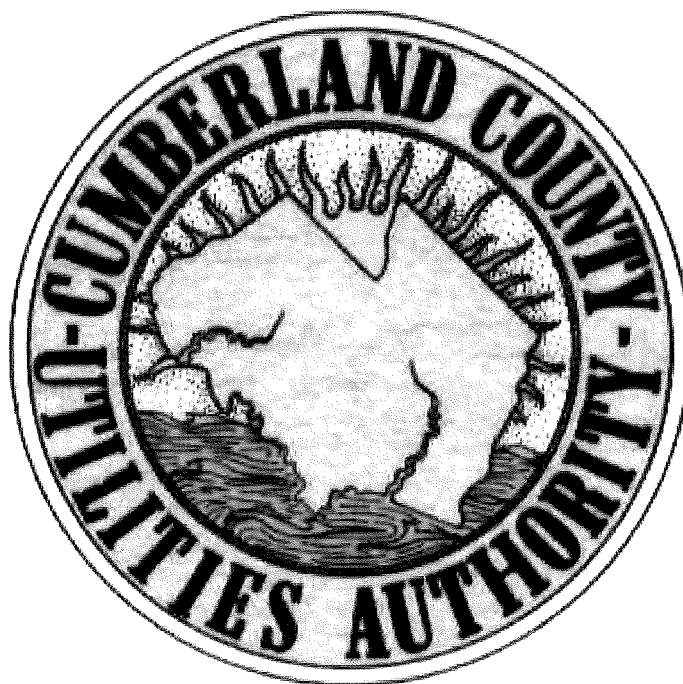


CUMBERLAND COUNTY UTILITIES AUTHORITY

AUDIT REPORT

YEAR ENDED DECEMBER 31, 2009



CUMBERLAND COUNTY UTILITIES AUTHORITY

AUDIT REPORT

YEAR ENDED DECEMBER 31, 2009

CUMBERLAND COUNTY UTILITIES AUTHORITY

AUDIT REPORT

YEAR ENDED DECEMBER 31, 2009

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CUMBERLAND COUNTY UTILITIES AUTHORITY

AUDIT REPORT

YEAR ENDED DECEMBER 31, 2009

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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, 2009 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, 2009, 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 March 31, 2010 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 should be considered in assessing the results of our audit.

The 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

Romano, Hearing, Testa & Knorr

Certified Public Accountants

March 31, 2010

**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, 2009, and have issued our report thereon dated March 31, 2010. 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 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 entity'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.

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Romano, Hearing, Testa & Knorr
Certified Public Accountants

March 31, 2010

REQUIRED SUPPLEMENTARY INFORMATION

Cumberland County Utilities Authority

333 Water Street; Bridgeton, New Jersey 08302

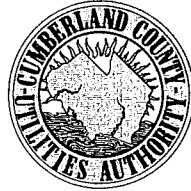
856-455-7120

856-459-0470 fax

www.ccu.a.info

Commissioners:

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



Thelma D. Scott
Secretary
James F. Quinn
Treasurer
Robert J. O'Donnell
General Counsel
Theodore F. Probert
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, 2009. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Authority's Net Capital Assets decreased by \$645,000, a decrease of 3.74%.
- The Authority's Total Assets decreased by \$1,232,000 a decrease of 4.93%.
- During the year, the Authority's operating revenues increased by \$398,000 to \$5.36 million, an 8.01% increase, and operating expenses increased by \$81,000 to \$5.38 million, a 1.53% increase.
- The Authority's Net Assets decreased by \$362,000, a 2.64% 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 \$362,000. 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>2009</u>	<u>2008</u>	Increase (Decrease) \$	Increase - Decrease %
Current Assets	\$ 1,848	\$ 1,871	\$ (23)	-1.23%
Noncurrent Assets	21,916	23,125	(1,209)	-5.23%
Total Assets	<u>\$ 23,764</u>	<u>\$ 24,996</u>	<u>\$ (1,232)</u>	-4.93%
Current Liabilities	\$ 816	\$ 784	\$ 32	4.08%
Current Liabilities Payable				
From Restricted Assets	1,372	1,288	84	6.52%
Long-Term Liabilities	<u>8,231</u>	<u>9,217</u>	<u>(986)</u>	-10.70%
Total Liabilities	<u>\$ 10,419</u>	<u>\$ 11,289</u>	<u>\$ (870)</u>	-7.71%
Invested in Capital Assets				
Net of Related Debt	\$ 8,781	\$ 8,720	\$ 61	0.70%
Restricted Net Assets	1,413	1,555	(142)	-9.13%
Unrestricted Net Assets	<u>3,151</u>	<u>3,432</u>	<u>(281)</u>	-8.19%
Total Net Assets	<u>\$ 13,345</u>	<u>\$ 13,707</u>	<u>\$ (362)</u>	-2.64%

The decrease in current assets is primarily the net result of decreases in cash and cash equivalents, certain receivables and increases in inventory and accounts receivable.

The decrease in noncurrent assets is the result of decreases in cash and cash equivalents, interest receivable, investments and net capital assets.

