

CUMBERLAND COUNTY UTILITIES AUTHORITY

AUDIT REPORT

YEAR ENDED DECEMBER 31, 2008



CUMBERLAND COUNTY UTILITIES AUTHORITY

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CUMBERLAND COUNTY UTILITIES AUTHORITY

AUDIT REPORT

YEAR ENDED DECEMBER 31, 2008

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INDEPENDENT AUDITORS' REPORT

Chairman and Commissioners of the
Cumberland County Utilities Authority
Bridgeton, New Jersey

We have audited the accompanying financial statements of the Cumberland County Utilities Authority as of and for the year ended December 31, 2008 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 audit provides 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 Cumberland County Utilities Authority as of December 31, 2008, and the changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2009 on our consideration of the Cumberland County Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 important for assessing the results of our audit.

Management's Discussion and Analysis as listed in the foregoing table of contents 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 inquires of management regarding the methods of measurement and presentation of the 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 Cumberland County Utilities Authority's basic financial statements. The information included in the supplementary schedules is not a required part of the financial statements, but is presented as additional analytical data. Such information has been subjected to the auditing procedures applied in the audit 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.

ROMANO, HEARING, TESTA & KNORR

A handwritten signature in cursive script that reads "Romano, Hearing, Testa & Knorr".

Certified Public Accountants

February 19, 2009

**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***

Chairman and Commissioners of the
Cumberland County Utilities Authority
Bridgeton, New Jersey

We have audited the financial statements of the Cumberland County Utilities Authority, as of and for the year ended December 31, 2008, and have issued our report thereon dated February 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Cumberland County Utilities Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cumberland County Utilities Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cumberland County Utilities 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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

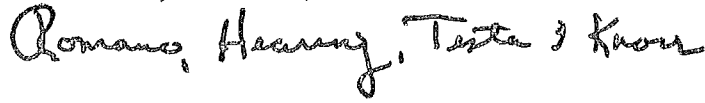
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any 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 Cumberland County Utilities 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Department of Community Affairs, State of New Jersey and which are described in the accompanying schedule of findings and recommendations as items 2008-1 and 2008-2.

This report is intended solely for the information and use of management and Commissioners of the Cumberland County Utilities Authority and the State of New Jersey Division of Local Government Services and is not intended to be, and should not be, used by anyone other than these specified parties.

ROMANO, HEARING, TESTA & KNORR

A handwritten signature in cursive script that reads "Romano, Hearing, Testa & Knorr".

Certified Public Accountants

February 19, 2009

REQUIRED SUPPLEMENTARY INFORMATION

Cumberland County Utilities Authority

333 Water Street; Bridgeton, New Jersey 08302

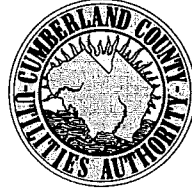
856-455-7120

856-459-0470 fax

www.ccuu.info

Commissioners:

Nancy L. Sungenis
Chairwoman
Donald L. Olbrich, Sr.
Vice-Chairman
Sameer Boutros
Angelia L. Edwards
R. Todd Edwards
Harvey L. Friedman
C. Kenneth Hill
Albert Jones
Keith I. Wasserman



Thelma D. Scott
Secretary
James F. Quinn
Treasurer
Robert J. O'Donnell
General Counsel
Robert E. Widdifield
Executive Director
Adams, Rehmann & Heggan
Consulting Engineers
Romano, Hearing, Testa & Knorr
Auditors

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Cumberland County Utilities Authority's (the Authority) annual financial report presents the analysis of the Authority's overall financial position and results of operation for the year that ended on December 31, 2008. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Authority's Net Capital Assets increased by \$164,000, an increase of 0.96%.
- The Authority's Total Assets decreased by \$1,466,000 a decrease of 5.54%.
- During the year, the Authority's operating revenues increased by \$123,000 to \$4.96 million, a 2.54% increase, and operating expenses increased by \$159,000 to \$5.30 million, a 3.10% increase.
- The Authority's Net Assets decreased by \$374,000, a 2.66% decrease.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority is a single enterprise fund. The Authority's Audit Report includes the required Basic Financial Statements, as described below, the Notes to Financial Statements, required supplementary information, which consists of this Management Discussion and Analysis and finally, supplementary information.

REQUIRED FINANCIAL STATEMENTS

The financial statements report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities.

The *Balance Sheet* includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its wastewater treatment user fees and other charges. This statement also measures the Authority's profitability and credit worthiness. The other required financial statement is the *Statement of Cash Flows*. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities, and provides answers to such questions as "where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period?"

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

One of the most important questions asked about the Authority's finances is "Is the Authority, as a whole, better off or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses, and Net Assets report information about the Authority's activities in a way that will help answer this question. These two statements report the net assets of the Authority, and changes in them. You can think of the Authority's net assets – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

The Authority's total net assets decreased from last year by \$374,000. The analysis below focuses on the Authority's net assets (Table 1) and changes in net assets (Table 2) during the year.

Table 1
Net Assets
(Dollars in Thousands)

	<u>2008</u>	<u>2007</u>	Increase (Decrease) \$	Increase - Decrease %
Current Assets	\$ 1,871	\$ 2,261	\$ (390)	-17.25%
Noncurrent Assets	23,125	24,201	(1,076)	-4.45%
Total Assets	<u>\$ 24,996</u>	<u>\$ 26,462</u>	<u>\$ (1,466)</u>	-5.54%
Current Liabilities	\$ 784	\$ 807	\$ (23)	-2.85%
Current Liabilities Payable				
From Restricted Assets	1,288	1,439	(151)	-10.49%
Long-Term Liabilities	9,217	10,135	(918)	-9.06%
Total Liabilities	<u>\$ 11,289</u>	<u>\$ 12,381</u>	<u>\$ (1,092)</u>	-8.82%
Invested in Capital Assets				
Net of Related Debt	\$ 8,720	\$ 8,793	\$ (73)	-0.83%
Restricted Net Assets	1,555	1,528	27	1.77%
Unrestricted Net Assets	3,432	3,760	(328)	-8.72%
Total Net Assets	<u>\$ 13,707</u>	<u>\$ 14,081</u>	<u>\$ (374)</u>	-2.66%

The decrease in current assets is primarily the net result of decreases in cash and cash equivalents, inventories and certain receivables.

The decrease in noncurrent assets is the net result of decreases in cash and cash equivalents and receivables and increases in investments and net capital assets.

The decrease in current liabilities payable from unrestricted assets is the net result of decreases in accounts payable, unearned revenues and due to restricted assets, with an increase in accrued liabilities. The decrease in current liabilities payable from restricted assets is the net result of decreases in construction related payables, deferred compensation due employees and accrued interest payable on bonds and loans, with an increase in the current portion of revenue bonds and loans payable.

The decrease in long-term liabilities is the net effect of a decrease in principal maturities on revenue bonds payable and the New Jersey Environmental Infrastructure Trust Loans payable together with an increase in accrued compensated absences.

Changes in the Authority's net assets can be determined by reviewing the following condensed Statement of Revenues, Expenses, and Changes in Net Assets for the year.

Table 2
Statement of Revenues, Expense and Changes in Net Assets
(Dollars in Thousands)

	<u>2008</u>	<u>2007</u>	Increase (Decrease) \$	Increase - Decrease %
Operating Revenues				
Treatment Fees	\$ 4,658	\$ 4,501	\$ 157	3.49%
Septage Fees	185	226	(41)	-18.14%
Other Operating	122	115	7	6.09%
Nonoperating Revenues	<u>507</u>	<u>486</u>	<u>21</u>	<u>4.32%</u>
Total Revenues	<u>\$ 5,472</u>	<u>\$ 5,328</u>	<u>\$ 144</u>	<u>2.70%</u>
Operating Expenses				
Cost of Providing Services	\$ 3,303	\$ 3,165	\$ 138	4.36%
Administrative and General	1,013	1,055	(42)	-3.98%
Depreciation	991	928	63	6.79%
Non Operating Expense				
Interest and Amortization	<u>538</u>	<u>514</u>	<u>24</u>	<u>4.67%</u>
Total Expenses	<u>\$ 5,845</u>	<u>\$ 5,662</u>	<u>\$ 183</u>	<u>3.23%</u>
Income (Loss) Before Capital Contrib.	\$ (373)	\$ (334)	\$ (39)	-11.68%
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>(373)</u>	<u>(334)</u>	<u>(39)</u>	<u>-11.68%</u>
Beginning Net Assets	<u>14,081</u>	<u>14,415</u>	<u>(334)</u>	<u>-2.32%</u>
Ending Net Assets	<u>\$ 13,708</u>	<u>\$ 14,081</u>	<u>\$ (373)</u>	<u>-2.65%</u>

REVENUES

The Authority's total revenues are approximately \$5.472 million for the year ended December 31, 2008. Treatment Fees were \$4.658 million accounting for 85% of total revenue. Operating expenses include cost of providing services, which totaled \$3.303 million, a 4.36% increase and Administrative and General of \$1.013 million, a 3.98% decrease.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 2008, the Authority had \$17.253 million invested in a broad range of capital assets. More detailed information about capital assets can be found in Note 5 to the financial statements. Total depreciation expense for the year was \$0.991 million.

