35,188.01
<b>TOTAL</b>	<b>\$ 66,450.00</b>	<b>\$ 77,710.63</b>	<b>\$ 43,373.01</b>
<b>TOTAL OPERATING EXPENSE</b>	<b>\$ 11,640,123.00</b>	<b>\$ 10,609,197.61</b>	<b>\$ 10,617,905.55</b>
<u>OTHER COSTS AND RESERVE REQUIREMENTS</u>			
Principal on Bonds	\$ 4,692,080.00	\$ 4,460,200.99	\$ 4,161,312.71
Interest on Bonds	909,838.00	483,768.20	531,614.63
Capitalized Interest		335,878.01	460,254.30
Capitalized Fixed Assets Financed Through Budget			36,661.62
Reserve for Connections	350,000.00	519,192.00	461,419.50
<b>TOTAL OTHER COSTS AND RESERVE REQUIREMENTS</b>	<b>\$ 5,951,898.00</b>	<b>\$ 5,799,039.20</b>	<b>\$ 5,651,262.76</b>
	<b>\$ 17,592,021.00</b>	<b>\$ 16,408,236.81</b>	<b>\$ 16,269,168.31</b>

SCHEDULE 4

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

CONSTRUCTION COSTS (NET)

DECEMBER 31, 2009

Construction Costs of Original Treatment: Plant, Main Trunk Sewer, and Other Related Facilities (Net)	\$	4,979,288.68
1968-Construction Project		7,056,219.19
1975-Construction Project		1,779,189.33
Plant Expansion and Interconnection		11,373,653.85
Industrial Pretreatment Program		154,544.44
Storage Building		67,175.98
Administrative Office Renovation		306,792.10
Sludge Storage Facility		249,785.10
Thickener Covers-Sludge Grinders		247,351.17
Polymer Storage Facility		135,080.69
Digester Clean Out		126,655.28
Belt Filter Presses		960,626.13
ACCO - Treatment Plant		4,000,000.00
A.C.O. Project		5,634,231.77
1988-1989 Special Project-Basins and Tanks		7,171,177.73
1987-1988 Project A Incinerator		13,892,006.27
Construction Project		1,039,753.65
Equipment		883,048.60
Aeration System		1,009,426.47
Miscellaneous		36,180.00
Wetlands Mitigation Land Acquisition		28,500.00
Vehicles		147,921.04
Wastewater Project		21,068,910.55
Relief Interceptor Project		14,425,369.79
<u>TOTAL CONSTRUCTION COST (NET)</u>	\$	<u>96,772,887.81</u>

SCHEDULE 5

THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

SCHEDULE OF REVENUES FROM CHARGES FOR THE YEAR  
ENDED DECEMBER 31, 2009

<u>NAME OF PARTICIPANT</u>	<u>BALANCE</u> <u>JANUARY 1, 2008</u>	<u>2009</u> <u>ANNUAL</u> <u>SERVICE CHARGES</u>	<u>2009</u> <u>REVENUE</u> <u>COLLECTED</u>	<u>BALANCE</u> <u>DECEMBER 31, 2009</u>
Branchburg Township	\$ 49,535.88 \$	1,949,456.00 \$	1,806,318.68 \$	92,673.20
Bridgewater Township	6,750.36	4,791,147.00	4,704,406.80	93,490.56
Duke Farms	(837.92)	1,029.00	870.12	(679.04)
Hillsborough Township	(141,559.48)	2,701,717.00	2,535,116.04	25,041.48
Manville Borough	(81,573.79)	1,316,209.00	1,363,378.01	(128,742.80)
National Starch Company	2,312.60	42,527.00	41,732.24	3,107.36
Raritan Borough	98,873.96	1,048,537.00	1,180,886.20	(13,475.24)
Somerville Borough	(24,595.56)	1,819,685.00	1,815,984.12	(20,894.68)
Warren Township	(29,450.32)	691,595.00	665,402.48	(3,257.80)
Wyeth (American Home Products)	(13,311.60)	770,638.00	696,562.18	60,764.22
	\$ (133,855.87) \$	15,132,540.00 \$	14,890,656.87 \$	108,027.26

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STATISTICAL SECTION

## Somerset Raritan Valley Sewerage Authority

### NET ASSETS BY COMPONENT

	<u>2009</u>	<u>2008</u>	December 31 <u>2007</u>	<u>2006</u>	<u>2005</u>
Net Asset Component:					
Invested in capital assets, net of related debt	\$ 39,550,513	\$ 37,466,505	\$ 36,238,468	\$ 33,324,626	\$ 26,802,833
Restricted	15,391,151	14,864,518	14,762,250	14,977,588	16,198,262
Unrestricted	2,363,773	2,666,009	2,507,247	2,229,560	2,959,677
<b>Total</b>	<b>\$ 57,305,437</b>	<b>\$ 54,997,032</b>	<b>\$ 53,507,965</b>	<b>\$ 50,531,794</b>	<b>\$ 45,960,772</b>

