



**Comprehensive Annual  
Financial Report for the  
Year Ended December 31, 2009**

# **Introductory Section**



# Manasquan River Regional Sewerage Authority

P.O. Box 646 • Farmingdale, New Jersey 07727

(732) 431-8185 • FAX (732) 308-3833

**Jerome A. Cevetello, Jr.**  
*Executive Director*

April 15, 2010

To the Board of Commissioners  
Manasquan River Regional Sewerage Authority

The comprehensive annual financial report (CAFR) of the Manasquan River Regional Sewerage Authority (Authority) for the year ended December 31, 2009, is submitted herewith. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation including all disclosures, rests with Authority management. We believe that the data presented is accurate in all material respects; that the report is presented in a manner designed to fairly set forth the results of operations of the Authority as measured by the financial activity of its funds; that the report fairly presents the financial position of the Authority for the year then ended; and that all disclosures necessary to enable the reader to gain a maximum understanding of the Authority's financial activities have been included.

This CAFR is presented in three main sections:

1. **Introductory Section** provides information on the contents of the report, this transmittal letter and the Authority's organizational structure.
2. **Financial Section** includes the auditor's opinion, management discussion and analysis, basic financial statements and other supplemental information.
3. **Statistical Section** contains additional financial and general information generally presented on a multiyear basis.

## **Profile of the Government**

The Manasquan River Regional Sewerage Authority was originally created in May of 1972 by parallel ordinances of five member municipalities, Farmingdale Borough, Freehold Borough, Freehold Township, Howell Township and Wall Township. The original purpose of the Authority was to provide for the treatment of wastewater in the Manasquan River Basin and a portion of the Metedeconk Basin. The total area of coverage for this Authority is approximately 103 square miles and presently consists of over 100,000 residences, plus numerous commercial and industrial establishments.

Subsequent to the original creation of this Authority, it was determined by federal and state officials that this Authority would become a collection and conveyance system only and transport its wastewater for treatment to the Ocean County Utilities Authority.

## **Organization of Structure**

The Authority consists of ten commissioners, who act as its Board of Directors. Each member municipality appoints two of these commissioners to staggered five-year terms. The commissioners annually select four of its members to serve as chairperson, vice chairperson, secretary, and treasurer. The chairperson, or in his or her absence, the vice-chairperson presides over the meetings. The secretary is responsible for the execution, witnessing and certification of various Authority documents. (See Appendix A for current list of commissioners.)

The Authority commissioners are responsible for setting the policy of this Authority. The commissioners also appoint an executive director who acts as chief administrator to carry out the rules and policies enacted by the commissioners. The executive director is responsible for the day to day affairs of the Authority and is responsible to the commissioners for administering the policies established by them.

The commissioners are also responsible for annually appointing an Authority attorney, engineer and auditor, along with any other special counsels or consultants as deemed appropriate and necessary. These professionals report both to the commissioners and to the executive director. (See Appendix B for current list of professionals.)

Within the Authority, there are two divisions, the administrative and the operational division. The administrative division is responsible for the preparation of all necessary Authority paperwork and documents, along with the day to day finances of the Authority and its purchasing. Within the administrative division an executive secretary is also responsible for attending the Authority's meetings and recording the minutes. Also, there is a bookkeeper responsible for the preparation of Authority documents as they pertain to the processing and payment of bills, payroll and the receipt of monies due to the Authority and proper disposition. These individuals report directly to the executive director.

The operations division is responsible for the day to day operation and maintenance of the physical plant. The operations division is headed by the superintendent, who reports directly to the executive director. (Please refer to Addendum C Manasquan River Regional Sewerage Authority table of organization.)

## **Local Economy**

The Authority's service area, which includes its five member municipalities, Farmingdale Borough, Freehold Borough, Freehold Township, Howell Township, and Wall Township, is the fastest growing area in Monmouth County.

Monmouth County is located in east central New Jersey. With a land area of 472 square miles, the county ranks as the sixth largest. Its population in 2000 was 615,301, placing it fourth among New Jersey counties. With its relatively level topography, and with its only significant physical constraint the large areas covered by wetlands, the County was poised for rapid growth once the New York-Northern New Jersey "growth belt" expanded beyond Middlesex County.

The Authority service area primarily consists of residential housing with a major transportation spine, Route 9. Route 9 acts as corridor to a large commuter base that is predominately employed in the New York Metropolitan area. In addition to Route 9 being a transportation corridor it is



also a Mecca for shopping. This includes a large number of national chain box stores, strip malls and a large regional mall.

Freehold Borough is the county seat. It is located in the heart of western Monmouth County and hosts many professional offices. Freehold Township hosts an expanding medical facility, Centra State Healthcare System and of its associated services. The service area also has major manufacturing such as Nestle USA and light industry in different pockets throughout. There is a regional airport (Monmouth Executive) in Wall Township.

Over the course of the next few years Wall Township is projected to host the greatest number of jobs at about 17,104, followed by Freehold Township at 16,000, Howell Township at 10,746, Freehold Borough at 10,026 and Farmingdale Borough at 250.

**Table 1: At Place Employment, 1995-2020**

	1985	2005	2020
Farmingdale Borough	225	250	250
Freehold Borough	9,030	10,026	11,401
Freehold Township	13,941	16,000	17,500
Howell Township	8,696	10,746	11,470
Wall Township	13,985	17,104	20,183
Service Area Total	45,877	54,126	60,804

The median household income in the Authority’s service area can be seen in the following table:

**Table 2: Median Household Income, 1989 and 2000**

	1989	2000
New Jersey	\$40,927	N/A
Monmouth County	\$45,912	\$73,263
Farmingdale Borough	\$40,469	\$62,086
Freehold Borough	\$40,327	\$61,568
Freehold Township	\$58,756	\$98,631
Howell Township	\$47,912	\$77,619
Wall Township	\$46,301	\$73,989

Source: 1989-US Census

2000 Income estimates – Monmouth County Planning Board

Retail prices in the greater New York area (which includes Monmouth County) as measured for the year ended December 2006 rose 3.1%\*, while core inflation as measured by the “*All Items Less Food and Energy Index*” was up 3.3%\*.

\* Source United States Department of Labor, Bureau of Labor Statistics

## **MAJOR INITIATIVES**

### **Mingamahone Pump Station Upgrades**

The Authority in 2010 will complete an engineering re-design of the Mingamahone Pump Station. This design will include a complete update of this approximately 25-year old pump station that serves parts of northeast Howell Township and Farmingdale Borough. In addition, the design study will include an analysis of projected flows in this area to determine if a re-rating of the station will be necessary. It is anticipated that this project will go out to bid in 2011. In addition, during 2010 the Authority will complete the installation of a new standby emergency generator at this location.

### **Upper Manasquan Force Main Air Release Valve Chamber Upgrades**

During 2009, the Authority awarded a contract for upgrades to its air release chambers on the Upper Manasquan Force Main. During 2010 it will complete these upgrades.

### **Upper Manasquan Pump Station/ Authority Headquarters**

During 2009, the Authority completed the installation of natural gas service to its facility on Havens Bridge Road. As a result, the 30-year old oil fired heating system will be replaced with natural gas. In addition, the 8,000 gallon diesel fuel underground storage tank used for heating and emergency generation will be removed and replaced with a smaller above ground diesel fuel storage tank to be used solely for emergency generation.

## **FINANCIAL INFORMATION**

### **Internal Controls**

In developing and evaluating the Authority's accounting system, an important consideration is the overall adequacy of internal controls. Internal controls are designed to provide Authority management with reasonable (but not absolute) assurance regarding (a) the safeguarding of assets against loss from unauthorized use or disposition; and (b) the overall reliability of the financial records for preparing financial statements and for maintaining accountability and control over the Authority's assets.

The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of cost and benefits requires estimates and judgement by management.