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

The decrease in long-term liabilities is the result of principal maturities on revenue bonds payable and the New Jersey Environmental Infrastructure Trust Loans payable and decrease 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, Expenses and Changes in Net Assets
(Dollars in Thousands)

	<u>2009</u>	<u>2008</u>	Increase (Decrease) \$	Increase - Decrease %
Operating Revenues				
Treatment Fees	\$ 5,031	\$ 4,658	\$ 373	8.01%
Septage Fees	243	185	58	31.35%
Other Operating	89	122	(33)	-27.05%
Nonoperating Revenues	140	507	(367)	-72.39%
Total Revenues	<u>\$ 5,503</u>	<u>\$ 5,472</u>	<u>\$ 31</u>	0.57%
Operating Expenses				
Cost of Providing Services	\$ 3,177	\$ 3,303	\$ (126)	-3.81%
Administrative and General	1,162	1,013	149	14.71%
Depreciation	1,049	991	58	5.85%
Non Operating Expense				
Interest and Amortization	447	538	(91)	-16.91%
Decrease in Fair Value of Investments	30	-	30	
Total Expenses	<u>\$ 5,865</u>	<u>\$ 5,845</u>	<u>\$ 20</u>	0.34%
Loss Before Capital Contrib.	\$ (362)	\$ (373)	\$ 11	-2.95%
Capital Contributions	-	-	-	-
Change in Net Assets	<u>(362)</u>	<u>(373)</u>	<u>11</u>	-2.95%
Beginning Net Assets	13,707	14,080	(373)	-2.65%
Ending Net Assets	<u>\$ 13,345</u>	<u>\$ 13,707</u>	<u>\$ (362)</u>	-2.64%

REVENUES

The Authority's total revenues are approximately \$5.503 million for the year ended December 31, 2009. Treatment Fees were \$5.031 million accounting for 91% of total revenue.

EXPENSES

Operating expenses include cost of providing services, which totaled \$3.177 million, a 3.81% decrease and Administrative and General of \$1.162 million, a 14.71% increase. That increase includes a shift in certain personnel costs from costs of providing services to administrative and general in 2009.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 2009, the Authority had \$16.608 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 \$1.048 million.

The following tables summarize the Authority's capital assets, net of accumulated depreciation, and changes therein, for the year ended December 31, 2009.

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

	<u>2009</u>	<u>2008</u>	Increase (Decrease) \$	Increase - Decrease %
Land	\$ 1,135	\$ 1,135	\$ -	0.00%
Land Improvements	149	108	41	37.96%
Treatment Plant and Facilities	10,363	10,854	(491)	-4.52%
Pumping Stations and Interceptors	2,817	2,849	(32)	-1.12%
Machinery and Equipment	1,673	1,816	(143)	-7.87%
Vehicles	410	446	(36)	-8.07%
Office Equipment	31	41	(10)	-24.39%
Construction in Progress	30	4	26	650.00%
Total	<u>\$ 16,608</u>	<u>\$ 17,253</u>	<u>\$ (645)</u>	-3.74%

This year's additions (in thousands) include:

Land, Treatment Plant and Facilities.....	\$ 133
Machinery, Equipment and Vehicles.....	26
Pumping Stations and Interceptors.....	218

The Authority's FY 2010 capital budget plans for investing another \$433,000 in capital projects, including the following (in thousands):

Motor /Pump Replacement.	\$50
Truck, Vehicles, Tankers	20
Buildings and Grounds.....	70
Roof Repairs	11
Clarifier Repairs	82
Upper Deerfield Force Main	<u>200</u>
 TOTAL	 <u>\$433</u>

The Authority plans on funding those capital projects using \$151,000 from year 2010 revenue and \$282,000 from Plant Reconstruction and Replacement funds.

Debt Administration

At December 31, 2009, the Authority had several outstanding bond issues and loans payable in the amount of \$9,459,098 that will mature in various amounts through the year 2021 with interest rates ranging from 3.5% to 5.5%. The Authority also has accrued compensated absences in the amount of \$53,345. 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 proposed 2010 budget reflects a 12% increase in Sewerage Treatment Fees to the Users. The Connection Fees increased \$185 in the proposed Budget to \$1,475/DCU. In a continued effort to become more competitive and increase the number of gallons hauled to CCUA Septage Fees will remain at 5 cents per gallon. Industrial Pretreatment Program permit fees will remain at \$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 Director at the Cumberland County Utilities Authority, 333 Water Street, Bridgeton, NJ 08302.

BASIC FINANCIAL STATEMENTS

**CUMBERLAND COUNTY UTILITIES AUTHORITY
BALANCE SHEET
DECEMBER 31, 2009**

ASSETS**CURRENT ASSETS - UNRESTRICTED:**

Cash and Cash Equivalents	\$ 1,775,489
Accounts Receivable (Less Allowance of \$3,232)	28,937
Inventory	43,423

Total Current Assets - Unrestricted	<u>1,847,849</u>
--	------------------

NONCURRENT ASSETS:

Restricted:	
Accounts Required by the Authority's Bond Resolutions:	
Cash and Cash Equivalents	272,896
Investments	1,989,843
Interest Receivable	7,109
Other Restricted Accounts:	
Cash and Cash Equivalents	123,229
Investments	2,034,107
Interest Receivable	6,386
Due from Unrestricted Assets	538,307
Deferred Compensation Benefit Investments	183,506