## Somerset Raritan Valley Sewerage Authority

### CHANGES IN NET ASSETS

	<u>2009</u>	<u>2008</u>	December 31 <u>2007</u>	<u>2006</u>	<u>2005</u>
Expenses:					
Salaries, Wages & Benefits	\$ 5,125,220	\$ 4,991,818	\$ 4,725,883	\$ 4,531,229	\$ 4,212,899
Administrative, Office Costs	2,966,573	3,144,843	2,758,878	2,409,763	2,578,119
Facility Operating Costs	1,577,922	1,640,257	1,139,046	1,452,101	1,224,133
Maintenance Costs	621,153	569,337	664,904	471,820	422,921
Laboratory & Testing Costs	58,752	71,207	56,807	57,189	60,158
Meters and Instrumentation Costs	181,867	157,070	130,529	137,834	163,110
Pretreatment Program Costs	77,710	43,373	42,900	61,488	43,074
Interest Expenses	483,768	531,615	908,508	1,084,307	1,334,209
Depreciation & Amortization	3,344,321	3,156,389	3,124,719	3,109,892	2,056,447
Other Expense					84,175
<b>Total Expenses</b>	<b>\$ 14,437,286</b>	<b>\$ 14,305,909</b>	<b>\$ 13,552,174</b>	<b>\$ 13,315,623</b>	<b>\$ 12,179,245</b>
Revenues:					
Charges for Services	\$ 15,870,722	\$ 14,833,048	\$ 14,913,813	\$ 15,350,439	\$ 12,615,660
Connections	519,192	460,725	742,287	1,260,632	1,187,539
Investment Earnings	96,044	486,169	823,325	904,934	653,521
Miscellaneous Income	16,333	15,034	48,920	370,640	252,276
Gain on Debt Retirement	243,400				
<b>Total Revenues</b>	<b>\$ 16,745,691</b>	<b>\$ 15,794,976</b>	<b>\$ 16,528,345</b>	<b>\$ 17,886,645</b>	<b>\$ 14,708,996</b>
<b>Change in Net Assets</b>	<b>\$ 2,308,405</b>	<b>\$ 1,489,067</b>	<b>\$ 2,976,171</b>	<b>\$ 4,571,022</b>	<b>\$ 2,529,751</b>
Net Assets-January 1	54,997,032	53,507,965	50,531,794	45,960,772	43,431,021
<b>Net Assets-December 31</b>	<b>\$ 57,305,437</b>	<b>\$ 54,997,032</b>	<b>\$ 53,507,965</b>	<b>\$ 50,531,794</b>	<b>\$ 45,960,772</b>

## Somerset Raritan Valley Sewerage Authority

### Annual Sewerage Flows and Charges by Participant

Participant/ Customer	Actual Flow in Million Gallons				
	2009	2008	2007	2006	2005
Branchburg Township	838.887	805.985	787.369	786.206	736.288
Bridgewater Township	2,061.719	1979.903	1,974.033	2,003.230	1,888.602
Duke Farms	0.443	0.532	0.772	0.903	0.865
Hillsborough Township	1,162.599	1125.146	1,182.710	1,166.980	1,083.504
Manville Borough	566.389	577.472	597.940	685.069	626.366
National Starch Company	13.178	15.731	16.551	17.068	18.315
Raritan Borough	451.205	475.072	458.235	425.628	399.169
Somerville Borough	783.044	790.670	755.233	824.500	726.157
Warren Township	297.606	304.450	287.845	314.074	312.429
Wyeth (American Home Products)	331.620	319.399	347.515	288.129	325.152
<b>TOTAL GALLONS</b>	<b>6,506.690</b>	<b>6,394.360</b>	<b>6,408.203</b>	<b>6,511.787</b>	<b>6,116.847</b>
Average Daily Flow (mgd)	17.827	17.519	17.557	17.841	16.758

Participant/ Customer	Charge in Dollars				
	2009	2008	2007	2006	2005
Branchburg Township	1,949,456	1,785,507	1,744,267	1,741,690	1,430,795
Bridgewater Township	4,791,147	4,386,099	4,373,096	4,437,775	3,670,034
Duke Farms	1,029	1,178	1,711	1,960	1,681
Hillsborough Township	2,701,717	2,492,547	2,620,069	2,585,222	2,105,523
Manville Borough	1,316,209	1,279,279	1,324,622	1,517,640	1,217,189
National Starch Company **	42,527	40,540	40,540	37,810	35,590
Raritan Borough	1,048,537	1,052,432	1,015,133	942,898	775,687
Somerville Borough	1,819,685	1,751,579	1,673,075	1,826,524	1,411,108
Warren Township	691,595	674,450	637,666	695,771	607,129
Wyeth (American Home Products)	770,638	707,568	769,853	638,295	631,854
<b>TOTAL \$</b>	<b>15,132,540</b>	<b>14,171,179</b>	<b>14,200,032</b>	<b>14,425,585</b>	<b>11,886,590</b>