### **Budgetary Control**

Annually, appropriations are established by the Board of Commissioners to record the current year's fiscal requirements of the Authority. Portions of these appropriations are encumbered as purchase orders and/or contracts are awarded. No commitment is authorized, nor any expenditure incurred, until it is determined that adequate appropriation balances exist for that purpose. To facilitate this determination, the Authority accounting records are delineated by function and specific activity.

## **Financial Operating Results**

The management discussion and analysis that follows, summarizes and reviews the changes of the Authority's financial operations.

### **Cash and Investment Administration**

The Authority's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. During 2009, the Authority continued to invest in the same type of investments as in prior years, primarily the New Jersey Cash Management Fund and Treasury and Agency Securities. All investments are made in accordance with permitted investment vehicles as determined by the State of New Jersey.

## **RISK MANAGEMENT**

The Authority continues to look to the New Jersey Utilities Authority Joint Insurance Fund (NJUAJIF) for its property and casualty insurance coverage. This fund has provided comprehensive and reliable coverage for many years. The relationship has also resulted in thousands of dollars in cost savings on premiums, plus many annual dividends being paid to the Authority.

Recently the NJUAJIF has enhanced its coverage with the addition of Employment Practices Liability Coverage (EPL) and Public Officials Liability Coverage (POL). There has also been the inclusion of extended Environmental Coverage as a result of the NJUAJIF becoming a member of the New Jersey Environmental Joint Insurance Fund (NJEJIF).

A comprehensive listing of the Insurance Coverage can be found on file in the Authority's offices.

## **OTHER INFORMATION**

### **Independent Audit**

The Authority is required to have an annual audit of the books of account, financial records, and transactions conducted by independent certified public accountants selected by the Board of Commissioners. This requirement has been complied with. The independent auditors' report on the 2009 financial statements of the Authority has been included in the financial section of this report.

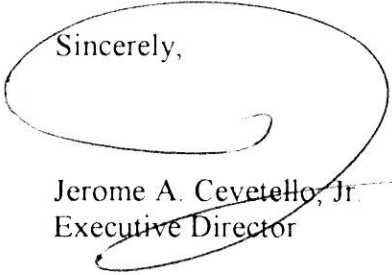
**Acknowledgement**

The preparation of this report on a timely basis was made possible with the assistance of the following people

- James Roe
- Margaret Semblewski
- Susan Riis
- Sean Throckmorton
- William E. Antonides, Jr , CPA, RMA
- Peter E. Kocsik, PE

In closing, preparation of the report would not have been possible without the leadership and support of the Board of Commissioners.

Sincerely,



Jerome A. Cevetello, Jr.  
Executive Director

JAC/ms

**Appendix A**

**2009**

**MRRSA COMMISSIONERS, TERMS OF OFFICE**

	<b><u>FROM</u></b>	<b><u>EXPIRES</u></b>	<b><u>TERM</u></b>
<b><u>FARMINGDALE:</u></b>			
Seymour Burke, Treasurer	2/01/06	2/01/11	5
Edward A. Schauer MD, Secretary	2/01/07	2/01/12	5
<b><u>FREEHOLD BOROUGH:</u></b>			
Michael Wilson	2/01/06	2/01/11	5
Richard J. Gartz, Chairman	2/01/07	2/01/12	5
<b><u>FREEHOLD TOWNSHIP:</u></b>			
Eugene B. Golub, Vice Chairman	2/01/06	2/01/11	5
Raymond Kershaw**	2/01/07	2/01/12	5
**Deceased 6/09/09, seat vacant remainder of the year			
<b><u>HOWELL TOWNSHIP:</u></b>			
Suzanne Veitengruber*	9/23/08	2/01/11	*
*Completion of MaryLu Lucey's term			
Jesse Tantillo	2/01/07	2/01/12	5
<b><u>WALL TOWNSHIP:</u></b>			
Olga McKenna	2/01/06	2/01/11	5
Mary DeSarno	2/01/07	2/01/12	5



**Appendix B**

**2009**

**MANAGEMENT**

**Jerome A. Cevetello, Jr., Executive Director**

**James Roe, Acting Superintendent**

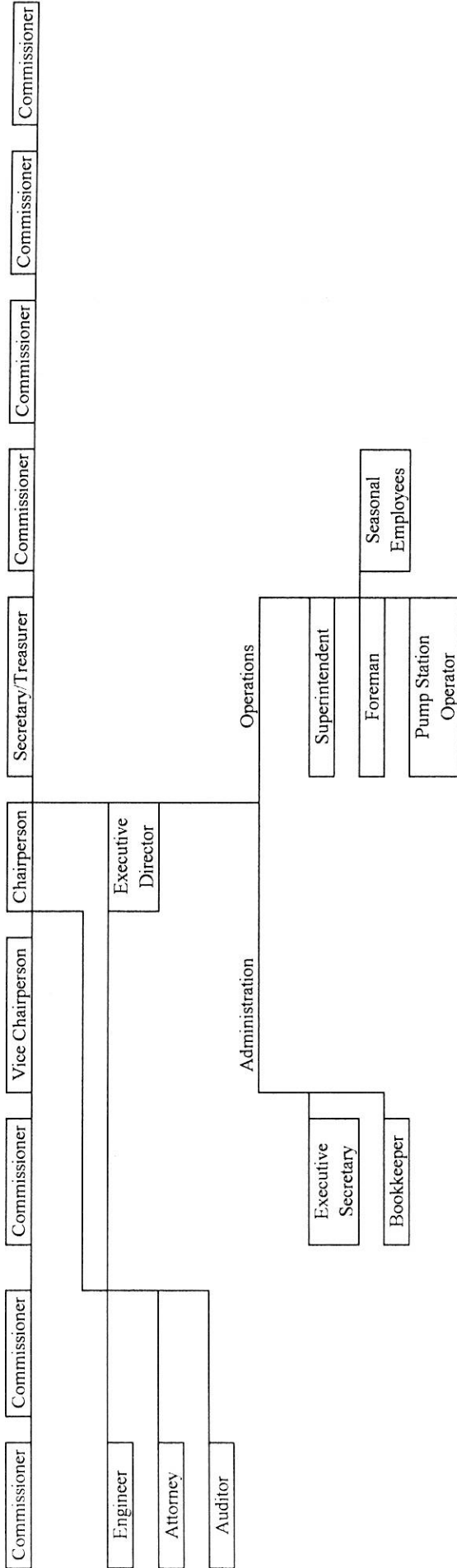
**CONSULTANTS**

Mehr, LaFrance & Williams	Attorney
William E. Antonides & Company	Auditor
Cleary, Alfieri & Jones	Special Counsel
Hatch Mott MacDonald	Engineer
John S. Truhan Consulting Engineers, Inc.	Conflict Engineer
Conner Strong Companies, Inc.	Risk Management Consultant

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

ORGANIZATIONAL CHART

Appendix C



# **Financial Section**

# William E. Antonides and Company

CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM E. ANTONIDES, C.P.A., R.M.A., P.S.A.  
WILLIAM E. ANTONIDES, JR., C.P.A., R.M.A., P.S.A.

EDWARD J. SIMONE, C.P.A., R.M.A., P.S.A.  
BRIAN K. LOGAN, C.P.A., R.M.A., P.S.A.  
DOROTHY S. GALLAGHER, C.P.A., R.M.A., P.S.A.  
DONALD F. HILL, C.P.A., P.S.A.  
CHI-LING LAI, C.P.A., P.S.A.