The following tables summarize the Authority's capital assets, net of accumulated depreciation, and changes therein, for the year ended December 31, 2008.

Table 3
Capital Assets, Net of Accumulated Depreciation
(Dollars in Thousands)

	<u>2008</u>	<u>2007</u>	Increase (Decrease) \$	Increase - Decrease %
Land	\$ 1,135	\$ 1,135	\$ -	0.00%
Land Improvements	108	129	(21)	-16.28%
Treatment Plant and Facilities	10,854	10,743	111	1.03%
Pumping Stations and Interceptors	2,849	2,642	207	7.83%
Machinery and Equipment	1,816	1,952	(136)	-6.97%
Vehicles	446	150	296	197.33%
Office Equipment	41	15	26	173.33%
Construction in Progress	4	323	(319)	-98.76%
Total	<u>\$ 17,253</u>	<u>\$ 17,089</u>	<u>\$ 164</u>	0.96%

This year's additions (in thousands) include:

Land, Treatment Plant and Facilities.....	\$ 650
Machinery, Equipment and Vehicles.....	401
Pumping Stations and Interceptors.....	423

The Authority's FY 2009 capital budget plans for investing another \$208,000 in capital projects, including the following (in thousands):

Motor /Pump Replacement.....	\$50
Truck, Vehicles, Tankers.....	10
Buildings and Grounds.....	142
DW Roof/Repairs.....	<u>6</u>
TOTAL	<u>\$208</u>

The Authority plans on funding those capital projects using \$58,500 from year 2009 revenue and \$150,000 from Plant Reconstruction and Replacement funds.

Debt Administration

At December 31, 2008, the Authority had several outstanding bond issues and loans payable in the amount of \$10,454,491 that will mature in various amounts through the year 2022 with interest rates ranging from 3.5% to 5.5%. The Authority also has accrued compensated absences in the amount of \$60,000. More detailed information about long-term liabilities can be found in Note 8 to the financial statements.

NEXT YEAR'S BUDGETS AND RATES

It has been the philosophy of the Authority to utilize Unrestricted Net Assets as a tool to stabilize user rates. In recent years, in an effort to maintain an adequate level of Unrestricted Net Assets, the Authority has found it necessary to increase our user rates to reduce reliance on Unrestricted Net Assets to supplement the budget. The 2009 budget reflects an 8% increase in Sewerage Treatment Fees to the Users. The Connection Fees increased \$40 in the 2009 Budget to \$1,290/DCU. In an effort to become more competitive and increase the number of gallons hauled to CUA Septage Fees are scheduled to decrease 1 cent per gallon to 5 cents. In order to cover a greater portion of the Industrial Pretreatment Program permit fees increased by \$1,000 to \$3,500. Increases in the overall revenues from these sources will help to reduce reliance on Unrestricted Net Assets.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Authority's customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Authority's Executive Director at the Cumberland County Utilities Authority, 333 Water Street, Bridgeton, NJ 08302.

BASIC FINANCIAL STATEMENTS

**CUMBERLAND COUNTY UTILITIES AUTHORITY
BALANCE SHEET
DECEMBER 31, 2008**

ASSETS**CURRENT ASSETS - UNRESTRICTED:**

Cash and Cash Equivalents	\$ 1,833,111
Accounts Receivable (Less Allowance of \$1,515)	13,664
Other Receivable	2,500
Inventory	<u>22,172</u>

Total Current Assets - Unrestricted 1,871,447

NONCURRENT ASSETS:

Restricted:

Accounts Required by the Authority's Bond Resolutions:

Cash and Cash Equivalents	463,423
Investments	2,258,074
Interest Receivable	11,088
Other Restricted Accounts:	
Cash and Cash Equivalents	220,299
Investments	2,139,968
Interest Receivable	11,100
Due from Unrestricted Assets	487,093
Deferred Compensation Benefit Investments	<u>125,831</u>

Total Restricted Assets 5,716,876

Unamortized Debt Issue Costs	153,934
Capital Assets, Net	<u>17,253,895</u>

Total Noncurrent Assets 23,124,705

TOTAL ASSETS \$ 24,996,152

**CUMBERLAND COUNTY UTILITIES AUTHORITY
BALANCE SHEET
DECEMBER 31, 2008**

LIABILITIES AND NET ASSETS**CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:**

Accounts Payable - Operations	\$ 133,878
Accrued Liabilities	162,995
Due to Restricted Assets	487,093

Total Current Liabilities Payable From Unrestricted Assets	<u>783,966</u>
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CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:

Restricted Accounts Payable	2,574
Construction Accounts Payable	31,298
Retainage Payable	5,713
Sewer Revenue Bonds Payable - Current Portion	905,000
New Jersey Environmental Infrastructure Trust Loans Payable - Current Portion	90,393
Sensor Escrow	4,800
Accrued Interest Payable - Bonds and Loans	122,428
Deferred Compensation Benefit Due Employees	125,831

Total Current Liabilities Payable From Restricted Assets	<u>1,288,037</u>
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LONG-TERM LIABILITIES:

Sewer Revenue Bonds Payable - Non Current Portion	7,814,850
New Jersey Environmental Infrastructure Trust Loans Payable - Non Current Portion	1,342,039
Accrued Compensated Absences	59,975

Total Long-Term Liabilities	<u>9,216,864</u>
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Total Liabilities	<u>11,288,867</u>
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NET ASSETS:

Invested in Capital Assets, Net of Related Debt	8,720,388
Restricted:	
Current Debt Service	664,878
Future Debt Service	132,486
Renewal and Replacement	600,000
Construction	157,460
Unrestricted	3,432,073

Total Net Assets	<u>13,707,285</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 24,996,152</u></u>
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CUMBERLAND COUNTY UTILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2008

OPERATING REVENUE:	
Treatment Fees	\$ 4,658,329
Septage Fees	184,721
Service Fees	28,562
Lab Fees	653
Interest Income	14,898
Finance Charges	1,358
Industrial Pretreatment Program Revenue	56,500
Other Operating Income	<u>20,535</u>
Total Operating Revenue	<u>4,965,556</u>
OPERATING EXPENSES:	
Cost of Providing Services	3,303,588
Administrative and General	1,013,654
Depreciation	<u>990,804</u>
Total Operating Expenses	<u>5,308,046</u>
OPERATING LOSS	<u>(342,490)</u>
NON-OPERATING REVENUE (EXPENSES):	
Connection Fees	315,125
Interest Income	158,345
Interest Expense	(485,138)
Amortization of Debt Issue Costs	(52,783)
Increase in Fair Value of Investments	<u>33,549</u>
Total Non-Operating Revenue (Expenses)	<u>(30,902)</u>
CHANGE IN NET ASSETS	(373,392)
TOTAL NET ASSETS-BEGINNING	<u>14,080,677</u>
TOTAL NET ASSETS-ENDING	<u>\$ 13,707,285</u>

See Accompanying Notes to Financial Statements

**CUMBERLAND COUNTY UTILITIES AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2008**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers and Users	\$ 4,906,839
Cash Payments to Suppliers for Goods and Services	(1,676,684)
Cash Payments for Employee Services	(2,618,538)
Other Receipts (Payments)	<u>54,433</u>
Net Cash Provided by Operating Activities	<u>666,050</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and Construction of Capital Assets	(1,202,032)
Connection Fees Received	315,125
Proceeds from Sale of Fixed Assets	-
Principal Paid on Bonds	(875,000)
Principal Paid on Loans Payable	(91,822)
Interest Paid on Bonds and Loans	<u>(423,787)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(2,277,516)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Investment Securities	(4,378,640)
Proceeds from Sale and Maturities of Investment Securities	4,257,000
Interest Received on Non-Operating Investments	<u>194,439</u>
Net Cash Provided by Investing Activities	<u>72,799</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,538,667)
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	<u>4,055,500</u>
CASH AND CASH EQUIVALENTS-END OF YEAR	<u>\$ 2,516,833</u>