\*\*National Starch 2007 & 2008 & 2009 \$ charged is "assured minimum"

CHARGE PER MILLION GALLONS	\$2,323.86	\$2,215.31	\$2,215.31	\$2,215.31	\$1,943.25
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# SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

## ACTUAL VS. ESTIMATED FLOWS AND CHARGES FOR 2009

Participant/Customer	Flow in Millions Gallons		Cumulative Difference (Actual - Estimated)
	Actual Flow	Estimated Flow	
Branchburg Township	838.887	799.008	39.879
Bridgewater Township	2,061.719	2,021.488	40.231
Duke Farms	0.443	0.736	(0.293)
Hillsborough Township	1,162.599	1,151.824	10.775
Manville Borough	566.389	621.788	(55.399)
National Starch Company	13.178	16.964	(3.786)
Raritan Borough	451.205	457.004	(5.799)
Somerville Borough	783.044	792.036	(8.992)
Warren Township	297.606	299.008	(1.402)
Wyeth (American Home Products)	331.620	333.244	(1.624)
	<u>6,506.690</u>	<u>6,493.100</u>	<u>13.590</u>

Participant/Customer	Charge in Dollars		Cumulative Difference (Actual - Estimated)
	Actual Charge	Estimated Charge	
Branchburg Township	\$ 1,949,456	\$ 1,856,784	\$ 92,672
Bridgewater Township	4,791,147	4,697,656	93,491
Duke Farms	1,029	1,712	(683)
Hillsborough Township	2,701,717	2,676,676	25,041
Manville Borough	1,316,209	1,444,948	(128,739)
National Starch Company*	42,527	39,420	3,107
Raritan Borough	1,048,537	1,062,012	(13,475)
Somerville Borough	1,819,685	1,840,580	(20,895)
Warren Township	691,595	694,852	(3,257)
Wyeth (American Home Products)	770,638	774,412	(3,774)
	<u>\$ 15,132,540</u>	<u>\$ 15,089,052</u>	<u>\$ 43,488</u>

\* Actual Charge Increased for Assured Minimum Charge

## Somerset Raritan Valley Sewerage Authority

### RATIO ANALYSIS INVOLVING LONG TERM DEBT

	December 31				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenue Bonds Payable	\$ 770,000	\$ 2,210,000	\$ 4,068,000	\$ 7,777,244	\$ 10,122,244
Loans Payable	\$ 29,867,205	26,645,243	29,467,762	16,979,010	19,402,382
<b>Total Long Term Debt</b>	<b>\$ 30,637,205</b>	<b>\$ 28,855,243</b>	<b>\$ 33,535,762</b>	<b>\$ 24,756,254</b>	<b>\$ 29,524,626</b>
 Cumulative Minimum Assured Billing (MAB)	 \$ 5,114,816	 \$ 4,875,897	 \$ 4,875,897	 \$ 4,875,897	 \$ 4,277,103
Percentage of Long Term Debt	16.69%	16.90%	14.54%	19.70%	14.49%
 Population of Municipal Participants*	 Not Available	 145,002	 144,393	 143,251	 142,057
Long Term Debt Per Capita	Not Available	\$ 199.00	\$ 232.25	\$ 172.82	\$ 207.84

### DEBT SERVICE COVERAGE

	December 31				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net Available Revenue for Debt Service**	\$ 16,502,291	\$ 15,180,239	\$ 15,651,897	\$ 16,360,611	\$ 13,403,703
Debt Service:					
Principal	\$ 4,460,201	4,161,313	4,573,261	4,447,108	4,234,530
Interest	\$ 819,646	901,503	1,002,668	1,163,347	1,343,135
<b>Total Debt Service</b>	<b>\$ 5,279,847</b>	<b>\$ 5,062,816</b>	<b>\$ 5,575,929</b>	<b>\$ 5,610,455</b>	<b>\$ 5,577,665</b>
Coverage Ratio (Net Available Revenue for Debt Service/Total Debt Service)	3.13	3.00	2.81	2.92	2.40

\* Source:

US Bureau of the Census, Population Division

\*\* Available revenue excludes connection fees and IPP Billing and Gain on Debt Retirement

**Somerset Raritan Valley Sewerage Authority**  
**DEMOGRAPHIC, ECONOMIC & OPERATING INFORMATION**  
**FOR SOMERSET COUNTY**