Telecopier:  
732-681-4033

e-mail:  
antonidescpa@monmouth.com

Monmouth County Office:  
2807 Hurley Pond Road  
Suite 200  
P.O. Box 1137  
Wall, New Jersey 07719-1137  
732-681-0980

Ocean County Office:  
506 Hooper Avenue, Suite B  
Toms River, New Jersey 08753-7704  
732-914-0004

## INDEPENDENT AUDITOR'S REPORT

Chairperson and Board of Commissioners  
Manasquan River Regional Sewerage Authority  
County of Monmouth  
Farmingdale, New Jersey

We have audited the accompanying financial statements of the Manasquan River Regional Sewerage Authority (the "Authority"), in the County of Monmouth, State of New Jersey, as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2009 and 2008, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2010, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Auditing Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The introductory section and supporting schedules, listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**William E. Antonides and Company**

**Independent Auditors**



**William E. Antonides, Jr.  
Certified Public Accountant**

April 15, 2010



## Management's Discussion and Analysis

---

The discussion and analysis is designed to provide an analysis of the Authority's financial condition and operating results and to also inform the reader on Authority financial issues and activities.

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the Transmittal Letter (beginning on page 1) and the Authority's basic financial statements (beginning on page 15).

### USING THIS ANNUAL REPORT

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. As enterprise funds, the Authority's basic financial statements include:

- **Statement of net assets** - reports the Authority's current financial resources (short-term spendable resources) with capital assets and long-term obligations. (Exhibit A)
- **Statement of revenues, expenses and changes in fund net assets** - reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions. (Exhibit B)
- **Statement of cash flows** - reports the Authority's cash flows from operating activities, investing, capital and non-capital activities. (Exhibit C)

### STATEMENT OF NET ASSETS

Years Ended December 31,	<u>2009</u>	<u>2008</u>
Assets:		
Current Assets:		
Unrestricted	\$ 2,802,876	\$ 5,134,988
Restricted	419,366	385,812
Capital Assets, Net	<u>11,343,418</u>	<u>11,701,141</u>
Total Assets	<u>\$ 14,565,660</u>	<u>\$ 17,221,941</u>
Liabilities:		
Current Liabilities:		
Unrestricted	\$ 2,055,479	\$ 2,259,634
Restricted	419,366	385,812
Non-Current Liabilities	<u>3,952,635</u>	<u>5,128,563</u>
Total Liabilities	<u>\$ 6,427,480</u>	<u>\$ 7,774,009</u>
Net Assets		
Invested in Capital Fixed Assets, Net of Related Debt	\$ 7,317,816	\$ 6,629,651
Unrestricted	<u>820,364</u>	<u>2,818,281</u>
Total Net Assets	<u>\$ 8,138,180</u>	<u>\$ 9,447,932</u>

The net assets of the Authority decreased to \$8,138,180 during 2009, a \$1,309,752 decrease over 2008.

## REVIEW OF REVENUES

Years Ended December 31,	<u>2009</u>	<u>2008</u>
Operating Revenues:		
Service Charges	\$ 10,764,733	\$ 10,188,386
Connection Fees	144,618	233,860
Other	189,438	187,054
Total Operating Revenues	<u>11,098,789</u>	<u>10,609,300</u>
Non-Operating Revenues:		
Gain on Sale Leaseback	48,471	48,471
Interest Revenue	21,319	138,565
Gain on Disposition of Assets	32	
Other	73,577	66,840
Total Non-Operating Revenues	<u>143,399</u>	<u>253,876</u>
Total Revenues	<u>\$ 11,242,188</u>	<u>\$ 10,863,176</u>

In 2009, operating revenues increased by \$489,489 when compared to 2008. The increase was attributable to an increase in service charges over the previous year.

## REVIEW OF EXPENSES

Years Ended December 31,	<u>2009</u>	<u>2008</u>
Operating Expenses		
Personnel Services	\$ 1,849,439	\$ 1,808,964
Purchase of Services	9,391,774	8,835,998
Other Operating Expenses	536,634	705,558
Depreciation	233,929	255,509
Amortization of Leased Property Under Capital Lease	238,431	238,431
Total Operating Expenses	<u>\$ 12,250,207</u>	<u>\$ 11,844,460</u>

The Authority's operating expenses increased \$405,747 in 2009 when compared to 2008. The increase was mainly attributable to service charges paid to the Ocean County Utilities Authority.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital assets, net of depreciation

In 2009, capital assets had a net decrease (addition, deductions and depreciation) of \$357,722.

Years Ended December 31,	<u>2009</u>	<u>2008</u>
Leased Property Under Capital Lease	\$ 7,253,821	\$ 7,492,251
Buildings	660,455	672,682
Equipment and Apparatus	31,215	41,966
Office Equipment	10,086	11,635
Vehicles	178,164	169,528
Conveyance System	3,136,751	3,313,078
Construction in Progress	<u>72,926</u>	<u></u>
Total Capital Assets, Net	<u>\$ 11,343,418</u>	<u>\$ 11,701,140</u>

### DEBT OUTSTANDING

The Authority's capital lease balance was \$4,025,602 and \$5,0971,489 in 2009 and 2008 respectively.

### FINANCIAL CONTACT

The Authority's statements are designed to present users (sewer users, ratepayers and creditors) with a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have any questions about the report or need additional financial information, please contact the Finance Department, Manasquan River Regional Sewerage Authority, P.O. Box 646, Farmingdale, NJ 07727.

**MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY**

**STATEMENTS OF NET ASSETS**

**Exhibit A**

**DECEMBER 31, 2009 AND 2008**

**Sheet 1 of 2**

	<u>2009</u>	<u>2008</u>
<b><u>Assets</u></b>		
Current Assets:		
Cash and Cash Equivalents	\$ 2,047,086.27	\$ 4,115,146.63
Intergovernmental Accounts Receivable	470,383.34	740,201.55
Prepaid Lease Payment	273,577.58	250,550.50
Inventory	11,828.50	29,089.29
Total Current Assets	<u>2,802,875.69</u>	<u>5,134,987.97</u>
Restricted Assets:		
Cash and Cash Equivalents	419,365.69	385,811.84
Total Restricted Assets	<u>419,365.69</u>	<u>385,811.84</u>
Capital Assets:		
Leased Property Under Capital Leases	14,230,712.00	14,230,712.00
Less Accumulated Amortization	6,976,891.32	6,738,460.53
	<u>7,253,820.68</u>	<u>7,492,251.47</u>
Buildings	895,424.43	886,924.43
Equipment and Apparatus	330,801.68	324,366.68
Office Equipment	118,808.00	118,808.00
Vehicles	459,848.37	500,345.46
Conveyance System	4,682,472.29	4,682,472.29
Construction in Progress	72,926.34	
	<u>6,560,281.11</u>	<u>6,512,916.86</u>
Less Accumulated Depreciation	2,470,683.59	2,304,027.53
	<u>4,089,597.52</u>	<u>4,208,889.33</u>
Capital Assets, Net	<u>11,343,418.20</u>	<u>11,701,140.80</u>
Total Assets	<u>\$ 14,565,659.58</u>	<u>\$ 17,221,940.61</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY**

**STATEMENTS OF NET ASSETS**

**Exhibit A**

**DECEMBER 31, 2009 AND 2008**

**Sheet 2 of 2**

	<u>2009</u>	<u>2008</u>
<b><u>Liabilities</u></b>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	\$ 69,009.65	\$ 160,768.46
Contracts Payable	14,617.50	
Retainage on Contracts Payable		7,870.00
Overpayment of Service Charges	842,142.54	1,045,107.71
Obligations Under Capital Lease	1,129,708.83	1,045,887.61
Total Current Liabilities Payable from Unrestricted Assets	<u>2,055,478.52</u>	<u>2,259,633.78</u>
Current Liabilities Payable from Restricted Assets::		
Escrow Accounts - Review Fees	419,365.69	385,811.84
Total Current Liabilities Payable from Restricted Assets	<u>419,365.69</u>	<u>385,811.84</u>
Non-Current Liabilities:		
Obligations Under Capital Leases	2,895,892.91	4,025,601.74
Unearned Profit on Sales - Leaseback	1,002,679.81	1,051,150.47
Compensated Absences Payable	54,062.45	51,810.72
Total Non-Current Liabilities	<u>3,952,635.17</u>	<u>5,128,562.93</u>
Total Liabilities	\$ <u>6,427,479.38</u>	\$ <u>7,774,008.55</u>
<b><u>Net Assets</u></b>		
Invested in Capital Fixed Assets, Net of Related Debt	\$ 7,317,816.46	\$ 6,629,651.45
Unrestricted	<u>820,363.74</u>	<u>2,818,280.61</u>
Total Net Assets	\$ <u>8,138,180.20</u>	\$ <u>9,447,932.06</u>

The accompanying Notes to Financial Statements are an integral part of this statement.



**MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY**

**STATEMENTS OF REVENUE, EXPENSES AND**

**Exhibit B**

**CHANGES IN NET ASSETS**

**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Operating Revenue:		
Service Charges	\$ 10,764,732.65	\$ 10,188,385.82
Connection Fees	144,618.30	233,860.18
Other	189,437.64	187,053.72
Total Operating Revenue	<u>11,098,788.59</u>	<u>10,609,299.72</u>
Operating Expenses:		
Personnel Services	1,849,438.50	1,808,964.30
Purchase of Services	9,391,774.38	8,835,998.37
Other Operating Expenses	536,634.42	705,558.41
Depreciation	233,928.46	255,508.42
Amortization of Leased Property Under Capital Lease	238,430.79	238,430.79
Total Operating Expenses	<u>12,250,206.55</u>	<u>11,844,460.29</u>
Operating Income/(Loss)	<u>(1,151,417.96)</u>	<u>(1,235,160.57)</u>
Non-Operating Revenue/(Expenses):		
Gain on Sale Leaseback	48,470.66	48,470.66
Interest Revenue	21,319.30	138,564.71
Lease Obligation Interest Expense	(301,732.47)	(367,221.98)
Gain on Disposition of Assets	31.39	
Other Non-Operating Revenues	73,577.22	66,840.09
Total Non-Operating Revenue/(Expenses)	<u>(158,333.90)</u>	<u>(113,346.52)</u>
Net Income/(Loss)	<u>(1,309,751.86)</u>	<u>(1,348,507.09)</u>
Net Assets January 1	<u>9,447,932.06</u>	<u>10,796,439.15</u>
Net Assets December 31	<u>\$ 8,138,180.20</u>	<u>\$ 9,447,932.06</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY**

**STATEMENTS OF CASH FLOWS**

**Exhibit C**

**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities:		
Cash Received from Service Charges	\$ 10,514,190.26	\$ 10,634,137.75
Cash Received from Service Surcharges	55,927.70	37,991.52
Cash Received from Connection Fees	144,618.30	233,860.18
Cash Received from Miscellaneous	60,470.08	66,840.09
Cash Received from OCUA Supplemental Agreement	188,841.66	186,630.82
Cash Received from BTMUA Prior Year Overpayment	8,720.11	
Cash Received from OCUA Prior Year Overpayment	673,826.40	367,152.55
Cash Received from Payroll Taxes		53.24
Cash Received/Payments from/to Escrows	33,553.85	3,435.86
Cash Payments for Goods and Services	(10,410,706.21)	(10,219,410.74)
Cash Payments to Employees	(1,846,763.04)	(1,802,753.46)
Net Cash Flows from Operating Activities	<u>(577,320.89)</u>	<u>(492,062.19)</u>
Cash Flows from Capital and Related Financing Activities:		
Payments for Capital Acquisitions	(111,420.41)	(138,242.76)
Receipts from Sale of Capital Assets	3,562.65	
Lease Payments	(1,068,914.69)	(978,670.76)
Interest Paid	(301,732.47)	(367,221.98)
Net Cash Flows from Capital and Related Financing Activities	<u>(1,478,504.92)</u>	<u>(1,484,135.50)</u>
Cash Flows from Investing Activities:		
Receipts of Interest	21,319.30	138,564.71
Net Cash Flows from Investing Activities	<u>21,319.30</u>	<u>138,564.71</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(2,034,506.51)	(1,837,632.98)
Cash and Cash Equivalents January 1	<u>4,500,958.47</u>	<u>6,338,591.45</u>
Cash and Cash Equivalents December 31	<u>\$ 2,466,451.96</u>	<u>\$ 4,500,958.47</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income/(Loss)	\$ (1,151,417.96)	\$ (1,235,160.57)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	233,928.46	255,508.42
Amortization of Capital Lease	238,430.79	238,430.79
Escrow Accounts - Review Fees	33,553.85	3,435.86
Non-Operating Revenue/(Expenses)	73,577.22	66,840.09
(Increase)/Decrease in Service Charges Receivable	(47,577.22)	
(Increase)/Decrease in Service Surcharges Receivable	(3,015.78)	(4,877.38)
(Increase)/Decrease in OCUA Excess Service Charges	330,855.60	(306,673.85)
(Increase)/Decrease in BTMUA Excess Service Charges	(9,848.41)	(8,720.11)
(Increase)/Decrease in OCUA Supplemental Agreement Receivable	(595.98)	(422.90)
(Increase)/Decrease in Inventory	17,260.79	(10,680.64)
Increase/(Decrease) in Accounts Payable	(91,758.81)	58,754.33
Increase/(Decrease) in Overpayment of User Fees	(202,965.17)	445,751.93
Increase/(Decrease) in Compensated Absences Payable	2,251.73	5,751.84
Total Adjustments	<u>574,097.07</u>	<u>743,098.38</u>
Net Cash Provided by Operating Activities	<u>\$ (577,320.89)</u>	<u>\$ (492,062.19)</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2009**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Manasquan River Regional Sewerage Authority (the "Authority") was created in 1972 by virtue of parallel ordinances adopted by the Boroughs of Farmingdale and Freehold and the Townships of Freehold, Howell and Wall, and is a public body politic and corporate of the State of New Jersey organized and existing pursuant to the Sewerage Authorities Law, constituting Chapter 138 of the Laws of 1946, of the State of New Jersey, as amended and supplemented. The municipalities would be required to provide for deficits resulting from failure of the Authority to derive adequate revenues from the operation of the system.

The Authority operates and maintains a network of interceptors, collectors, pump stations and trunk lines to accept wastewater flow from the sewerage systems serving the territorial limits of the Boroughs of Farmingdale and Freehold, the Township of Howell, and portions of the Townships of Freehold and Wall. Treatment and disposal is handled by facilities of the Ocean County Utilities Authority.

**B. Basis of Accounting**

The basic financial statements of the Authority have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Financial Accounting Standards Board (FASB) Statements for private-sector accounting and financial reporting issued prior to December 1, 1989, generally are followed in the basic financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. The Authority also has the option of following subsequent FASB statements subject to this same limitation. The Authority has elected not to follow subsequent FASB statements.

The Authority is a special purpose government engaged only in business-type activities. For these governments, only enterprise fund financial statements are presented.

In June 1999, the GASB adopted its Statement No. 34 "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments." The adoption of Statement No. 34 required the Authority to make several changes to the presentation of its basic financial statements in addition to requiring the presentation of the Authority's Management's Discussion and Analysis (MD&A). MD&A is considered to be required supplemental data and precedes the financial statements.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Revenues and Expenses**

Revenues and expenses are distinguished between operating and non-operating items. Operating revenues generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are wastewater service charges. Revenues from service charges are recognized as the related services are provided. Revenues from connection fees are recognized when paid. Overpayment of service charges are recorded at year-end (see Note 5).

Operating expenses include the costs associated with the conveyance of water and wastewater, treatment of wastewater, administrative expenses, and depreciation of capital assets.

All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

**D. Inventory**

Inventory consists of chemicals used for odor control and fuel oil used for heating and is stated at cost (determined on a first-in, first-out basis).