Total Restricted Assets	<u>5,155,383</u>
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Unamortized Debt Issue Costs	152,641
Capital Assets, Net	<u>16,608,378</u>

Total Noncurrent Assets	<u>21,916,402</u>
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TOTAL ASSETS	<u><u>\$ 23,764,251</u></u>
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**CUMBERLAND COUNTY UTILITIES AUTHORITY
BALANCE SHEET
DECEMBER 31, 2009**

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

Accounts Payable - Operations	\$ 129,605
Accrued Liabilities	148,252
Due to Restricted Assets	<u>538,307</u>

Total Current Liabilities Payable From Unrestricted Assets 816,164

CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:

Construction Accounts Payable	22,625
Sewer Revenue Bonds Payable - Current Portion	950,000
New Jersey Environmental Infrastructure Trust Loans Payable - Current Portion	97,341
Sensor Escrow	4,900
Accrued Interest Payable - Bonds and Loans	113,296
Deferred Compensation Benefit Due Employees	<u>183,506</u>

Total Current Liabilities Payable From Restricted Assets 1,371,668

LONG-TERM LIABILITIES:

Sewer Revenue Bonds Payable - Non Current Portion	6,936,481
New Jersey Environmental Infrastructure Trust Loans Payable - Non Current Portion	1,241,657
Accrued Compensated Absences	<u>53,345</u>

Total Long-Term Liabilities 8,231,483

Total Liabilities 10,419,315

NET ASSETS:

Invested in Capital Assets, Net of Related Debt	8,781,309
Restricted:	
Current Debt Service	679,934
Future Debt Service	132,486
Renewal and Replacement	600,000
Unrestricted	<u>3,151,207</u>

Total Net Assets 13,344,936

TOTAL LIABILITIES AND NET ASSETS \$ 23,764,251

CUMBERLAND COUNTY UTILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2009

OPERATING REVENUE:	
Treatment Fees	\$ 5,030,995
Septage Fees	243,086
Service Fees	20,816
Lab Fees	651
Interest Income	6,711
Finance Charges	784
Industrial Pretreatment Program Revenue	28,900
Other Operating Income	<u>30,847</u>
Total Operating Revenue	<u>5,362,790</u>
OPERATING EXPENSES:	
Cost of Providing Services	3,176,890
Administrative and General	1,161,986
Depreciation	<u>1,048,627</u>
Total Operating Expenses	<u>5,387,503</u>
OPERATING LOSS	<u>(24,713)</u>
NON-OPERATING REVENUE (EXPENSES):	
Connection Fees	53,090
Interest Income	57,447
Interest Expense	(446,118)
Amortization of Debt Issue Costs	(1,293)
Gain on Disposal of Capital Assets	29,720
Decrease in Fair Value of Investments	<u>(30,482)</u>
Total Non-Operating Revenue (Expenses)	<u>(337,636)</u>
CHANGE IN NET ASSETS	(362,349)
TOTAL NET ASSETS-BEGINNING	<u>13,707,285</u>
TOTAL NET ASSETS-ENDING	<u><u>\$ 13,344,936</u></u>

See Accompanying Notes to Financial Statements

**CUMBERLAND COUNTY UTILITIES AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2009**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers and Users	\$ 5,323,416
Cash Payments to Suppliers for Goods and Services	(1,618,029)
Cash Payments for Employee Services	(2,759,765)
Other Receipts (Payments)	<u>26,702</u>
Net Cash Provided by Operating Activities	<u>972,324</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and Construction of Capital Assets	(428,052)
Connection Fees Received	53,090
Proceeds from Sale of Fixed Assets	29,720
Principal Paid on Bonds	(905,000)
Principal Paid on Loans Payable	(90,393)
Interest Paid on Bonds and Loans	<u>(386,659)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,727,294)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Investment Securities	(3,680,308)
Proceeds from Sale and Maturities of Investment Securities	4,023,919
Interest Received on Non-Operating Investments	<u>66,140</u>
Net Cash Provided by Investing Activities	<u>409,751</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(345,219)
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	<u>2,516,833</u>
CASH AND CASH EQUIVALENTS-END OF YEAR	<u>\$ 2,171,614</u>

See Accompanying Notes to Financial Statements

**CUMBERLAND COUNTY UTILITIES AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2009**

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

Operating Loss	<u>\$ (24,713)</u>
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	1,048,627
Increase (Decrease) in Cash Resulting From Changes in:	
Accounts Receivable	(15,273)
Other Receivable - Operations	2,500
Inventory	(21,251)
Accounts Payable - Non Capital	3,707
Other Payables	
Accrued Liabilities	(14,743)
Unearned Permit Fees	100
Sensor Escrow	(6,630)
Accrued Compensated Absences	<u> </u>
Total Adjustments	<u>997,037</u>
Net Cash Provided by Operating Activities	<u><u>\$ 972,324</u></u>

NOTES TO THE FINANCIAL STATEMENTS

CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

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, 2009 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, 2009**

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, 2009

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, 2009**

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, 2009**

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, 2009**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Bond/Loan Premiums, Discounts, Debt Issuance Costs and Deferred Amount on Refunding

Bond and loan premiums and discounts, as well as debt issuance costs and deferred amount on refunding are deferred and amortized over the life of the bonds using the interest method. Bonds and loans payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Debt issuance costs are reported as noncurrent assets and amortized over the term of the related debt.