See Accompanying Notes to Financial Statements

**CUMBERLAND COUNTY UTILITIES AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2008**

**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating Loss	<u>\$ (342,490)</u>
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	990,804
Increase (Decrease) in Cash Resulting From Changes in:	
Accounts Receivable	5,082
Other Receivable - Operations	(2,500)
Inventory	10,315
Accounts Payable - Non Capital	(20,591)
Other Payables	(3,265)
Accrued Liabilities	32,593
Unearned Permit Fees	(5,000)
Sensor Escrow	100
Accrued Compensated Absences	<u>1,002</u>
Total Adjustments	<u>1,008,540</u>
Net Cash Provided by Operating Activities	<u><u>\$ 666,050</u></u>

See Accompanying Notes to Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 GENERAL

The Cumberland County Utilities Authority (formerly the Cumberland County Sewerage Authority) is a corporate public body originally created by resolution of the Board of Chosen Freeholders of Cumberland County adopted November 11, 1971, under Chapter 123 of the Laws of 1946 of the State of New Jersey and reorganized on April 13, 1978 under P.L. 1977 Chapter 384. The commissioners of the Authority are appointed by the Board of Chosen Freeholders of Cumberland County and therefore, the Authority is a related organization of the County as defined by Governmental Accounting Standards Board Statement No. 14, but not a component unit of the County. The Authority does not have any component units for which it is accountable.

The Authority is authorized to design, finance, construct, acquire, maintain, and operate a district sewer system for the purpose of relief of waters in or bordering within the county from pollution or threatened pollution from causes arising within Cumberland County.

As a public body, under existing statute the Authority is exempt from both federal and state taxes.

Service Contracts

The Authority has entered into Service Contracts (the "Contracts") with the City of Bridgeton, the Township of Upper Deerfield, the Township of Hopewell, TIP'S Trailer Park Corporation, located in Fairfield Township, the County of Cumberland, the Cumberland County Improvement Authority, the Cumberland County Technical Education Center, the Township of Deerfield, the Township of Fairfield and the United States Government (for the federal correctional institution) (the "Participants"). The Township of Deerfield has not delivered any flows to the Authority through December 31, 2008 and therefore, has not been required to pay any service charges. The Contracts provide, among other things, for the payment of service charges by the Participants to the Authority in return for their usage of the System and the Authority's construction, operation and maintenance of the System.

The Authority is obligated under the Contracts to charge rates sufficient to provide for all expenses of operation, maintenance and repair of the System, the payment of the principal of and interest on any bonds or obligations issued or to be issued and maintenance of such reserves or sinking funds for any of the foregoing purposes as may be required by the terms of any Contract or other obligation of the Authority.

Each Participant's obligation is limited to payment of rates and charges made by the Authority for the disposal of sewage delivered by such Participant to the System. Such Participant is not responsible for payments which are charged to but not paid by any other Participants.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies:

A. Basis of Presentation

The accounts of the Authority are an enterprise fund. An enterprise fund is a Proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or the change in net assets is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

The accompanying financial statements are reported using the “economic resources measurement focus,” and the “accrual basis of accounting.” Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Authority are treatment fees and septage fees. The Authority also recognizes interest earned on operating funds, service fees, lab fees, finance charges, industrial pretreatment program revenues and miscellaneous operating income as operating revenue. Operating expenses include cost of providing services, administrative and general expenses and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

C. Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. The budget must be introduced by the governing body at least 60 days prior to the end of the current fiscal year, and adopted no later than the beginning of the Authority’s fiscal year. The budget is adopted on the accrual basis of accounting with provisions for cash payments

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Budgets and Budgetary Accounting (Continued)

for bond principal. Depreciation and amortization expense are not included as budget appropriations. The Authority may make budget transfers and amendments at any time, which must be approved by resolution of the Authority and by the State of New Jersey Division of Local Government Services if the legal level line items are affected. Detailed line item transfers not affecting the legal level line items may be made by management at any time. There are no statutory provisions that budgetary line items not be over-expended.

D. Grants

Contributions received from various sources as grants are recorded in the period earned. Developer financed construction is recorded in the period in which applicable construction costs are incurred. Donated assets are recorded at fair market value at the date of the gift. Grants not externally restricted and utilized to finance operations are identified as non-operating revenue.

Grants externally restricted for non-operating purposes are recorded as capital contributions.

E. Accounts Receivable

The Authority has provided for doubtful accounts by the allowance method. The allowance for doubtful accounts is based upon management's estimate of potentially uncollectible accounts.

F. Capital Assets

Capital assets, which consist of property, plant and equipment, are stated at cost which includes direct construction costs and other expenditures related to construction.

Capital assets are defined by the Authority as assets with an initial, individual cost of \$3,000 or more and an estimated useful life in excess of two years.

System construction costs are charged to construction in progress until such time as given segments of the system are completed and put into operation. Construction in Progress includes interest expense incurred during construction and amortization of debt issue costs incurred to finance the project. The Authority reduces the capitalized project costs by the amount of interest earned from the investment of project funds and amortization of the premium received in connection with the issuance of debt; which have the effect of reducing the cost of borrowing.

Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

Treatment plant and facilities	5 - 50 years
Pumping stations, interceptors and improvements	15 - 40 years
Machinery and equipment	2 - 20 years
Office furniture	5 - 10 years
Vehicles	5 - 15 years

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Required by the General Bond Resolution

In accordance with the General Bond Resolution, the Authority has established the following cash and investment accounts for the deposit, in the priority of the order listed, of all revenue received by the Authority:

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted if any</u>
Revenue	All revenue received by the Authority.	Transfers to the various accounts described below.
Operating	Amount to be required for operating expenses for the quarter.	To pay reasonable and necessary operating expenses in accordance with the annual budget.
Bond Service (Current Debt Service)	An amount equal to (1) any unpaid interest due on outstanding bonds, plus the interest to become due on all outstanding bonds on the interest payment date next ensuing and (2) the principal amount of any unpaid bonds then matured, plus the principal amount of outstanding bonds, if any, maturing on the principal maturity date next ensuing.	Principal and interest on the Bonds.
Bond Reserve (Future Debt Service)	An amount equal to the largest of the amount of maturing principal of and interest on all bonds outstanding at such date which will become due and payable in the then current or any future fiscal year.	Transfers to meet minimum levels in the Bond Service Fund. Any excess is to be withdrawn by the trustee and credited to the Revenue Fund.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Required by the General Bond Resolution (Continued)

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted if any</u>
Renewal and Replacement	An amount deemed reasonably necessary for costs and expenses, with respect to the system, of reconstruction or of required replacements, renewals, major repairs or maintenance items of a non-recurring nature.	Transfers to the Bond Service Fund if necessary to meet the minimum requirements, or payment, if any, of the necessary costs and expenses of reconstruction, replacements, renewals, major repairs or maintenance items of a non-recurring nature.
Construction	Proceeds from the sale of bonds, government grants with respect to the initial project and any amount for the project directed into the fund by the Authority.	Costs of construction of the project or costs of replacements, renewals, major repairs or non-recurring maintenance.
General	Funds remaining in the Construction Fund after a project has been completed and all construction costs have been paid and the balance of revenues remaining after making the necessary transfers to the foregoing accounts.	May be applied to any purpose.

In addition to the accounts required by the General Bond Resolution, the Authority has also established the following restricted accounts:

Plant Reconstruction or Replacement account reserved for the future reconstruction or replacement of the Sewerage Treatment Facility or components thereof.

Sensor Escrow account consisting of funds collected from septage haulers as a deposit on a gate opening sensor mechanism issued to the haulers.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Unamortized Debt Issue Costs

Deferred debt issue costs incurred with the Series 1999 Bond Issue are being amortized over the life of the issue using the interest method. Accumulated amortization as of December 31, 2008 is \$112,497.

Deferred debt issue costs incurred with the Series 2001A Bond Issue, which was partially refunded in 2006, were being amortized over the life of the issue based upon the interest method. During 2006 the unamortized debt issue costs in the amount of \$42,877 were utilized in the computation of the deferred amount on refunding. Accumulated amortization for the debt issue costs remaining after the refunding as of December 31, 2008 is \$48,682.

Deferred debt issue costs incurred with the Series 2001B Bond Issue are being amortized over the life of the issue using the interest method. Accumulated amortization as of December 31, 2008 is \$2,835.

Deferred debt issue costs incurred with the Series 2006A Bond Issue are being amortized over the life of the issue based upon the interest method. Accumulated amortization as of December 31, 2008 is \$37,645.