**E. Property, Plant and Equipment**

The Authority records its property and equipment at cost. Contributed fixed assets are valued at their estimated fair value on the date donated. Maintenance and repairs are charged to current period operating expense, whereas additions and improvement are capitalized. Upon retirement or other disposition of property and equipment, the costs and related accumulated depreciation are removed from the respective accounts and any gains or losses are included in operations. Interest costs relating to construction are capitalized. Certain applicable labor and legal costs are also capitalized. The Authority's capitalization level is \$5,000 for capital assets.

Property, plant and equipment under capital leases is recorded at the present value of the minimum lease payments as of the lease origination of March 17, 1988 adjusted for the effects of the June 1, 1991 and January 1, 1994 refunding bond issues.

Depreciation is determined on a straight-line basis for all plant and equipment. Depreciation is provided over the following estimated useful lives:

Conveyance system	7 to 50 years
Pump stations and apparatus	40 years
Equipment - pumping stations	7 to 15 years
Buildings and improvements	40 years
Vehicles	7 years
Equipment - office	7 to 20 years

**F. Unearned Profit on Sale-Leaseback**

The unearned profit on the sale-leaseback will be amortized in proportion to the amortization of the leased asset. The portion relating to land is amortized over the lease period.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Budgets**

Budgets which are required by state statute, are adopted in accordance with regulations promulgated by the Bureau of Authority Regulation (the "Bureau"). An annual appropriated budget is adopted for the operations of the Authority, subject to approval by the Bureau. A capital program adopted by the Authority is management's six-year plan for financing the estimated cost of addition or replacement of major fixed assets used in the Authority's operation.

Budgets are adopted on a basis consistent with GAAP with the following exceptions:

- Principal retired is budgeted as nonoperating expenses.
- Depreciation is not budgeted.
- Capital expenses are treated as nonoperating expenses.

**H. Estimates**

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

**I. Compensated Absences Payable**

The Authority allows employees to earn vacation time based on the employee's length of service and time worked during the preceding year. Unused vacation days may be carried forward, but must be taken in the subsequent year.

Unused sick leave may be carried forward into subsequent calendar years. Upon resignation or retirement, accumulated sick leave may be converted to a cash payment at a rate of not more than 50% of the employee's current hourly salary up to a maximum of \$10,000.

It is estimated that the cost of unpaid sick time as of December 31, 2009 is \$54,062, and as of December 31, 2008 was \$51,811. These amounts are reflected as an expenditure and liability on the financial statements.

**NOTE 2. CASH AND CASH EQUIVALENTS**

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 and are stated at cost. U.S Treasury and agency obligations and certificates of deposit with maturities of 90 days or less when purchased are stated at cost. All of the investments are stated at fair value.

**A. Deposits**

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation ("FDIC"), or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.



**NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)**

**A. Deposits (Continued)**

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal five percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

**B. Investments**

a. When authorized by a cash management plan approved pursuant to N.J.S. 40A:5-14, the Authority may use available funds for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the Authority:

- (1) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (2) Government money market mutual funds.
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- (4) Bonds or other obligations of the Borough/Township, or bonds or other obligations of the school districts of which the Borough/Township is a part or within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investments, New Jersey Department of the Treasury.
- (6) Local government investment pools.
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c. 281; or

**NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)**

**B. Investments (Continued)**

- (8) Agreements for the repurchase of fully collateralized securities, if:
- (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this section;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41);
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

b. Any investment instruments in which the security is not physically held by the Authority shall be covered by a third party custodial agreement, which shall provide for the designation of such investments in the name of the Authority and prevent unauthorized use of such investments.

c. Investments are further regulated and restricted in accordance with N.J.S. 40A:5-15.1.

The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature within one year. Collateralization of Fund investments is generally not required. "Other Than State" participants contribute up to one twentieth of one percent per year of the value of the aggregate units owned by them to establish a Reserve Fund, which is supplemented by the proportional interest of "Other Than State" participants in gains on investment transactions realized. The Reserve Fund is available to cover losses of "Other Than State" participants occasioned by the bankruptcy of an issuer of an investment held by the Fund and losses on sales of securities.

**C. Cash Management Plan**

In accordance with N.J.S. 40A:5-14, every authority shall adopt a cash management plan and shall deposit and invest its funds pursuant to that plan. The plan shall be approved annually by majority vote of the members and may be modified from time to time in order to reflect changes in federal or state law or regulations. The chief financial officer shall be charged with administering the plan.

When an investment in bonds maturing in more than one year is authorized, the maturity of those bonds shall approximate the prospective use of the funds invested.

The plan also requires a monthly report to the commissioners summarizing all investments made or redeemed since the previous report and shall include, at a minimum, the specific detailed information as set forth in the statute.

**D. Restricted Cash**

The restricted cash at December 31 of \$419,366 consists of escrow deposits for review and inspection of developers' projects within the Authority's service region.

**NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)**

**E. Custodial Credit Risks**

**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 investment policy that limits investment maturities as a means of managing its exposure; however, investments are matched with anticipated cash flows to minimize interest rate.

**Credit Risk**

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Authority's limits its credit risk by investing in direct obligations of the United States government, its agencies or instrumentalities secured by the full faith and credit of the government of the United States. U.S. government securities carry an underlying rating of AAA by Standard and Poor's and Aaa by Moody's Investors Service. The Authority has no policy on credit risk however, investments are limited to securities guaranteed by the U.S. Government.

**Concentration of Credit Risk**

The Authority places no limit on the amount that may be invested in any one issuer. 100% of the Authority's investments are in obligations of the United States or its agencies or instrumentalities.

At year-end the carrying amount of the Authority's deposits was \$2,466,451 and the bank balance amount was \$2,543,458. Of this amount \$288,471 was covered by federal depository insurance and a collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered \$34,235. An amount of \$416,276 was on deposit in the name of various developers for escrow and is either insured by federal depository insurance or uninsured depending on the deposits of the individual developer in the escrow depository. \$1,804,476 was on deposit with the New Jersey Cash Management Fund.

**NOTE 3. ACCOUNTS RECEIVABLE**

Receivables at December 31, 2009 and 2008 are summarized by major classification as follows:

	<u>2009</u>	<u>2008</u>
OCUA Excess Service Charges	\$ 342,971	\$ 673,826
Brick Township MUA Excess Service Charges	18,569	8,720
OCUA Supplemental Agreement	47,359	46,763
Service Surcharges	13,907	10,892
Service Charges	<u>47,577</u>	<u>          </u>
	\$ <u>470,383</u>	\$ <u>740,201</u>

**NOTE 4.****DESCRIPTION OF LEASING ARRANGEMENTS**

The Authority entered into a sale-leaseback agreement, signed February 1, 1988, with the Monmouth County Improvement Authority ("MCIA") for the sale and subsequent capital lease of the Authority's land, buildings and wastewater conveyance system as a means to permanently finance construction costs.

Lease payments by the Authority are quarterly in an amount sufficient to pay debt service and administrative costs, in accordance with terms of the lease agreement. When the lease term expires, February 1, 2013, and the trustee certifies to MCIA that all bonds have been paid in full, title will revert to the Authority.

The sale-leaseback agreement with MCIA was officially approved June 21, 1991 by the United States Environmental Protection Agency ("EPA") in the form of a deviation from EPA regulations. The deviation approval requires the Authority to obtain prior approval from EPA for any modification to the sale-leaseback agreement and as a second condition, evidence that Federal interest in the MRRSA is recorded in State and local records must be provided.