<u>Year</u>	<u>Population*</u>	<u>Per Capita Income*</u>	<u>Annual Rainfall**</u>	<u>Full Time Employees</u>
2000	297,490	57,257	42.30	Not Available
2001	302,400	55,687	34.63	Not Available
2002	306,547	55,315	43.46	Not Available
2003	309,590	56,025	58.80	Not Available
2004	312,797	59,562	48.44	Not Available
2005	315,620	62,018	45.40	48
2006	318,454	66,610	49.60	47
2007	321,751	70,949	50.50	47
2008	324,563	72,201	49.97	47
2009	326,869	Not Available	50.26	47

\*Statistical Data derived from U.S. Bureau of the Census & data are estimates and do not reflect the population served.

\*\*Statistical Data derived from National Weather Service (Rainfall # metric is inches)

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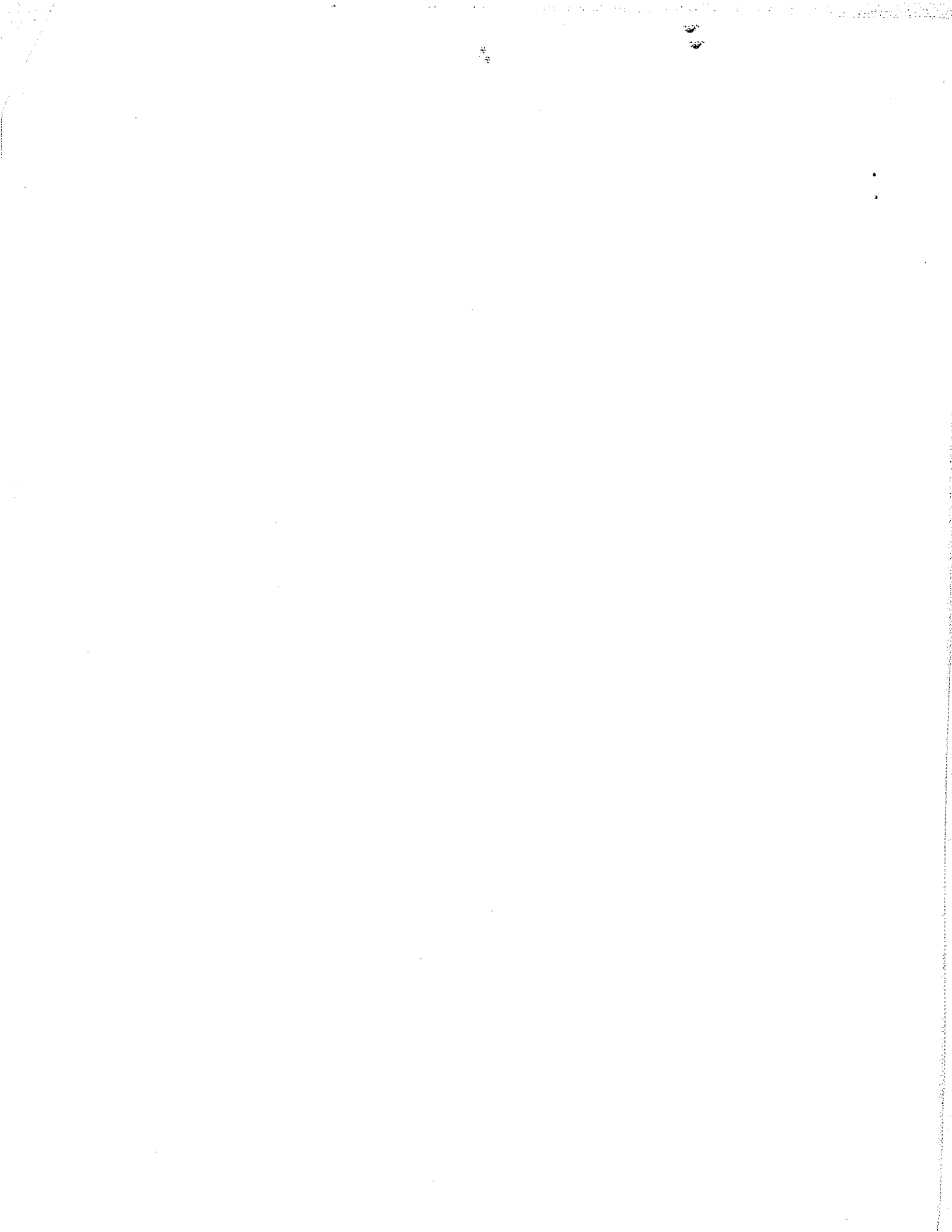
THE SOMERSET RARITAN VALLEY SEWERAGE AUTHORITY

DECEMBER 31, 2009

GENERAL COMMENTS AND RECOMMENDATIONS

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