Deferred debt issue costs incurred with the Series 2006B Bond Issue are being amortized over the life of the issue based upon the interest method. Amortization of \$13,012 is expensed to amortization of debt issue costs, while amortization of \$985 is reflected as a component of construction in progress. Accumulated amortization as of December 31, 2008 is \$39,123.

I. Unamortized Original Issue Discount and Amortization of Original Issue Discount

Unamortized original issue discount resulting from the issuance of the Series 1999 bonds is being amortized over the life of the issue based upon the interest method and is reflected in the financial statements as a reduction of the related debt. Accumulated amortization as of December 31, 2008 is \$16,124. Amortization of \$997 is reflected as a component of interest expense for 2008.

Unamortized original issue discount resulting from the issuance of the Series 2006B bonds is being amortized over the life of the issue based upon the interest method and is reflected in the financial statements as a reduction of the related debt. Accumulated amortization as of December 31, 2008 is \$3,013. Amortization of \$1,078 is reflected as a component of interest expense for 2008.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Unamortized Deferred Amount on Refunding and Amortization of Deferred Amount on Refunding

The unamortized deferred amount on refunding resulting from the 1999 refunding of the Series 1992 Bonds is being amortized over the life of the 1999 issue based upon the interest method and is reflected in the financial statements as a reduction of the related debt. Accumulated amortization as of December 31, 2008 is \$312,645. Amortization of \$19,325 is reflected as a component of interest expense for 2008.

The unamortized deferred amount on refunding resulting from the 2006 refunding of the Series 1997 issue and Series 2001A issue is being amortized over the remaining life of the old debt or the new debt (2006A issue) whichever is shorter based upon the interest method and is reflected in the financial statements as a reduction of the related debt. Accumulated amortization as of December 31, 2008 is \$174,681. Amortization of \$62,823 is reflected as a component of interest expense for 2008.

K. Unamortized Premium and Amortization of Premium

The unamortized premium received in connection with the issuance of the New Jersey Environmental Infrastructure Trust Loans – Series 2001B is being amortized over the life of the issue based upon the interest method and is reflected in the financial statements as an addition to the related debt. Accumulated amortization as of December 31, 2008 is \$27,719. Amortization of \$3,353 is reflected as a component of interest expense for 2008.

The unamortized premium received in connection with the issuance of the Series 2006A Bonds is being amortized over the life of the issue based upon the interest method and is reflected in the financial statements as an addition to the related debt. Accumulated amortization as of December 31, 2008 is \$13,074. Amortization of \$4,702 is reflected as a component of interest expense for 2008.

L. Inventory

Inventory consists principally of chemicals and supplies used in the treatment process and is stated at cost determined on a first-in, first-out basis.

M. Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase. Investments are stated at fair value.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to adopt a cash management plan and to deposit and/or invest its funds pursuant to that plan. The governing body of the Authority has adopted a cash management plan (“the plan”) and, as required, approves the plan annually. The plan includes the designation of the public depositories to be utilized by the Authority to deposit public funds.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Cash, Cash Equivalents and Investments (Continued)

Eligible depositories are defined in section 1 of P.L. 1970, c.236 (C. 17.9-41) and are limited to banks or trust companies having their place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or with the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey governments and their component units.

N.J.S.A. 17:9-41 et. seq., which establishes the requirements for the security of deposits of governmental units, requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in the State of New Jersey or state or federally chartered banks, savings banks or associations located in another state with a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least five percent (5%) of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

The cash management plan adopted by the Cumberland County Utilities Authority requires it to deposit funds in public depositories protected from loss under the provisions of GUDPA.

N. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. The estimates and assumptions affect the amounts reported in the financial statements. The actual results may differ from these estimates.

NOTE 3 CASH AND CASH EQUIVALENTS

At December 31, 2008 the carrying amount and bank balance of the Authority's time and demand deposits were \$284,924 and \$338,892, respectively. All of the time and demand deposits were covered by either federal deposit insurance or by the Governmental Unit Deposit Protection Act (GUDPA).

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. Although the Authority does not have a formal policy regarding custodial credit risk, as described in Note 1, N.J.S.A. 17:41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. As of December 31, 2008, all of the Authority's bank balance of \$338,892 was insured or collateralized.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

In addition to the bank deposits described above, the Authority also had \$2,231,894 invested in a government money market fund which is not covered by federal deposit insurance or by GUDPA, but which invests exclusively in general obligations issued by the U.S. Government and backed by its full faith and credit and which carries a credit rating of AAA.

At December 31, 2008 the Authority had \$15 invested in the New Jersey Cash Management Fund (“the Fund”) which is not covered by either federal deposit insurance or by GUDPA. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above.

NOTE 4 INVESTMENTS

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty’s trust department or agent but not in the Authority’s name. All of the Authority’s \$4,398,042 investments in U.S. Treasury obligations and agencies are held in the name of the counterparty, not in the name of the Authority.

Interest Rate Risk- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. 40A:5-15.1 limits the investments that the Authority may purchase in order to limit the exposure of governmental units to credit risk. The Authority’s Cash Management Plan also limits its investment choices to those permitted by N.J.S.A. 40A:5-15.1.

Concentration of Credit Risk – The Authority does not place a limit on the amount that may be invested in any one issuer. Forty-two percent (42%) of the Authority’s investments are in U.S. Treasury Bills, thirty-four percent (34%) are in Federal Home Loan Bank (F.H.L.B.) Bonds, twenty-one percent (21%) are in U.S. Treasury Notes, and three percent (3%) are in Federal Farm Credit Bank (F.F.C.B.) Bonds.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

NOTE 4 INVESTMENTS (CONTINUED)

As of December 31, 2008, the Authority had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Fair Value</u>
U.S. Treasury Notes	2/15/2009	N/A	\$ 179,644
U.S. Treasury Notes	1/31/2010	N/A	137,516
U.S. Treasury Notes	4/30/2010	N/A	317,508
U.S. Treasury Notes	9/30/2010	N/A	307,641
U.S. Treasury Bills	2/26/2009	N/A	249,655
U.S. Treasury Bills	3/26/2009	N/A	224,145
U.S. Treasury Bills	6/4/2009	N/A	54,638
U.S. Treasury Bills	9/24/2009	N/A	248,884
U.S. Treasury Bills	10/22/2009	N/A	437,694
U.S. Treasury Bills	11/19/2009	N/A	627,900
F.F.C.B. Bonds	2/13/2009	AAA	125,312
F.H.L.B. Bonds	2/19/2009	AAA	401,124
F.H.L.B. Bonds	3/11/2009	AAA	501,720
F.H.L.B. Bonds	3/27/2009	AAA	180,816
F.H.L.B. Bonds	4/1/2009	AAA	200,938
F.H.L.B. Bonds	8/11/2009	AAA	<u>202,907</u>
			<u>\$ 4,398,042</u>

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

	<u>Balance January 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2008</u>
Non-Depreciable Capital Assets:				
Land	\$ 1,135,342	\$	\$	\$ 1,135,342
Construction in Progress	<u>323,370</u>	<u>1,068,919</u>	<u>(1,388,110)</u>	<u>4,179</u>
Total Non-Depreciable Capital Assets	<u>1,458,712</u>	<u>1,068,919</u>	<u>(1,388,110)</u>	<u>1,139,521</u>
Depreciable Capital Assets:				
Land Improvements	422,564			422,564
Treatment Plant	22,494,457	650,981		23,145,438
Pumping Stations and Interceptors	5,914,820	422,508		6,337,328
Machinery and Equipment	3,476,212	41,225		3,517,437
Vehicles	731,913	328,276		1,060,189
Office Equipment	<u>148,550</u>	<u>31,276</u>		<u>179,826</u>
Total Depreciable Capital Assets (Carried Forward)	<u>33,188,516</u>	<u>1,474,266</u>	<u>-</u>	<u>34,662,782</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

NOTE 5 CAPITAL ASSETS (CONTINUED)

	<u>Balance January 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2008</u>
Total Depreciable Capital Assets (Brought Forward)	<u>33,188,516</u>	<u>1,474,266</u>	<u>-</u>	<u>34,662,782</u>
Less: Accumulated Depreciation:				
Land Improvements	293,182	21,128		314,310
Treatment Plant	11,752,567	538,751		12,291,318
Pumping Stations and Interceptors	3,272,864	215,108		3,487,972
Machinery and Equipment	1,524,060	177,838		1,701,898
Vehicles	581,680	32,261		613,941
Office Equipment	<u>133,251</u>	<u>5,718</u>		<u>138,969</u>
	<u>17,557,604</u>	<u>990,804</u>	<u>-</u>	<u>18,548,408</u>
Depreciable Capital Assets, Net	<u>15,630,912</u>	<u>483,462</u>	<u>-</u>	<u>16,114,374</u>
Total Capital Assets, Net	<u>\$ 17,089,624</u>	<u>\$ 1,552,381</u>	<u>(\$1,388,110)</u>	<u>\$ 17,253,895</u>

NOTE 6 PENSIONS

Substantially all of the Authority's employees participate in the Public Employees' Retirement System (the System) which is administered and/or regulated by the New Jersey Division of Pensions and Benefits. The System's Board of Trustees is primarily responsible for the administration of the System.