The following is a schedule by years of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of December 31, 2009:

Year Ending December 31:	
2010	\$ 1,373,563
2011	1,390,062
2012	1,404,063
2013	<u>351,750</u>
Total minimum lease payments	4,519,438
Less: Imputed interest	<u>493,836</u>
Present value of net minimum lease payments	4,025,602
Less: Current maturities of capital lease obligations	<u>1,129,709</u>
Long-term capital lease obligations	\$ <u>2,895,893</u>
Asset Value	\$ <u>14,230,712</u>
Accumulated Amortization	\$ <u>6,976,891</u>

**NOTE 5. SERVICE CHARGES RECEIVABLE**

The Authority issues to participants, its certificate stating the estimated amount of the annual charge. The annual charge is based upon estimated flows and an approved bulk rate. The Authority sends this certificate to participants in December of the year preceding the fiscal year for which the charges are levied. The Authority sends participants quarterly reminders. A deficiency charge or credit is issued at the beginning of the following year when actual annual flows have been verified. Bills are payable within 30 days.

**NOTE 6. SERVICE AGREEMENT WITH OCEAN COUNTY UTILITIES AUTHORITY  
("OCUA")**

A service agreement was executed with Ocean County Utilities Authority ("OCUA") during 1981 providing for sewage and other wastes originating within the regional district to be treated and disposed of by the County Authority.

A supplemental service agreement was executed which provides for reimbursement to the Authority of an amount equal to the OCUA share of amortized principal and interest on any and all project bonds issued by Monmouth County Improvement Authority ("MCIA") under its 1988 financing agreement with the Authority and interest on temporary financing from 1985 to the date of the 1988 agreement. The OCUA's payment of its reimbursement to the Authority will be in the form of a credit to the Authority on the quarterly treatment charge payments due under the 1981 Service Contract. Credits are currently applied quarterly in accordance with terms of the agreement.

**NOTE 7. THREE PARTY SERVICE AGREEMENT RE: SOUTHWESTERN WALL  
TOWNSHIP**

Wall Township, in anticipation of developing facilities in the Metedeconk basin of the Authority service area, where Ocean County Utilities Authority ("OCUA") has no facilities to provide direct service, entered into an agreement with Brick Township Municipal Utilities Authority ("BTMUA"), the Authority and OCUA for service to be provided to this portion of Wall Township through facilities of BTMUA.

The agreement setting forth the responsibilities of each authority was dated April 10, 1991. Billing for usage is submitted to the Authority and in turn passed through to Wall Township.

**NOTE 8. RATE SCHEDULE**

**2009 Rate** - A 2009 rate of \$4,266 per million gallons was adopted by the Authority on December 3, 2008, based on the 2009 budget requirements.

**Subsequent Event**

**2010 Rate** - A 2010 rate of \$4,522 per million gallons was adopted by the Authority on December 9, 2009, based on the 2010 budget requirements.

**NOTE 9. CONNECTION FEES**

An October 1989 revision to the previously adopted sewer extension application fee, connection fee and review deposit resolution provided for the connection fee portion of the charge to be deferred at the option of the developer until actual connection date at the then current rate. The Authority has requested the cooperation of member municipal construction officials to require proof of payment of the Authority charges before a certificate of occupancy is issued for individual units. The connection fees for 2009 were \$1,458 per unit, through July 15, 2009, and \$1,569 per unit, effective July 16, 2009 until further amended.

**NOTE 10. PENSION PLANS**

The Authority contributes to a cost-sharing multiple-employer defined benefit pension plan, the Public Employees' Retirement System ("PERS"), which is administered by the New Jersey Division of Pensions and Benefits. This plan provides retirement, disability, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. The plan has a Board of Trustees that implements benefit provisions which are established and amended by State statute. 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 contribution requirements of plan members are determined by State statute. Plan members enrolled in the PERS are required to contribute 5.5% of their annual covered salary. The Authority's contributions to the plan, equal to the required contributions for each year, were as follows:

<u>Year</u>	<u>PERS</u>
2009	\$ 79,127
2008	55,077
2007	30,017

**NOTE 11. CAPITAL ASSETS**

Activity in the capital assets for the Authority for the year ended December 31, 2009, was as follows:

	<u>Balance Dec. 31, 2008</u>	<u>Increased by Current Year Additions</u>	<u>Decreased by Retirements</u>	<u>Balance Dec. 31, 2009</u>
<b><u>Leased Property</u></b>				
Non-depreciable Assets:				
Land	\$ 1,431,160	\$	\$	\$ 1,431,160
Depreciable Assets:				
Buildings	1,059,902			1,059,902
Equipment and Apparatus	1,183,198			1,183,198
Pump Station and Chambers	2,240,255			2,240,255
Conveyance System	8,316,197			8,316,197
Total Historical Cost	<u>14,230,712</u>	<u>          </u>	<u>          </u>	<u>14,230,712</u>
Less Accumulated Amortization:				
Buildings	409,001	17,557		426,558
Equipment and Apparatus	1,183,198			1,183,198
Pump Station and Chambers	1,299,466	55,340		1,354,806
Conveyance System	3,846,796	165,533		4,012,329
Total Accumulated Amortization	<u>6,738,461</u>	<u>238,430</u>	<u>          </u>	<u>6,976,891</u>
Total Capital Assets, Net	<u>\$ 7,492,251</u>	<u>\$ (238,430)</u>	<u>\$</u>	<u>\$ 7,253,821</u>
<b><u>Owned Property</u></b>				
Depreciable Assets:				
Buildings	\$ 886,924	\$ 8,500	\$	\$ 895,424
Equipment and Apparatus	324,367	6,435		330,802
Office Equipment	118,808			118,808
Vehicles	500,346	30,307	70,804	459,849
Conveyance System	4,682,472			4,682,472
Construction in Progress		72,926		72,926
Total Historical Cost	<u>6,512,917</u>	<u>118,168</u>	<u>70,804</u>	<u>6,560,281</u>
Less Accumulated Depreciation:				
Buildings	214,242	20,727		234,969
Equipment and Apparatus	282,401	17,185		299,586
Office Equipment	107,173	1,549		108,722
Vehicles	330,817	18,140	67,272	281,685
Conveyance System	1,369,395	176,327		1,545,722
Total Accumulated Depreciation	<u>2,304,028</u>	<u>233,928</u>	<u>67,272</u>	<u>2,470,684</u>
Total Capital Assets, Net	<u>\$ 4,208,889</u>	<u>\$ (115,760)</u>	<u>\$ 3,532</u>	<u>\$ 4,089,597</u>
Total Leased and Owned	<u>\$ 11,701,140</u>	<u>\$ (354,190)</u>	<u>\$ 3,532</u>	<u>\$ 11,343,418</u>



**NOTE 12. NET ASSETS**

The basic financial statements utilize a net asset presentation. New assets are categorized as Invested in Capital Assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets (net of related debt) is intended to reflect the portion of net assets that are associated with non-liquid, capital assets, less outstanding capital asset related debt. Restricted assets are liquid assets generated from revenues that have third-party (statutory or bond covenant) limitation on their use. The Authority typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project or major repair. Unrestricted assets represent unrestricted liquid assets.

**NOTE 13. DESIGNATED UNRESTRICTED NET ASSETS**

The Authority has, by resolution, designated \$3,500,000 at December 31, 2009 and 2008 for a renewal and replacement program. The purpose is to minimize any future rate increases or expenditures that may occur as a result of an upgrade, repair or replacement. This designation is not a legal restriction and is reflected within unrestricted net assets.

**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 disaster. The Authority is a member of the New Jersey Utilities Joint Insurance Fund. The joint insurance pool is both an insured and self-administered group of authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The Joint Insurance Fund will be self-sustaining through member premiums.

**NOTE 15. CONTINGENT LIABILITIES**

**Pending Litigation**

There are actions which have been instituted against the Authority which are either in the discovery stage or whose final outcome cannot be determined at the present time. In the opinion of the administration, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Authority.

It is the opinion of the Authority officials that there is no litigation threatened or pending that would materially affect the financial position of the Authority or adversely affect the Authority's ability to levy, collect and enforce the collection of revenue for the payment of its obligations.