I. 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.

J. 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.

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.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Cash, Cash Equivalents and Investments (Continued)

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.

K. 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.

L. Postemployment Benefits Other than Pensions

In 2009 the Authority implemented Governmental Accounting Standards Board (GASB) Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*. Since the Authority participates in a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pension and Benefits, the Authority's portion of this liability and cost is calculated and recorded at the State of New Jersey level and included in the State's Comprehensive Annual Financial Report. The Authority records its other postemployment benefits cost (expense) based on billings from the State of New Jersey PERS. Required financial statement disclosures are included in Note 19.

NOTE 3 CASH AND CASH EQUIVALENTS

At December 31, 2009 the carrying amount and bank balance of the Authority's time and demand deposits were (\$4,501) and \$92,849, 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, 2009, all of the Authority's bank balance of \$92,849 was insured or collateralized.

In addition to the bank deposits described above, the Authority also had \$2,176,100 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.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

At December 31, 2009 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 \$4,023,950 investments in U.S. Treasury obligations and agencies are held in the name of the counterparty, as trustee for the Authority, 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. Sixty-six percent (66%) of the Authority's investments are in U.S. Treasury Notes, twenty-one percent (21%) are in Federal Home Loan Bank (F.H.L.B.) Bonds and thirteen percent (13%) are in U.S. Treasury Bills.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009**

NOTE 4 INVESTMENTS (CONTINUED)

As of December 31, 2009, 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	1/31/2010	N/A	\$ 285,754
U.S. Treasury Notes	4/30/2010	N/A	312,096
U.S. Treasury Notes	9/30/2010	N/A	303,658
U.S. Treasury Notes	2/28/2011	N/A	200,547
U.S. Treasury Notes	3/31/2011	N/A	300,645
U.S. Treasury Notes	7/31/2011	N/A	300,550
U.S. Treasury Notes	11/30/2011	N/A	511,802
U.S. Treasury Notes	3/15/2012	N/A	150,387
U.S. Treasury Notes	10/15/2012	N/A	278,513
F.H.L.B. Bonds	2/18/2010	AAA	200,219
F.H.L.B. Bonds	2/23/2010	AAA	500,624
F.H.L.B. Bonds	4/29/2010	AAA	150,258
U.S. Treasury Bills	5/13/2010	AAA	279,829
U.S. Treasury Bills	10/21/2010	AAA	149,492
U.S. Treasury Bills	12/16/2010	AAA	<u>99,576</u>
			<u>\$ 4,023,950</u>

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

	<u>Balance January 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2009</u>
Non-Depreciable Capital Assets:				
Land	\$ 1,135,342	\$	\$	\$ 1,135,342
Construction in Progress	<u>4,179</u>	<u>278,473</u>	<u>(252,365)</u>	<u>30,287</u>
Total Non-Depreciable Capital Assets	<u>1,139,521</u>	<u>278,473</u>	<u>(252,365)</u>	<u>1,165,629</u>
Depreciable Capital Assets:				
Land Improvements	422,564	63,655		486,219
Treatment Plant	23,145,438	69,440		23,214,878
Pumping Stations and Interceptors	6,337,328	218,125		6,555,453
Machinery and Equipment	3,517,437	25,782		3,543,219
Vehicles	1,060,189		(134,921)	925,268
Office Equipment	<u>179,826</u>			<u>179,826</u>
Total Depreciable Capital Assets (Carried Forward)	<u>34,662,782</u>	<u>377,002</u>	<u>(134,921)</u>	<u>34,904,863</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009**

NOTE 5 CAPITAL ASSETS (CONTINUED)

	<u>Balance</u> <u>January 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 2009</u>
Total Depreciable Capital Assets (Carried Forward)	<u>34,662,782</u>	<u>377,002</u>	<u>(134,921)</u>	<u>34,904,863</u>
Less: Accumulated Depreciation:				
Land Improvements	314,310	23,198		337,508
Treatment Plant	12,291,318	560,441		12,851,759
Pumping Stations and Interceptors	3,487,972	250,257		3,738,229
Machinery and Equipment	1,701,898	168,598		1,870,496
Vehicles	613,941	35,891	<u>(134,921)</u>	514,911
Office Equipment	<u>138,969</u>	<u>10,242</u>	<u> </u>	<u>149,211</u>
Total Accumulated Depreciation	<u>18,548,408</u>	<u>1,048,627</u>	<u>(134,921)</u>	<u>19,462,114</u>
Net Depreciable Capital Assets	<u>16,114,374</u>	<u>(671,625)</u>	<u> -</u>	<u>15,442,749</u>
Total Capital Assets, Net	<u>\$ 17,253,895</u>	<u>(\$ 393,152)</u>	<u>(\$ 252,365)</u>	<u>\$ 16,608,378</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.

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.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009**

NOTE 6 PENSIONS (CONTINUED)

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 5.5% 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.