The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P. O. Box 295
Trenton, New Jersey 08625-0295

The State of New Jersey Public Employees' Retirement System is a cost-sharing multiple-employer contributory defined benefit plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The System's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the System is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008**

NOTE 6 PENSIONS (CONTINUED)

The System provides specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members currently contribute at a uniform rate of 5% of their annual covered salary. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

The State of New Jersey's contribution also includes funding for the cost of medical premiums after retirement for qualified retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits are funded on a pay-as-you-go basis plus an additional contribution that will ensure an increase in the Post-Retirement Medical Reserve Fund equal to ½ of 1% of the salary of active state employees.

Legislation passed in 2003 (Chapter 108, P.L. 2003), provided that the State Treasurer will reduce local employer PERS normal and accrued liability contributions to be a percentage of the amount certified annually by the PERS as follows: 20% for payments due in State fiscal year 2005; not more than 40% in fiscal year 2007; not more than 60% in fiscal year 2007; and not more than 80% in fiscal year 2008.

For 2008 the Authority had \$109,524 in annual pension cost and required contributions.

Three Year Trend Information for PERS

<u>Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/08	\$ 109,524	100%	\$ 109,524
12/31/07	71,442	100%	71,442
12/31/06	39,125	100%	39,125

NOTE 7 AMOUNTS REQUIRED BY BOND RESOLUTION

The following cash and investment accounts are required by the General Bond Resolution:

	<u>Bond Service Fund</u>	<u>Bond Reserve Fund</u>
Cash and Investments	\$ 300,540	\$ 1,419,887
Required Amount	<u>787,307</u>	<u>1,400,880</u>
	(<u>\$ 486,767</u>)*	<u>\$ 19,007</u>

* Result of timing differences – additions were made in January 2009.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

NOTE 8 LONG-TERM LIABILITIES

A. Bonds Payable

In 1999, the Authority issued its Sewer Revenue Refunding Bonds (Series 1999), in the principal amount of \$3,295,000. The Bonds were issued to provide funds which, together with other moneys of the Authority, were used to (i) advance refund the Authority's Sewer Revenue Bonds (Series 1992) then outstanding in the aggregate principal amount of \$3,170,000, (ii) fund a Bond Reserve Fund, and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds including the premium for a municipal bond insurance policy. The outstanding balance of the Series 1999 Bonds consists of serial bonds that mature in various amounts ranging from \$280,000 to \$305,000 with interest rates ranging from 4.25% to 4.50% from 2009 to 2012.

In 2001, the Authority issued its Sewer Revenue Bonds (Series 2001A), in the principal amount of \$1,200,000. The Bonds were issued to provide funds which, together with other moneys of the Authority, were used to (i) currently refund a \$3,000,000 principal amount of Project Notes (Series 2000) of the Authority, dated September 1, 2000 and maturing January 1, 2002, (ii) fund a Bond Reserve Fund, and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds. The Series 2001A Bonds maturing in the years 2011 through 2017 in the aggregate principal amount of \$810,000 were advance refunded with the issuance of the Series 2006A Sewer Revenue Refunding Bonds. The remaining outstanding balance of the Series 2001A Bonds consists of \$105,000 of term bonds with an original maturity date of December 1, 2021 which are subject to mandatory sinking fund redemptions of \$50,000 in 2009 and \$55,000 in 2010 bearing interest at a rate of 5.40%.

In April 2006, the Authority issued its Sewer Revenue Refunding Bonds (Series 2006A), in the principal amount of \$6,055,000. The proceeds derived from the issuance and sale of the Bonds were used to (i) advance refund the \$5,020,000 aggregate principal amount of Sewer Revenue Refunding Bonds, Series 1997, originally issued in the aggregate principal amount of \$7,915,000, dated September 1, 1997 and maturing on March 1 in each of the years 2009 through 2017, inclusive, (ii) advance refund \$810,000 aggregate principal amount of Sewer Revenue Bonds, Series 2001A, originally issued in the aggregate principal amount of \$1,200,000, dated November 15, 2001 and maturing on December 1 in each of the years 2011 through 2021, inclusive and (iii) pay the costs and expenses associated with the issuance of the Bonds.

The Series 2006A Bonds maturing on or before March 1, 2016 are not subject to redemption prior to their state maturities. The Bonds maturing on or after March 1, 2017 shall be redeemable at the option of the Authority in whole or in part at any time on any date on or after March 1, 2016, at par, plus in each case accrued interest to the date fixed for redemption.

The outstanding balance of the Series 2006A Bonds consist of serial bonds that mature in various amounts ranging from \$445,000 to \$710,000 with interest rates ranging from 3.50% to 4.00% from 2009 to 2017 and a term bond due in 2021 in the principal amount of \$310,000 with an interest rate of 4.00%.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

In April 2006, the Authority issued its Sewer Revenue Bonds (Series 2006B), in the principal amount of \$2,430,000. The proceeds derived from the issuance and sale of the Bonds have been, and are being, used to (i) acquire a phosphorous removal system (ii) install a new section of sewer pipeline under the Cohansey River, (iii) purchase and install replacement blowers for existing aeration tanks, (iv) repair existing wet wells, (v) replace existing tank drives, (vi) purchase replacement tanker trucks, (vii) fund the amount required to be deposited in the bond reserve fund, and (viii) pay the costs and expenses associated with the issuance of the bonds.

The Series 2006B Bonds maturing prior to March 1, 2017 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after March 1, 2017 shall be redeemable at the option of the Authority in whole or in part at any time on any date on or after March 1, 2016, at par, plus in each case accrued interest to the date fixed for redemption.

The outstanding balance of the Series 2006B Bonds consist of serial bonds that mature in various amount ranging from \$130,000 to \$145,000 with interest rates ranging from 3.60% to 3.80% from 2008 to 2012 and term bonds maturing in various amounts ranging from \$315,000 to \$610,000 with interest rates ranging from 4.00% to 4.20% from 2014 to 2021.

B. Loans Payable

The Authority has received loans from the State of New Jersey under the 2001 New Jersey Environmental Infrastructure Trust Program ("Trust"). The Trust has issued bonds for loans to various entities. The loans have interest rates ranging from 4.75% to 5.50% and mature in various increments through 2021. In 2007 the Trust issued its Series 2007A Wastewater Treatment Refunding Bonds partially refunding the Series 2001 Bonds, which will result in savings credits to be applied to the Authority's interest payments beginning in 2008 through 2021.

Under the 2001 New Jersey Environmental Infrastructure Fund Program ("Fund"), the State extended \$1,000,000 of non interest-bearing loan funds to the Authority. The outstanding balance is included in loans payable as of December 31, 2008 as reflected in the following summary of changes in long-term liabilities.

C. Compensated Absences

Current policy allows employees shall be paid for sick leave allowance accumulated to a maximum of two hundred twenty four (224) hours upon termination in good standing.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

The following is a summary of changes in long-term liabilities for the year ended December 31, 2008:

<u>Type of Debt</u>	<u>Balance January 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2008</u>	<u>Amounts Due Within One Year</u>
Revenue Bonds Payable:					
Series 2006A	\$ 6,010,000	\$	\$ 425,000	\$ 5,585,000	\$ 445,000
Series 2006B	2,305,000		125,000	2,180,000	130,000
Series 2001A	155,000		50,000	105,000	50,000
Series 1999	<u>1,455,000</u>		<u>275,000</u>	<u>1,180,000</u>	<u>280,000</u>
	9,925,000		875,000	9,050,000	905,000
Add:					
Unamortized Premium	27,853		4,702	23,151	
Less:					
Unamortized Original Issue Discount	(11,624)		(2,075)	(9,549)	
Unamortized Deferred Amount on Refunding	<u>(425,901)</u>		<u>(82,149)</u>	<u>(343,752)</u>	
Total Revenue Bonds Payable	<u>9,515,328</u>	<u>-</u>	<u>795,478</u>	<u>8,719,850</u>	<u>905,000</u>
Loans Payable:					
Series 2001B Trust Agreement	780,000		40,000	740,000	40,000
Series 2001B Fund Agreement	<u>716,313</u>		<u>51,822</u>	<u>664,491</u>	<u>50,393</u>
	1,496,313	-	91,822	1,404,491	90,393
Add:					
Unamortized Premium	<u>31,294</u>		<u>3,353</u>	<u>27,941</u>	
Total Loans Payable	<u>1,527,607</u>	<u>-</u>	<u>95,175</u>	<u>1,432,432</u>	<u>90,393</u>
Accrued Compensated Absences	<u>58,973</u>	<u>4,956</u>	<u>3,954</u>	<u>59,975</u>	
Total Long Term Liabilities	<u>\$ 11,101,908</u>	<u>\$ 4,956</u>	<u>\$ 894,607</u>	<u>\$ 10,212,257</u>	<u>\$ 995,393</u>