The Authority officials believe that negligence and other types of liability suits, of which the Authority is aware, appear to be within the stated policy limits and would be deferred by the respective carriers.

**NOTE 16.     DEFERRED COMPENSATION**

The Authority has instituted a Deferred Compensation Plan (“Plan”) pursuant to Section 457 of the Internal Revenue Code and P.L. 1977, C. 381; P.L. 1978, C. 39; P.L. 1980, C. 78; and P.L. 1997, C. 116 of the Statutes of New Jersey.

The Plan is an arrangement whereby a public employer may establish a Plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more of the types of investments permitted under the governing regulations.

The Authority has engaged a private contractor to administer the Plan.



# William E. Antonides and Company

CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM E. ANTONIDES, C.P.A., R.M.A., P.S.A.  
WILLIAM E. ANTONIDES, JR., C.P.A., R.M.A., P.S.A.

EDWARD J. SIMONE, C.P.A., R.M.A., P.S.A.  
BRIAN K. LOGAN, C.P.A., R.M.A., P.S.A.  
DOROTHY S. GALLAGHER, C.P.A., R.M.A., P.S.A.  
DONALD F. HILL, C.P.A., P.S.A.  
CHI-LING LAI, C.P.A., P.S.A.

Telecopier:  
732-681-4033

e-mail:  
antonidescpa@monmouth.com

Monmouth County Office:  
2807 Hurley Pond Road  
Suite 200  
P.O. Box 1137  
Wall, New Jersey 07719-1137  
732-681-0980

Ocean County Office:  
506 Hooper Avenue, Suite B  
Toms River, New Jersey 08753-7704  
732-914-0004

## **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**

Chairperson and Board of Commissioners  
Manasquan River Regional Sewerage Authority  
County of Monmouth  
Farmingdale, New Jersey

We have audited the financial statements of the Manasquan River Regional Sewerage Authority (the "Authority"), as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Authority's basis financial statements, and have issued our report thereon dated April 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A 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 purposes 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 Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain matters that we reported to management of the Authority in a separate report dated April 15, 2010.

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

**William E. Antonides and Company**

**Independent Auditors**

April 15, 2010

**MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY**

**SCHEDULE OF UNRESTRICTED CASH AND CASH EQUIVALENTS      **Schedule 1****

**YEAR ENDED DECEMBER 31, 2009**

Cash and Cash Equivalents December 31, 2008		\$ 4,115,146.63
Increased by Receipts:		
Service Fees Receivable	\$ 10,514,190.26	
Service Surcharge Receivable	55,927.70	
Miscellaneous Accounts Receivable	64,032.73	
Interest on Investments	21,319.30	
Connection Fees	144,618.30	
OCUA Excess Service Charges Receivable	673,826.40	
BTMUA Excess Service Charges Receivable	8,720.11	
OCUA Supplemental Agreement	188,841.66	
Escrow Accounts - Review Fees	44,222.53	
Total Receipts		<u>11,715,698.99</u>
Total Receipts and Balances		<u>15,830,845.62</u>
Decreased by Disbursements:		
Prepaid Debt Service	273,577.58	
Budget Appropriations - Regulatory Basis	13,214,879.46	
Prior Year Reserve for Encumbrances	9,196.00	
Inventory	41,316.37	
Service Surcharges	71,727.47	
Accounts Payable	120,916.70	
Retainage Payable	7,870.00	
Payroll Taxes	53.24	
Escrow Accounts - Review Fees	44,222.53	
Total Disbursements		<u>13,783,759.35</u>
Cash and Cash Equivalents December 31, 2009		<u>\$ 2,047,086.27</u>

**MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY**

**SCHEDULE OF REVENUES AND APPROPRIATIONS**

Schedule 2

**COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2009**

Sheet 1 of 4

**WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2008**

**(NON-GAAP BUDGETARY BASIS)**

	<u>2009 Budget</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<b><u>Anticipated Revenues</u></b>			
Operating Revenues:			
Service Fees	\$ 11,559,320.00	\$ 10,764,732.65	\$ 10,188,385.82
Connection Fees	250,000.00	144,618.30	233,860.18
Other Operating Revenues	185,000.00	296,689.64	187,053.72
Total Operating Revenues	<u>11,994,320.00</u>	<u>11,206,040.59</u>	<u>10,609,299.72</u>
Non-Operating Revenues:			
Interest on Investments	250,000.00	21,319.30	138,564.71
Other Non-Operating Revenues	30,000.00	77,139.87	66,840.09
Total Non-Operating Revenues	<u>280,000.00</u>	<u>98,459.17</u>	<u>205,404.80</u>
Total Anticipated Revenues	<u>\$ 12,274,320.00</u>	<u>\$ 11,304,499.76</u>	<u>\$ 10,814,704.52</u>
<b><u>Budget Appropriations</u></b>			
Operating Appropriations:			
Administration:			
Salaries and Wages	\$ 399,750.00	\$ 383,705.26	\$ 388,077.07
Fringe Benefits	282,249.00	254,341.35	239,364.07
Other Expenses	260,950.00	206,857.24	202,382.06
Total Administration	<u>942,949.00</u>	<u>844,903.85</u>	<u>829,823.20</u>
Cost of Providing Service:			
Salaries and Wages	797,275.00	695,001.88	716,875.26
Fringe Benefits	573,051.00	516,390.01	464,647.90
Other Expenses	10,731,580.00	9,804,477.28	9,260,239.96
Total Cost of Providing Service	<u>12,101,906.00</u>	<u>11,015,869.17</u>	<u>10,441,763.12</u>
Capital Outlay	<u>395,000.00</u>	<u>332,116.19</u>	<u>296,405.52</u>
Total Principal Payments on Debt Service in Lieu of Depreciation	<u>1,366,500.00</u>	<u>1,045,887.61</u>	<u>958,569.76</u>
Total Operating Appropriations	<u>14,806,355.00</u>	<u>13,238,776.82</u>	<u>12,526,561.60</u>
Non-Operating Appropriations:			
Total Interest Payments		301,732.47	367,221.98
Loss on Disposition of Assets			
Total Non-Operating Appropriations		<u>301,732.47</u>	<u>367,221.98</u>
Total Operating and Non-Operating Appropriations	<u>14,806,355.00</u>	<u>13,540,509.29</u>	<u>12,893,783.58</u>
Unreserved Retained Earnings to Balance Budget	<u>2,532,035.00</u>	<u>2,532,035.00</u>	<u>2,080,918.00</u>
Total Appropriations - Unreserved Retained Earnings	<u>\$ 12,274,320.00</u>	<u>11,008,474.29</u>	<u>10,812,865.58</u>
Excess/(Deficit) of Revenues over Appropriations		<u>\$ 296,025.47</u>	<u>\$ 1,838.94</u>

**MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY**

**SCHEDULE OF REVENUES AND APPROPRIATIONS**

Schedule 2

**COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2009**

Sheet 2 of 4

**WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2008**

**(NON-GAAP BUDGETARY BASIS)**

	<u>2009 Budget</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<b><u>Administration</u></b>			
Salaries and Wages:			
Commissioner's Salaries	\$ 38,600.00	\$ 36,027.42	\$ 36,360.00
Administrators Salaries	355,100.00	342,511.14	341,931.13
Temporary and Overtime Salaries	750.00		
General Counsel's Salary			945.00
Longevity Bonus	5,300.00	5,166.70	8,840.94
Total Salaries and Wages	<u>399,750.00</u>	<u>383,705.26</u>	<u>388,077.07</u>
Fringe Benefits:			
Social Security	31,350.00	27,351.08	28,637.37
Public Employees' Retirement System	26,136.00	26,111.91	18,726.32
Health Benefits	181,500.00	178,254.78	167,236.14
Vision	1,320.00	578.47	594.32
Unemployment	858.00	715.27	706.35
Disability	165.00	143.06	141.27
457 Plan	24,420.00	21,186.78	23,322.30
Accumulated Sick Leave	16,500.00		
Total Fringe Benefits	<u>282,249.00</u>	<u>254,341.35</u>	<u>239,364.07</u>
Other Expenses:			
Office Supplies	4,500.00	4,459.53	3,206.62
Postage	1,900.00	1,290.82	1,730.54
Legal Advertising	2,000.00	2,303.18	1,574.52
Telephone	14,000.00	12,937.76	12,790.92
Conference, Travel and Dues	14,000.00	13,470.16	13,922.21
Operation and Maintenance of Vehicles	1,000.00	296.14	951.49
Insurance	60,000.00	51,889.86	53,501.70
Office Equipment Maintenance	7,500.00	7,547.04	7,056.35
Bank Fees	500.00		
Miscellaneous	2,200.00	856.19	262.39
Employee Assistance Service	350.00	210.00	210.00
Permits and Fees	2,500.00	2,101.11	1,306.59
General Counsel	18,000.00	21,687.75	2,845.64
Special Counsel	10,000.00	1,162.00	
Auditor	29,500.00	27,195.00	25,965.00
Engineer	90,000.00	56,550.70	74,158.09
Trustee Fees	3,000.00	2,900.00	2,900.00
Total Other Expenses	<u>260,950.00</u>	<u>206,857.24</u>	<u>202,382.06</u>
Total Administration	\$ <u>942,949.00</u>	\$ <u>844,903.85</u>	\$ <u>829,823.20</u>

**MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY**

**SCHEDULE OF REVENUES AND APPROPRIATIONS**

Schedule 2

**COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2009**

Sheet 3 of 4

**WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2008**

**(NON-GAAP BUDGETARY BASIS)**

	<u>2009 Budget</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<b><u>Cost of Providing Service</u></b>			
Salaries and Wages:			
Operator' Salaries	\$ 738,900.00	\$ 646,953.21	\$ 666,234.86
Longevity Bonus	12,375.00	12,155.10	13,312.80
Overtime	42,000.00	35,893.57	37,327.60
Temporary Help	4,000.00		
Total Salaries and Wages	<u>797,275.00</u>	<u>695,001.88</u>	<u>716,875.26</u>
Fringe Benefits:			
Social Security	63,650.00	55,530.98	55,590.20
Public Employees' Retirement System	53,064.00	53,015.09	36,351.08
Health Benefits	368,500.00	361,911.22	324,634.86
Vision	2,680.00	1,174.46	1,153.68
Unemployment	1,742.00	1,452.23	1,371.15
Disability	335.00	290.45	274.23
457 Plan	49,580.00	43,015.58	45,272.70
Accumulated Sick Leave	33,500.00		
Total Fringe Benefits	<u>573,051.00</u>	<u>516,390.01</u>	<u>464,647.90</u>
Other Expenses:			
NJ One Call	7,000.00	4,351.45	4,295.63
Electricity	250,000.00	204,871.70	263,585.35
Fuel Oil	20,000.00	14,739.58	10,696.24
Chemicals	60,000.00	46,156.70	36,256.50
Gasoline	25,000.00	13,173.20	21,939.21
Maintenance Materials	5,000.00	1,780.57	3,193.87
Operation of Vehicles	6,500.00	4,559.53	8,121.00
Site Maintenance	6,000.00	4,181.53	3,902.74
Training and Seminars	5,000.00	2,284.00	3,607.08
Contracts - Repair and Maintenance	11,000.00	4,727.80	7,510.59
Liquid Oxygen Tank Rentals	4,500.00	5,020.07	4,250.42
Repair of Equipment	25,000.00	14,364.72	21,068.50
Safety Equipment	6,000.00	6,003.90	3,510.48
Tools and Equipment	3,500.00	1,627.86	2,023.88
Leased Lines	1,000.00		
Uniform Service	6,500.00	5,730.00	4,731.80
Miscellaneous	1,200.00	348.42	633.62
Water	3,500.00	3,121.91	3,612.32
Instrumentation Replacement	10,000.00	1,117.96	5,838.45
Manhole Maintenance	29,000.00	2,472.00	14,516.91
Emergency Repairs	150,000.00	72,070.00	947.00

**MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY**

**SCHEDULE OF REVENUES AND APPROPRIATIONS**

Schedule 2

**COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2009**

Sheet 4 of 4

**WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2008**

**(NON-GAAP BUDGETARY BASIS)**

	<u>2009 Budget</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<b><u>Cost of Providing Service (Continued)</u></b>			
Other Expenses (Continued):			
Service Charges:			
OCUA	\$ 10,039,080.00	\$ 9,360,229.20	\$ 8,771,833.49
BTMUA	56,800.00	31,545.18	64,164.88
Total Other Expenses	<u>10,731,580.00</u>	<u>9,804,477.28</u>	<u>9,260,239.96</u>
 Total Cost of Providing Service	 <u>\$ 12,101,906.00</u>	 <u>\$ 11,015,869.17</u>	 <u>\$ 10,441,763.12</u>
 Capital Outlay:			
System Equipment	\$ 329,000.00	\$ 295,606.34	\$ 266,816.26
Office Equipment	15,000.00		
Support Equipment	43,500.00	36,509.85	29,589.26
Emergency Response Equipment	7,500.00		
Total Capital Outlay	<u>\$ 395,000.00</u>	<u>\$ 332,116.19</u>	<u>\$ 296,405.52</u>
 <b><u>Reconciliation of Net Income:</u></b>			
Reconciliation to Net Income:			
Excess/(Deficit) from Above - Budgetary Basis		\$ 296,025.47	\$ 1,838.94
Adjustments to Budgetary Basis:			
Depreciation Expense		(233,928.46)	(255,508.42)
Amortization of Leased Property		(238,430.79)	(238,430.79)
Unearned Profit on Sales - Leaseback		48,470.66	48,470.66
Purchases to Capital Assets		118,167.91	129,695.76
Proceeds from Sale of Capital Assets		(3,531.26)	
Retained Earnings Appropriated		(2,532,035.00)	(2,080,918.00)
Reserve for Encumbrances		189,622.00	87,775.00
Debt Service Principal		1,045,887.61	958,569.76
		<u>\$ (1,309,751.86)</u>	<u>\$ (1,348,507.09)</u>



**MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY**

**ANALYSIS OF ACCOUNTS RECEIVABLE - SERVICE FEES**

Schedule 3

**YEAR ENDED DECEMBER 31, 2009**

	<b>Balance Dec. 31, 2008</b>	<b>Increased by 2009 Service Fees</b>	<b>Decreased by Collected in 2009</b>	<b>Balance Dec. 31, 2009</b>
Farmingdale Borough	\$ (4,102.00)	\$ 255,260.38	\$ 230,528.00	\$ 20,630.38
Freehold Borough	(5,554.11)	2,293,132.84	2,340,745.89	(53,167.16)
Freehold Township	(623,877.28)	4,154,427.04	3,940,742.72	(410,192.96)
Howell Township	(404,666.41)	3,844,557.59	3,818,673.60	(378,782.42)
Wall Township	(6,907.91)	217,354.80	183,500.05	26,946.84
	<u>\$ (1,045,107.71)</u>	<u>\$ 10,764,732.65</u>	<u>\$ 10,514,190.26</u>	<u>\$ (794,565.32)</u>

**ANALYSIS OF ACCOUNTS RECEIVABLE - INDUSTRIAL SURCHARGES**

**YEAR ENDED DECEMBER 31, 2009**

Schedule 4

	<b>Balance Dec. 31, 2008</b>	<b>Increased by 2009 Service Fees</b>	<b>Decreased by Collected in 2009</b>	<b>Balance Dec. 31, 2009</b>
Freehold Township	\$ 10,891.61	\$ 58,943.48	\$ 55,927.70	\$ 13,907.39