For 2009 the Authority had \$138,897 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>
12/31/09	\$ 138,897	100%	\$ 138,897
12/31/08	109,524	100%	109,524
12/31/07	71,442	100%	71,442

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	\$ 254,923	\$ 1,406,550
Required Amount	<u>793,230</u>	<u>1,400,880</u>
	<u>(\$ 583,307)*</u>	<u>\$ 5,670</u>

* Result of timing differences – additions were made in January 2010.

In January 2010, a transfer was also made from the Revenue Fund to the Operating Fund in the amount of \$1,235,542 to meet the quarterly operating reserve requirement per the bond resolution.

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009**

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 advance refund the Authority's Sewer Revenue Bonds (Series 1992) then outstanding in the aggregate principal amount of \$3,170,000, fund a Bond Reserve Fund, and pay certain costs and expenses associated with the issuance of the Bonds. The outstanding balance of the Series 1999 Bonds consists of serial bonds that mature in various amounts ranging from \$295,000 to \$305,000 with interest rates ranging from 4.35% to 4.50% from 2010 to 2012. The Series 1999 Bonds maturing on or after December 1, 2010 are subject to redemption prior to their stated maturity date at the option of the Authority at the following redemption prices – December 1, 2009 to November 30, 2010 at 100.5%, December 1, 2010 and thereafter at 100%.

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 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, fund a Bond Reserve Fund, and pay certain costs and expenses associated with the issuance 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 a \$55,000 term bond with an original maturity date of December 1, 2021 which is subject to mandatory sinking fund redemption of \$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 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 2010 through 2017, inclusive, 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 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 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 Series 2006A Bonds maturing on March 1, 2021 are subject to mandatory sinking fund redemption on March 1 in each year at the redemption price equal to the principal portion thereof being redeemed.

CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

The outstanding balance of the Series 2006A Bonds consist of serial bonds that mature in various amounts ranging from \$465,000 to \$710,000 with interest rates ranging from 3.50% to 4.00% from 2010 to 2017 and a term bonds due from 2018-2021 in the principal amounts ranging from \$70,000 to \$85,000 with an interest rate of 4.00%.

In April 2006, the Authority issued its Sewer Revenue Bonds (Series 2006B), in the principal amount of \$2,430,000 to provide funds for certain capital improvements, to fund the amount required to be deposited in the bond reserve fund and to 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 Series 2006B Bonds maturing on March 1, 2014, 2016, 2018 and 2021 are subject to mandatory sinking fund redemption on March 1 in each year at the redemption price equal to the principal portion thereof being redeemed plus the interest portion thereon accrued to the date of redemption.

The outstanding balance of the Series 2006B Bonds consist of serial bonds that mature in various amount ranging from \$135,000 to \$145,000 with interest rates ranging from 3.65% to 3.80% from 2010 to 2012 and term bonds maturing in various amounts ranging from \$155,000 to \$210,000 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 2009 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, 2009 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, 2009

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

The following is a summary of changes in long-term liabilities for the year ended December 31, 2009:

<u>Type of Debt</u>	<u>Balance</u> <u>January 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 2009</u>	<u>Amounts Due</u> <u>Within One Year</u>
Revenue Bonds Payable:					
Series 2006A	\$ 5,585,000	\$	\$ 445,000	\$ 5,140,000	\$ 465,000
Series 2006B	2,180,000		130,000	2,050,000	135,000
Series 2001A	105,000		50,000	55,000	55,000
Series 1999	<u>1,180,000</u>		<u>280,000</u>	<u>900,000</u>	<u>295,000</u>
	9,050,000		905,000	8,145,000	950,000
Add:					
Unamortized Premium	23,151		4,374	18,777	
Less:					
Unamortized Original Issue Discount	(9,549)		(1,833)	(7,716)	
Unamortized Deferred Amount on Refunding	<u>(343,752)</u>		<u>(74,172)</u>	<u>(269,580)</u>	
Total Revenue Bonds Payable	<u>8,719,850</u>	<u>-</u>	<u>833,369</u>	<u>7,886,481</u>	<u>950,000</u>
Loans Payable:					
Series 2001B Trust Agreement	740,000		40,000	700,000	45,000
Series 2001B Fund Agreement	<u>664,491</u>		<u>50,393</u>	<u>614,098</u>	<u>52,341</u>
	1,404,491	-	90,393	1,314,098	97,341
Add:					
Unamortized Premium	<u>27,941</u>		<u>3,041</u>	<u>24,900</u>	
Total Loans Payable	<u>1,432,432</u>	<u>-</u>	<u>93,434</u>	<u>1,338,998</u>	<u>97,341</u>
Accrued Compensated Absences	<u>59,975</u>	<u>6,210</u>	<u>12,840</u>	<u>53,345</u>	
Total Long Term Liabilities	<u>\$ 10,212,257</u>	<u>\$ 6,210</u>	<u>\$ 939,643</u>	<u>\$ 9,278,824</u>	<u>\$ 1,047,341</u>

The annual debt service requirements to maturity, including principal and interest, for revenue bonds and loans payable as of December 31, 2009 are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Revenue Bonds</u>		<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	780,000	164,185	107,049	24,340
2015-2019	3,095,000	364,503	565,049	64,899
2020-2021	<u>580,000</u>	<u>24,235</u>	<u>245,964</u>	<u>3,329</u>
	<u>\$ 8,145,000</u>	<u>\$ 1,580,857</u>	<u>\$ 1,314,099</u>	<u>\$ 216,611</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009**

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, 2009 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.