The annual debt service requirements to maturity, including principal and interest, for revenue bonds and loans payable as of December 31, 2008 are as follows:

<u>Year Ending December 31</u>	<u>Revenue Bonds</u>		<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 905,000	\$ 353,280	\$ 90,393	\$ 36,793
2010	950,000	317,951	97,341	34,793
2011	985,000	278,158	95,734	32,317
2012	1,010,000	237,140	102,374	29,842
2013	745,000	194,685	100,588	27,091
2014-2018	3,605,000	499,063	549,886	82,497
2019-2022	<u>850,000</u>	<u>53,860</u>	<u>368,175</u>	<u>10,071</u>
	<u>\$ 9,050,000</u>	<u>\$ 1,934,137</u>	<u>\$ 1,404,491</u>	<u>\$ 253,404</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

NOTE 9 DEFEASED BONDS PAYABLE

As discussed in Note 8, a portion of the proceeds of the Authority's Series 2006A Sewer Revenue Refunding Bonds were used to advance refund a portion of the Authority's Series 2001A Sewer Revenue Bonds. The funds so deposited are being held exclusively for the benefit of the holders of the 2001A Bonds. The proceeds of the Series 2006A Bonds so deposited are invested in U.S. Treasury obligations. Such funds are being applied to the payment of the redemption price of and interest on the Bonds on their redemption date. Accordingly, these issues have been excluded from the financial statements. The outstanding balance of the 2001A defeased bonds at December 31, 2008 is \$810,000.

NOTE 10 DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional and participants elect how their salary deferrals are invested. Investment options include the following: stock funds, bond funds, and money market accounts, including various risk alternatives. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Investments are managed by the plan trustees under one of various pools of investment options offered by the ING Life Insurance and Annuity Company, who is a provider of deferred compensation services in good standing with the State of New Jersey Division of Local Government Services.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Authority subject only to the claims of the Authority's general creditors. Participants' rights under the plan are equal to those of general creditors of the Authority in an amount equal to the fair market value of the deferred account for each participant.

The Authority has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Authority believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

At December 31, 2008, the participants had invested \$125,831 in the Plan.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

NOTE 11 SUMMARY OF BUDGETARY EXPENDITURES BY WASTE CHARACTERIZATION FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Total</u>	Operating Expenditures <u>Amount</u>	%	Debt Service, Capital Outlay <u>Amount</u>	%
Quantity	\$ 1,897,410	\$ 1,370,381	31.74	\$ 527,029	35.90
Chemical Oxygen Demand	1,844,999	1,372,288	31.79	472,711	32.20
Suspended Solids	1,575,308	1,198,019	27.75	377,289	25.70
Chlorine Demand	<u>467,573</u>	<u>376,554</u>	<u>8.72</u>	<u>91,019</u>	<u>6.20</u>
Total	<u>\$ 5,785,290</u>	<u>\$ 4,317,242</u>	<u>100.00</u>	<u>\$ 1,468,048</u>	<u>100.00</u>

NOTE 12 INTEREST INCOME

Interest Earned - Operating Accounts	<u>\$ 14,898</u>
Interest Earned - Non-Operating Accounts	\$ 170,223
Less: Allowance for Interest Earned on Borrowed Funds during construction	(<u>11,878</u>)
Interest Earned – Non-Operating Accounts	<u>\$ 158,345</u>

NOTE 13 INTEREST EXPENSE

Interest on Bonds, Notes and Loans	\$ 415,225
Add: Amortization of Original Issue Discount	2,075
Amortization of Deferred Amount on Refunding	82,148
Less: Allowance for Interest on Borrowed Funds during Construction (Capitalized Interest)	(6,255)
Amortization of Premium-Bonds and Loans Payable	(<u>8,055</u>)
Net Interest Expense	<u>\$ 485,138</u>

NOTE 14 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases commercial insurance for risks of loss. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

NOTE 15 ECONOMIC DEPENDENCY

The Authority derives approximately seventy-eight percent (78%) of its User Charge revenues from the City of Bridgeton.

NOTE 16 RESTRICTED NET ASSETS

The Authority has restricted net assets for the following purposes in accordance with the requirements of its Bond Resolution.

Current Debt Service	\$ 664,878
Future Debt Service	132,486
Renewal and Replacement	600,000
Construction	157,460

NOTE 17 DESIGNATED UNRESTRICTED NET ASSETS

The Authority has, by resolution, designated a portion of its Unrestricted Net Assets for Future Plant Reconstruction or Replacement. The amount so designated as of December 31, 2008 is \$2,365,435.

The unrestricted net assets designated for subsequent year's expenditures at December 31, 2008 consists of \$257,483 which has been appropriated and included as anticipated revenue in the 2009 budget.

NOTE 18 COMPLIANCE WITH GENERAL BOND RESOLUTION

Section 720 of the Authority's General Bond Resolution requires that the Authority calculate, certify and charge rates (service charges) so that the total Revenues, as defined in the Resolution, shall at least equal (1) the amount of all Operating Expenses for the fiscal year, plus (2) the amount required to pay the principal of and interest on Outstanding Bonds as the same become due and payable. Revenues for the year 2008, as defined in the Authority's General Bond Resolution, were greater than the total of Operating Expenses paid plus Debt Service paid. As a result, the Authority ended the year with sufficient revenues, as defined for the purposes of determining compliance with the rate covenant, and therefore met the rate covenant contained in Section 720 of the Authority's General Bond Resolution.

SUPPLEMENTARY INFORMATION

CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS-
INVESTED IN CAPITAL ASSETS NET OF RELATED DEBT, RESTRICTED AND UNRESTRICTED
YEAR ENDED DECEMBER 31, 2008

	INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	UNRESTRICTED			RESTRICTED			TOTAL (MEMO)
		UNDESIGNATED	DESIGNATED - SUBSEQUENT YEARS' EXPENDITURES	DESIGNATED - FUTURE PLANT RECONSTRUCTION OR REPLACEMENT	CURRENT DEBT SERVICE	FUTURE DEBT SERVICE	RENEWAL AND REPLACEMENT	
OPERATING REVENUE:	\$	\$	\$	\$	\$	\$	\$	
Treatment Fees		4,658,329					4,658,329	
Septage Fees		184,721					184,721	
Lab Fees		653					653	
Service Fees		28,562					28,562	
Interest Income		14,898					14,898	
Finance Charges		1,358					1,358	
Industrial Pretreatment Program Revenue		56,500					56,500	
Other Operating Income		20,535					20,535	
	-	4,965,556	-	-	-	-	4,965,556	
OPERATING EXPENSES:								
Cost of Providing Services		3,303,588					3,303,588	
Administrative and General		1,013,654					1,013,654	
Depreciation		990,804					990,804	
	-	5,308,046	-	-	-	-	5,308,046	
	-	(342,490)	-	-	-	-	(342,490)	
OPERATING LOSS								
NON-OPERATING REVENUE (EXPENSES):								
Connection Fees		315,125					315,125	
Interest Income		5,584		73,850	6,607	22,597	158,345	
Interest Expense		(485,138)					(485,138)	
Amortization of Debt Issue Costs		(52,785)		15,400	327	2,649	(52,785)	
Investment Income		(217,212)		89,250	6,934	25,246	33,549	
	-	(559,702)	-	89,250	6,934	25,246	(30,902)	
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS								
Investment Income		97,060					97,060	
Increase (Decrease) in Debt Service Requirement		(15,374)			(6,934)	(25,246)	-	
Other Transfers	(72,384)	387,540	(327,035)		15,374		-	
	(72,384)	(90,476)	(327,035)	89,250	-	-	(373,392)	
INCREASE (DECREASE) IN NET ASSETS								
NET ASSETS - JANUARY 1,	8,792,772	899,631	584,518	2,276,185	649,504	600,000	14,080,677	
NET ASSETS - DECEMBER 31,	8,720,388	809,155	257,483	2,565,435	664,878	600,000	13,707,285	

**CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED ACCOUNTS
YEAR ENDED DECEMBER 31, 2008**

	<u>REVENUE ACCOUNT</u>	<u>OPERATING ACCOUNT</u>	<u>GENERAL ACCOUNT</u>	<u>TOTAL</u>
CASH AND INVESTMENTS - JANUARY 1, 2008	\$ 1,327,751	\$ 225,352	\$ 657,068	\$ 2,210,171
CASH RECEIPTS:				
Treatment Fees	4,655,064			4,655,064
Septage Fees	201,933			201,933
Industrial Pretreatment Program Revenue	49,000			49,000
Interest on Investments	7,093	7,805	5,503	20,401
Finance Charges	842			842
Other Income	38,336			38,336
Connection Fees	315,125			315,125
Transfers - Unrestricted Accounts	(3,861,545)	4,394,678	(533,133)	-
Transfers from Restricted Accounts	141,146			141,146
Other Receivables/Reimbursements	1,099			1,099
Total Cash and Investments Available	<u>2,875,844</u>	<u>4,627,835</u>	<u>129,438</u>	<u>7,633,117</u>
CASH DISBURSEMENTS:				
Operations		4,292,372		4,292,372
Transfers to Restricted Accounts	1,426,122			1,426,122
Fixed Assets Purchased from Operations		81,512		81,512
Total Cash Disbursed	<u>1,426,122</u>	<u>4,373,884</u>	<u>-</u>	<u>5,800,006</u>
CASH AND INVESTMENTS - DECEMBER 31, 2008	<u>\$ 1,449,722</u>	<u>\$ 253,951</u>	<u>\$ 129,438</u>	<u>\$ 1,833,111</u>
BALANCE COMPRISED OF:				
Cash and Cash Equivalents:				
Non-Interest Bearing	\$ 1,449,722	\$ 500	\$ 129,438	\$ 1,832,611
Interest Bearing	<u>1,449,722</u>	<u>253,451</u>	<u>129,438</u>	<u>1,832,611</u>
	<u>\$ 1,449,722</u>	<u>\$ 253,951</u>	<u>\$ 129,438</u>	<u>\$ 1,833,111</u>

SCHEDULE 3

CUMBERLAND COUNTY UTILITIES AUTHORITY
 SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
 AND CHANGES IN CASH AND INVESTMENTS
 RESTRICTED ACCOUNTS
 YEAR ENDED DECEMBER 31, 2008

	ACCOUNTS REQUIRED BY BOND RESOLUTIONS				OTHER ACCOUNTS		
	BOND SERVICE	BOND RESERVE	PROJECT ACCOUNTS	RENEWAL AND REPLACEMENT	PLANT RECONSTRUCTION OR REPLACEMENT	SENSOR ESCROW	TOTAL
CASH AND INVESTMENTS -							
JANUARY 1, 2008	\$ 261,173	\$ 1,473,382	\$ 1,502,134	\$ 602,117	\$ 2,242,960	\$ 5,749	\$ 6,087,515
CASH RECEIPTS:							
Interest Received	6,378	53,465	11,878	25,682	91,450	83	188,936
Sensor Escrow		(5,520)			508	100	100
Realized Gain (Loss) on Sale of Investments							(5,012)
Transfers from Unrestricted Accounts	1,426,122						1,426,122
Total Cash and Investments Available	1,693,673	1,521,327	1,514,012	627,799	2,334,918	5,932	7,697,661
CASH DISBURSEMENTS:							
Transfers to Unrestricted Accounts		116,660		24,486			141,146
Operations	2,850						2,850
Construction In Progress			1,120,520				1,120,520
Debt Service Payment	1,390,609						1,390,609
Total Cash Disbursements	1,393,459	116,660	1,120,520	24,486	-	-	2,655,125
CASH AND INVESTMENTS -							
DECEMBER 31, 2008	\$ 300,214	\$ 1,404,667	\$ 393,492	\$ 603,313	\$ 2,334,918	\$ 5,932	\$ 5,042,536
BALANCE COMPRISED OF:							
Cash and Cash Equivalents:	\$ 50,886	\$ 9,933	\$ 393,492	\$ 9,112	\$ 214,367	\$ 5,932	\$ 683,722
Interest Bearing Investments (At Cost):	249,328	1,394,734		594,201	2,120,551		4,358,814
U.S. Government Obligations	\$ 300,214	\$ 1,404,667	\$ 393,492	\$ 603,313	\$ 2,334,918	\$ 5,932	\$ 5,042,536

**CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF OPERATING REVENUE AND COSTS
FUNDED BY OPERATING REVENUE COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2008**

	<u>2008 BUDGET</u>	<u>2008 ACTUAL</u>
REVENUE:		
Net Assets Appropriated	\$ 569,073	\$ 420,112
Sewerage Treatment Fees	4,658,329	4,658,329
Septage Fees	200,000	184,721
Connection Fees	325,000	315,125
Other Income		20,535
Interest Income - Operating Accounts	10,000	14,898
Interest Income - Other	90,000	84,497
Finance Charges	1,500	1,358
Lab Fees		653
Industrial Pretreatment Program Fees	15,000	56,500
Service Fees	<u>15,000</u>	<u>28,562</u>
Total Operating Revenue	<u>\$ 5,883,902</u>	<u>\$ 5,785,290</u>
EXPENSES:		
Costs of Providing Services:		
Salaries and Wages	\$ 1,518,100	\$ 1,504,565
Employee Benefits	578,500	582,085
Automotive Expense	25,000	18,731
Chemicals Used in Treatment	86,000	79,397
Fuels and Lubricants	103,500	100,014
Utilities	540,500	543,954
Materials and Supplies	49,000	44,663
Repairs and Replacements	154,000	159,162
Sludge Disposal	208,000	222,339
Laboratory Expenses	46,000	38,145
Other Operations and Maintenance Expenses	3,500	2,719
Industrial Pretreatment Program	<u>7,000</u>	<u>7,814</u>
	 <u>3,319,100</u>	 <u>3,303,588</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF OPERATING REVENUE AND COSTS
FUNDED BY OPERATING REVENUE COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2008**

	<u>2008 BUDGET</u>	<u>2008 ACTUAL</u>
EXPENSES (CONTINUED):		
Administrative and General Expenses:		
Salaries and Wages	\$ 326,300	\$ 330,640
Employee Benefits	242,500	231,778
Office Supplies and Expense	36,800	27,204
Professional Services (Non-Salaried)	151,500	138,658
Insurance	91,874	90,336
Travel, Conferences and Education	16,000	16,531
Utilities	41,100	41,821
Dues and Subscriptions	7,700	7,165
Maintenance of General Property	48,500	43,191
Permits and Fees	70,655	73,018
Provision for Bad Debts	2,000	
Other Administrative Fees	11,000	13,312
	<u>1,045,929</u>	<u>1,013,654</u>
Interest Expense	<u>418,551</u>	<u>415,225</u>
OTHER COSTS FUNDED BY OPERATING REVENUE:		
Principal Maturities	966,822	966,822
Capital Outlays	133,500	86,001
	<u>1,100,322</u>	<u>1,052,823</u>
TOTAL COSTS FUNDED BY OPERATING REVENUE	<u><u>\$ 5,883,902</u></u>	<u><u>\$ 5,785,290</u></u>

CUMBERLAND COUNTY UTILITIES AUTHORITY
 SCHEDULE OF SEWER REVENUE BONDS PAYABLE
 DECEMBER 31, 2008

	ORIGINAL		INTEREST RATE	MATURITIES		BALANCE JANUARY 1, 2008	ISSUED 2008	PAID 2008	BALANCE DECEMBER 31, 2008
	DATE	AMOUNT		DATE	AMOUNT				
Issue of 2001A (1)	11/15/2001	\$ 1,200,000	5.40%	12/1/2009	\$ 50,000				
				12/1/2010	55,000				
						\$ 155,000	\$ -	\$ 50,000	\$ 105,000
Issue of 1999 (2)	4/1/1999	\$ 3,295,000	4.25%	12/1/2009	\$ 280,000				
			4.35%	12/1/2010	295,000				
			4.45%	12/1/2011	305,000				
			4.50%	12/1/2012	300,000				
						1,455,000		275,000	1,180,000

(1) The Series 2001A Bonds are Term Bonds partially refunded by the 2006A Bond Issue. The maturities reflected above represent mandatory sinking fund redemptions commencing on December 1, 2002 at the redemption price of par and shall be selected by lot from among the Bonds then subject to redemption. The Bonds maturing prior to December 31, 2011 are not subject to redemption prior to their stated maturity.