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, 2009, the participants had invested \$183,507 in the Plan.

NOTE 11 SUMMARY OF BUDGETARY EXPENDITURES BY WASTE CHARACTERIZATION FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Total</u>	<u>Operating Expenditures Amount</u>	<u>%</u>	<u>Debt Service, Capital Outlay Amount</u>	<u>%</u>
Quantity	\$ 2,210,005	\$ 1,592,269	36.70	\$ 617,736	35.90
Chemical Oxygen Demand	1,731,394	1,177,325	27.13	554,069	32.20
Suspended Solids	1,651,820	1,209,597	27.88	442,223	25.70
Chlorine Demand	<u>466,369</u>	<u>359,685</u>	<u>8.29</u>	<u>106,684</u>	<u>6.20</u>
Total	<u>\$ 6,059,588</u>	<u>\$ 4,338,876</u>	<u>100.00</u>	<u>\$ 1,720,712</u>	<u>100.00</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009**

NOTE 12 INTEREST INCOME

Interest Earned - Operating Accounts	\$ 6,711
Interest Earned - Non-Operating Accounts	<u>57,447</u>
Interest Earned – Non-Operating Accounts	<u>\$ 64,158</u>

NOTE 13 INTEREST EXPENSE

Interest on Bonds, Notes and Loans	\$ 377,527
Add: Amortization of Original Issue Discount	1,833
Amortization of Deferred Amount on Refunding	74,173
Less: Amortization of Premium- Bonds and Loans Payable	(7,415)
Net Interest Expense	<u>\$ 446,118</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.

NOTE 15 ECONOMIC DEPENDENCY

The Authority derives approximately eighty percent (80%) 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	\$ 679,934
Future Debt Service	132,486
Renewal and Replacement	600,000

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009**

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, 2009 is \$2,157,686.

The unrestricted net assets designated for subsequent year's expenditures at December 31, 2009 consists of \$93,432 which has been appropriated and included as anticipated revenue in the 2010 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 the amount of all Operating Expenses for the fiscal year, plus the amount required to pay the principal of and interest on Outstanding Bonds as the same become due and payable. Revenues for the year 2009, 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 met the rate covenant contained in Section 720 of the Authority's General Bond Resolution.

NOTE 19 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The 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 1990 and 1996 the Authority adopted resolutions authorizing participation in the SHBP's post-retirement benefit program. Pursuant to those resolutions, the Authority pays 100% of the premium charges for the benefits provided to certain eligible pensioners who retire with 25 years or more of service in the retirement system and their dependents, including surviving spouses, covered by the New Jersey SHBP and reimburses retired employees and their spouses for their premium charges under Part B of the Federal Medicare Program.

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

**CUMBERLAND COUNTY UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009**

NOTE 19 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (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 and paid by the Authority on a monthly basis. Plan members are not required to contribute to the cost of those premiums.

The Authority contributions to SHBP for retirees for the years ended December 31, 2009, 2008, and 2007, were \$92,402, \$77,233, and \$76,330, respectively, which equaled the required contributions for each year. There were approximately 11, 9 and 8 retired participants eligible at December 31, 2009, 2008, and 2007, respectively.

NOTE 20 SUBSEQUENT EVENT

In January 2010, the Authority adopted a resolution authorizing submission of a loan application to the New Jersey Environmental Infrastructure Trust for inclusion in the 2010 Financing Program. The loan request, in the amount of \$1,713,312 is to provide funds for the proposed replacement of the lower portion of the Upper Deerfield sewer force main.

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, 2009

	INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	UNRESTRICTED		RESTRICTED			TOTAL (MEMO)
		UNDESIGNATED	DESIGNATED - SUBSEQUENT YEAR'S EXPENDITURES	DESIGNATED - FUTURE PLANT RECONSTRUCTION OR REPLACEMENT	CURRENT DEBT SERVICE	FUTURE DEBT SERVICE	
OPERATING REVENUE:							
Treatment Fees	\$	\$ 5,030,995	\$	\$	\$	\$	\$ 5,030,995
Septage Fees		243,086					243,086
Lab Fees		651					651
Service Fees		20,816					20,816
Interest Income		6,711					6,711
Finance Charges		784					784
Industrial Pretreatment Program Revenue		28,900					28,900
Other Operating Income		30,847					30,847
		5,362,790					5,362,790
OPERATING EXPENSES:							
Cost of Providing Services		3,176,890					3,176,890
Administrative and General		1,161,986					1,161,986
Depreciation		1,048,627					1,048,627
		5,387,503					5,387,503
		(24,713)					(24,713)
OPERATING LOSS							
NON-OPERATING REVENUE (EXPENSES):							
Connection Fees		53,090		27,884	808	21,808	53,090
Interest Income		218					218
Interest Expense		(446,118)					(446,118)
Amortization of Debt Issue Costs		(1,293)					(1,293)
Gain on Disposal of Capital Assets		29,720		(12,478)	(326)	(12,232)	29,720
Investment Income (Loss)		(364,383)		15,406	482	9,576	(337,636)
		(389,096)		15,406	482	9,576	(362,349)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS							
Investment Income		11,341			(482)	(9,576)	
Increase (Decrease) in Debt Service Requirement		(15,056)			15,056		
Other Transfers		483,745	(164,051)	(223,155)			(157,460)
		60,921					
INCREASE (DECREASE) IN NET ASSETS		60,921	(164,051)	(207,749)	15,056	-	(362,349)
NET ASSETS - JANUARY 1,		8,720,388	809,155	2,365,435	664,878	132,486	13,707,285
NET ASSETS - DECEMBER 31,		8,781,309	93,432	2,157,686	679,934	132,486	13,344,936

**CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED ACCOUNTS
YEAR ENDED DECEMBER 31, 2009**

	<u>REVENUE ACCOUNT</u>	<u>OPERATING ACCOUNT</u>	<u>GENERAL ACCOUNT</u>	<u>TOTAL</u>
CASH AND INVESTMENTS - JANUARY 1, 2009	\$ 1,449,722	\$ 253,951	\$ 129,438	\$ 1,833,111
CASH RECEIPTS:				
Treatment Fees	5,031,268			5,031,268
Septage Fees	225,854			225,854
Industrial Pretreatment Program Revenue	31,400			31,400
Interest on Investments	3,296	3,414	74	6,784
Finance Charges	748			748
Other Income	71,041			71,041
Connection Fees	53,090			53,090
Transfers - Unrestricted Accounts	(4,660,275)	4,428,659	231,616	-
Transfers from Restricted Accounts	556,531			556,531
Other Receivables/Reimbursements	4,232			4,232
Total Cash and Investments Available	<u>2,766,907</u>	<u>4,686,024</u>	<u>361,128</u>	<u>7,814,059</u>
CASH DISBURSEMENTS:				
Operations		4,366,458		4,366,458
Transfers to Restricted Accounts	1,338,964			1,338,964
Fixed Assets Purchased from Operations	-	333,148		333,148
Total Cash Disbursed	<u>1,338,964</u>	<u>4,699,606</u>	<u>-</u>	<u>6,038,570</u>
CASH AND INVESTMENTS - DECEMBER 31, 2009	<u>\$ 1,427,943</u>	<u>\$ (13,582)</u>	<u>\$ 361,128</u>	<u>\$ 1,775,489</u>
BALANCE COMPRISED OF:				
Cash and Cash Equivalents:				
Non-Interest Bearing	\$ 1,427,943	\$ 500	\$ 361,128	\$ 1,774,989
Interest Bearing	<u>1,427,943</u>	<u>(14,082)</u>	<u>361,128</u>	<u>1,774,989</u>
	<u>\$ 1,427,943</u>	<u>\$ (13,582)</u>	<u>\$ 361,128</u>	<u>\$ 1,775,489</u>

**CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND INVESTMENTS
RESTRICTED ACCOUNTS
YEAR ENDED DECEMBER 31, 2009**

	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, 2009	\$ 300,214	\$ 1,404,667	\$ 393,492	\$ 603,313	\$ 2,334,918	\$ 5,932	\$ 5,042,536
CASH RECEIPTS:							
Interest Received	1,037	24,019	114	8,267	32,598	31	66,066
Sensor Escrow		(1,094)		390	72	100	100
Realized Gain (Loss) on Sale of Investments Transfers from Unrestricted Accounts	1,338,574						(1,022)
Total Cash and Investments Available	<u>1,639,825</u>	<u>1,427,592</u>	<u>393,606</u>	<u>611,970</u>	<u>2,367,588</u>	<u>6,063</u>	<u>6,446,644</u>
CASH DISBURSEMENTS:							
Transfers to Unrestricted Accounts Operations	2,850	25,123	298,702	9,524	223,155	27	556,531
Construction in Progress			94,904				2,850
Debt Service Payment	1,382,052						94,904
Total Cash Disbursements	<u>1,384,902</u>	<u>25,123</u>	<u>393,606</u>	<u>9,524</u>	<u>223,155</u>	<u>27</u>	<u>1,382,052</u>
CASH AND INVESTMENTS - DECEMBER 31, 2009	\$ 254,923	\$ 1,402,469	\$ -	\$ 602,446	\$ 2,144,433	\$ 6,036	\$ 4,410,307
BALANCE COMPRISED OF:							
Cash and Cash Equivalents:	\$ 254,923	\$ 9,690	\$ -	\$ 8,283	\$ 117,193	\$ 6,036	\$ 396,125
Interest Bearing Investments (At Cost):		1,392,779		594,163	2,027,240		4,014,182
U.S. Government Obligations	\$ 254,923	\$ 1,402,469	\$ -	\$ 602,446	\$ 2,144,433	\$ 6,036	\$ 4,410,307

**CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF OPERATING REVENUE AND COSTS
FUNDED BY OPERATING REVENUE COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2009**

	<u>2009 BUDGET</u>	<u>2009 ACTUAL</u>
REVENUE:		
Net Assets Appropriated	\$ 190,393	\$ 92,289
Unexpended Series 2006 Proceeds	298,702	298,702
Plant Reconstruction & Replacement	67,500	223,155
Sewerage Treatment Fees	5,030,995	5,030,995
Septage Fees	225,000	243,086
Connection Fees	50,000	53,090
Other Income		30,847
Interest Income - Operating Accounts	17,500	6,711
Interest Income - Other	32,500	29,563
Finance Charges	500	784
Lab Fees		651
Industrial Pretreatment Program Fees	21,000	28,900
Service Fees	10,000	20,816
	<hr/>	<hr/>
Total Operating Revenue	\$ 5,944,090	\$ 6,059,589
	<hr/>	<hr/>
EXPENSES:		
Costs of Providing Services:		
Salaries and Wages	\$ 1,534,430	\$ 1,418,102
Employee Benefits	629,010	596,592
Automotive Expense	24,500	23,875
Chemicals Used in Treatment	87,000	81,822
Fuels and Lubricants	88,000	75,427
Utilities	537,500	552,319
Materials and Supplies	45,000	43,976
Repairs and Replacements	160,750	161,104
Sludge Disposal	199,000	173,585
Laboratory Expenses	43,000	39,553
Other Operations and Maintenance Expenses	5,000	4,222
Industrial Pretreatment Program	6,500	6,313
	<hr/>	<hr/>
	3,359,690	3,176,890
	<hr/>	<hr/>

**CUMBERLAND COUNTY UTILITIES AUTHORITY
SCHEDULE OF OPERATING REVENUE AND COSTS
FUNDED BY OPERATING REVENUE COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2009**

	<u>2009 BUDGET</u>	<u>2009 ACTUAL</u>
EXPENSES (CONTINUED):		
Administrative and General Expenses:		
Salaries and Wages	\$ 367,300	\$ 424,092
Employee Benefits	272,500	299,939
Office Supplies and Expense	34,050	34,759
Professional Services	152,400	146,730
Insurance	71,614	71,286
Travel, Conferences and Education	15,500	15,537
Utilities	40,600	40,241
Dues and Subscriptions	7,400	6,418
Maintenance of General Property	41,500	38,421
Permits and Fees	75,350	75,814
Provision for Bad Debts	2,000	1,717
Other Administrative Fees	7,000	7,032
	<u>1,087,214</u>	<u>1,161,986</u>
Interest Expense	<u>381,793</u>	<u>377,527</u>
OTHER COSTS FUNDED BY OPERATING REVENUE:		
Principal Maturities	995,393	995,393
Capital Outlays	<u>120,000</u>	<u>347,793</u>
	<u>1,115,393</u>	<u>1,343,186</u>
TOTAL COSTS FUNDED BY OPERATING REVENUE	<u><u>\$ 5,944,090</u></u>	<u><u>\$ 6,059,589</u></u>

CUMBERLAND COUNTY UTILITIES AUTHORITY
 SCHEDULE OF SEWER REVENUE BONDS PAYABLE
 DECEMBER 31, 2009

	ORIGINAL		INTEREST RATE	MATURITIES		BALANCE JANUARY 1, 2009	ISSUED 2009	PAID 2009	BALANCE DECEMBER 31, 2009
	DATE	AMOUNT		DATE	AMOUNT				
Issue of 2001A	11/15/2001	\$ 1,200,000	5.40%	12/1/2010	\$ 55,000	\$ 105,000	\$ -	\$ 50,000	\$ 55,000
Issue of 1999	4/1/1999	3,295,000	4.35%	12/1/2010	295,000				
			4.45%	12/1/2011	305,000				
			4.50%	12/1/2012	300,000				
Issue of 2006A	3/28/2006	6,055,000	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	5,385,000	-	445,000	5,140,000
Issue of 2006B	4/18/2006	2,430,000	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	2,180,000	-	130,000	2,050,000
						\$ 9,050,000	\$ -	\$ 905,000	\$ 8,145,000

CUMBERLAND COUNTY UTILITIES AUTHORITY
 SCHEDULE OF LOANS PAYABLE
 NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST - SERIES 2001B
 DECEMBER 31, 2009

	ORIGINAL		INTEREST RATE	MATURITIES		ISSUED 2009	PAID 2009	BALANCE DECEMBER 31, 2009
	DATE	AMOUNT		DATE	AMOUNT			
Trust Loan Agreement	10/15/2001	\$ 950,000	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			
						\$ 740,000	\$ 40,000	\$ 700,000
Fund Loan Agreement	10/15/2001	\$ 1,000,000	N/A	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			
						664,491	50,393	614,098
						<u>\$ 1,404,491</u>	<u>\$ 90,393</u>	<u>\$ 1,314,098</u>

ROSTER OF OFFICIALS

<u>Authority Members</u>	<u>Position</u>	<u>Amount of Surety Bond</u>
Nancy L. Sungenis	Chairperson	
Donald L. Olbrich, Sr.	Vice Chairman	
Sameer Boutros	Commissioner	
Angelia L. Edwards	Commissioner	
R. Todd Edwards	Commissioner	
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	
Theodore F. Propert	Director	
Patti McAllister	Assistant Secretary/Treasurer	

Surety Company

ITT Hartford Insurance Group

**CUMBERLAND COUNTY UTILITIES AUTHORITY
FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2009**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

NONE

**CUMBERLAND COUNTY UTILITIES AUTHORITY
STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2009**

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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.

Status:

This is not a finding in the current year.

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.

Status:

This is not a finding in the current year.