(2) The bonds maturing prior to December 1, 2009 are not subject to redemption prior to their stated maturity. The bonds maturing on or after December 1, 2009 are subject to redemption prior to their stated maturity date, at the option of the Authority, commencing on December 1, 2008 as a whole or in part, at any time, upon notice, at the following redemption prices - December 1, 2008 to November 30, 2009 at 101%; December 1, 2009 to November 30, 2010 at 100.5%; December 1, 2010 and thereafter at 100%.

(Continued)

SCHEDULE 5
(CONTINUED)

CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF SEWER REVENUE BONDS PAYABLE (CONTINUED)
DECEMBER 31, 2008

	ORIGINAL		INTEREST RATE	MATURITIES		BALANCE JANUARY 1, 2008	ISSUED 2008	PAID 2008	BALANCE DECEMBER 31, 2008
	DATE	AMOUNT		DATE	AMOUNT				
Issue of 2006A (3)	3/28/2006	\$ 6,055,000	3.50%	3/1/2009	445,000				
			3.50%	3/1/2010	465,000				
			4.00%	3/1/2011	540,000				
			4.00%	3/1/2012	565,000				
			4.00%	3/1/2013	590,000				
			4.00%	3/1/2014	620,000				
			4.00%	3/1/2015	650,000				
			4.00%	3/1/2016	690,000				
			4.00%	3/1/2017	710,000				
			4.00%	3/1/2018	70,000				
			4.00%	3/1/2019	75,000				
			4.00%	3/1/2020	80,000				
			4.00%	3/1/2021	85,000				
						\$ 6,010,000	\$ -	\$ 425,000	\$ 5,585,000
Issue of 2006B (4)	4/18/2006	\$ 2,430,000	3.60%	3/1/2009	130,000				
			3.65%	3/1/2010	135,000				
			3.70%	3/1/2011	140,000				
			3.80%	3/1/2012	145,000				
			4.00%	3/1/2013	155,000				
			4.00%	3/1/2014	160,000				
			4.00%	3/1/2015	165,000				
			4.00%	3/1/2016	175,000				
			4.10%	3/1/2017	180,000				
			4.10%	3/1/2018	185,000				
			4.20%	3/1/2019	195,000				
			4.20%	3/1/2020	205,000				
			4.20%	3/1/2021	210,000				
						2,305,000	-	125,000	2,180,000
						\$ 9,925,000	\$ -	\$ 875,000	\$ 9,050,000

(3) The Series 2006A Bonds maturing on or before March 1, 2016 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after March 1, 2017 shall be redeemable at the option of the Authority in whole or in part at any time on or after March 1, 2016 at par. The Bonds maturing on March 1, 2021 shall be subject to mandatory sinking fund redemption on March 1 in each year at the redemption price equal to the principal portion being redeemed.

(4) The Series 2006B Bonds maturing prior to March 1, 2017 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after March 1, 2017 shall be redeemable at the option of the Authority in whole or in part at any time on or after March 1, 2016 at par. The Bonds maturing on March 1, 2014, March 1, 2016, March 1, 2018 and March 1, 2021 shall be subject to mandatory sinking fund redemption on March 1 of each year at par.

CUMBERLAND COUNTY UTILITIES AUTHORITY
 SCHEDULE OF LOANS PAYABLE
 NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST - SERIES 2001B
 DECEMBER 31, 2008

	ORIGINAL		INTEREST RATE	MATURITIES		BALANCE JANUARY 1, 2008	ISSUED 2008	PAID 2008	BALANCE DECEMBER 31, 2008
	DATE	AMOUNT		DATE	AMOUNT				
Trust Loan Agreement	10/15/2001	\$ 950,000	5.00%	8/1/2009	40,000				
			5.50%	8/1/2010	45,000				
			5.50%	8/1/2011	45,000				
			5.50%	8/1/2012	50,000				
			5.50%	8/1/2013	50,000				
			5.00%	8/1/2014	55,000				
			5.00%	8/1/2015	55,000				
			5.00%	8/1/2016	60,000				
			5.00%	8/1/2017	60,000				
			5.00%	8/1/2018	65,000				
			5.00%	8/1/2019	70,000				
			4.75%	8/1/2020	70,000				
			4.75%	8/1/2021	75,000				
						\$ 780,000	\$ -	\$ 40,000	\$ 740,000
Fund Loan Agreement	10/15/2001	\$ 1,000,000	N/A	2009	50,393				
				2010	52,341				
				2011	50,734				
				2012	52,374				
				2013	50,587				
				2014	52,049				
				2015	50,263				
				2016	51,724				
				2017	49,776				
				2018	51,075				
				2019	52,211				
				2020	49,938				
				2021	51,027				
						716,313	-	51,822	664,491
						\$ 1,496,313	\$ -	\$ 91,822	\$ 1,404,491

ROSTER OF OFFICIALS

<u>Authority Members</u>	<u>Position</u>	<u>Amount of Surety Bond</u>
Nancy L. Sungenis	Chairperson	
James S. Hursey	Vice Chairman to February, 2008	
	Commissioner to June 1, 2008	
Donald L. Olbrich, Sr.	Vice Chairman from February, 2008	
	Commissioner to February, 2008	
Sameer Boutros	Commissioner from December, 2008	
Angelia L. Edwards	Commissioner	
R. Todd Edwards	Commissioner	
Robert W. Felmey	Commissioner to February 29, 2008	
Harvey L. Friedman	Commissioner	
C. Kenneth Hill	Commissioner	
Albert Jones	Commissioner	
Keith I. Wasserman	Commissioner	

Other Officials

Thelma D. Scott	Secretary	
James F. Quinn	Treasurer	\$ 75,000
Robert J. O'Donnell	General Counsel	
Robert E. Widdifield	Executive Director	
Patti McAllister	Assistant Secretary/Treasurer	

Surety Company

ITT Hartford Insurance Group

**CUMBERLAND COUNTY UTILITIES AUTHORITY
FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2008**

Finding No. 2008-1

Condition:

The Authority made one type of purchase in amounts that, when taken in the aggregate, exceeded the bid threshold contained in N.J.S.A. 40A:11-3 for which the Authority did not advertise for or obtain bids.

Criteria:

N.J.S.A. 40A:11-3 requires purchases of a similar nature be aggregated, and if the amounts exceed the bid threshold contained therein, the local unit is to advertise for and obtain bids.

Effect:

With respect to the one type of purchase noted, the Authority was not in compliance with the requirements contained in N.J.S.A. 40A:11-3

Cause:

While the Authority obtained quotations and selected the vendor providing the lowest quote, the actual amount of the purchases, when aggregated, exceeded the bid threshold and bids were not obtained.

Recommendation:

The Authority should advertise for and obtain bids for all purchases exceeding the bid threshold contained in N.J.S.A. 40A:11-3.

Management's Response:

The management of the Cumberland County Utilities Authority agrees with the Audit Finding No: 2008-1 as described.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED DECEMBER 31, 2008**

Finding No. 2008-2

Condition:

When awarding certain contracts not subject to bid requirements, state pay-to-play statutes require the awarding entity to obtain certain disclosures and certifications from the business entity receiving the contract no later than ten (10) days prior to the award of the contract. While it is the Authority's practice to obtain the disclosures and certifications when required, we noted two instances where the aggregate amounts paid to the vendors would have subjected the contracts to those requirements, but the required disclosures and certifications were not obtained.

Criteria:

State of New Jersey pay-to-play statutes require the awarding agency to obtain political contribution and business ownership disclosures and certifications from the business entity receiving certain types of contracts.

Effect:

For two contracts awarded by the Authority, the Authority was not in compliance with the State of New Jersey pay-to-play statutes.

Cause:

The Authority anticipated the expenditures with the vendors would be less than the amount that would require it to obtain the prescribed disclosures and certifications from the vendor, but the aggregate amounts expended during the year exceeded the threshold for which the disclosures and certifications would be required.

Recommendation:

When required, the Authority should obtain the prescribed disclosures and certifications from the business entity receiving contracts no later than ten (10) days prior to the award of the contract.

Management's Response:

The management of the Cumberland County Utilities Authority agrees with the Audit Finding No. 2008-2 as described.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2008**

Finding No. 2007-1

Condition:

Revenues for the year 2007, as defined in the Authority's General Bond Resolution, were less than the total of Operating Expenses paid plus Debt Service paid. As a result, the Authority did not meet the rate covenant contained in Section 720 of the Authority's General Bond Resolution.

Status

This is not a finding in the current year.