

STONY BROOK REGIONAL SEWERAGE AUTHORITY
PRINCETON, NEW JERSEY

YEARS ENDED NOVEMBER 30, 2009 AND 2008

FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

with

INDEPENDENT AUDITOR'S REPORTS

and

COMMENTS AND RECOMMENDATIONS

STONY BROOK REGIONAL SEWERAGE AUTHORITY
PRINCETON, NEW JERSEY

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

The Board of Members
Stony Brook Regional Sewerage Authority
Princeton, New Jersey 08540

We have audited the accompanying basic financial statements of the Stony Brook Regional Sewerage Authority ("Authority"), as of and for the years ended November 30, 2009 and 2008, as listed in the accompanying Table of Contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of November 30, 2009 and 2008, and the changes in its net assets 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 January 28, 2010 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The accompanying financial information listed as Other Supplementary Information is not a required part of the basic financial statements, but is presented as additional analytical data. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Hutchins, Farrell, Meyer & Allison, P.A.

Hutchins, Farrell, Meyer & Allison, P.A.

January 28, 2010

Management's Discussion and Analysis

Management has prepared the following in accordance with Government Accounting Standards Board ("GASB") Statement Number 34.

Management believes the Authority's financial condition is strong. Internal controls are in place to provide reasonable assurance that all financial transactions are properly recorded and the financial statements are prepared in accordance with Generally Accepted Accounting Principles.

Audit Assurance

The unqualified opinion of our independent auditors, Hutchins, Farrell, Meyer & Allison, P.A. is included in this report.

This section presents management's analysis of the Authority's financial condition and activities for the year. This information should be read in conjunction with the attached financial statements.

Financial Highlights

Total assets at year-end net of accumulated depreciation and amortization totaled \$63.47 million and exceeded liabilities in the amount of \$26.76 million. Net assets total \$36.72 million versus \$35.45 million for the prior year. The increase from the prior year net assets was the result of net income of \$1,266,504. Working capital balances are adequate to meet the operational needs of the Authority including small capital projects provided in the budget.

Revenues totaled \$15,769,702 which is an increase of \$517,721 or 3.4% over the prior year. Revenues were under budget by \$141,857 or 0.9%. This shortfall in revenue was largely due to falling interest rates which resulted in less interest income.

Expenditures totaled \$14,843,310 which is \$1,068,249 under budget. Most of this saving came from lower commodity costs for natural gas and electricity.

Our cost of treatment went from \$3,239 per million gallons in 2008 to \$3,261 in 2009. As a comparison, a recent survey of 23 other Authorities showed a range of \$762 to \$6,410 per million gallons treated. Our costs are within the lower half of this range.

The amount spent in 2009 for construction and equipment totaled \$3,315,554. The construction in progress accounts increased from \$5,132,664 at November 30, 2008 to \$6,260,251 at November 30, 2009, an increase of \$1,127,587.

Capital projects completed during 2009 include carbon replacement for the odor control systems at the Princeton Pumping Station and the Sludge Cake Receiving Station, installation of new sludge cake flow meters to measure flow to the incinerators, and cleaning and internal inspection of the Millstone Interceptor. In addition projects that were started in 2008 and completed in 2009 included the installation of the Modified Aeration Tank mechanical surface aerator replacement and the River Road WWTP fire protection system.

The upgrade of the software for our continuous emission monitoring system ("CEMS") for our incinerators is substantially complete. The installation/construction of the regenerative thermal oxidizer ("RTO") and wet electrostatic precipitator ("WESP") for our sewage sludge incinerator was substantially completed in 2009. This project received funding through the New Jersey Environmental Infrastructure Trust Program. The installation of the new equipment will result in a significant reduction in natural gas usage and a reduction in emissions. This project also was approved by New Jersey's Clean Energy Program and is eligible for a maximum incentive of up to \$200,000. The project is waiting for final inspection by a representative of the Clean Energy Program.

The design of the new mechanical surface aerators and chemical storage and feed systems for polymer and sodium hydroxide were completed in 2009 and the project was bid in September. It is expected that this project will be completed by May 2010. The project was funded by the American Recovery and Reinvestment Act (ARRA) of 2009 and the New Jersey Environmental Infrastructure Financing Program.

The Wastewater Management Plan for the expansion of the Pennington Wastewater Treatment Plant ("WWTP") was approved by the New Jersey Department of Environmental Protection ("NJDEP") in 2009. The new draft discharge permit for the Pennington WWTP has been received. The Pennington WWTP upgrade and expansion study cannot begin until issues with the new discharge limits have been resolved between the Authority and NJDEP.

The River Road WWTP headworks study was completed in November 2009. The project is currently under design. The project includes the installation of influent screens, new grit chambers and a new building to house the screens and the grit and screenings handling systems. The Authority has submitted this project to NJDEP for consideration for the 2010 New Jersey Environmental Infrastructure Financing Program. If this project is not funded through the Financing Program, a new bond issue will be required to fund this project.

Large capital projects projected to be completed over the next three to four years will be funded by the proceeds of the 2004 bond issue. Some of the construction proceeds will be used to fund NJDEP mandates for phosphorous removal. Other projects include the expansion of the Pennington Wastewater Treatment Plant.

Overview of Annual Financial Report

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

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities. The financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes to Net Assets; a Statement of Cash Flows; and Notes to the Financial Statements.

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

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

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

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The Notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. Supplementary information comparing the budget to actual expenses, as well as the schedule of amounts refundable to or receivable from individual members.

Summary of Organization and Business

The Authority is a public body corporate and politic of the State of New Jersey and was created pursuant to the Sewerage Authorities Act by ordinances passed during 1971 by the Borough of Princeton, the Township of Princeton, the Township of West Windsor, the Borough of Pennington, the Borough of Hopewell and the Township of Hopewell, all of which are municipal corporations of the State located in the County of Mercer. By ordinance adopted on May 4, 1976, the Township of South Brunswick in the County of Middlesex, was empowered to become a voting member of the Authority and subsequently became part of the Authority's statutory district.

The Authority has broad powers under the Act, including among others, the following: to sue and be sued; to enter into leases and contracts; to acquire property by any lawful means, including the exercise of the power of eminent domain; to hold, operate and administer its property; to issue its negotiable bonds and to secure their payment and rights of holders thereof under a bond resolution; to enter into contracts with municipalities for the treatment and disposal of sewage originating in such municipalities; to charge and collect Service Charges for the use of its facilities and to revise such Service Charges which the Act requires to be such that the revenues of the Authority will at all times be adequate to pay all operating and maintenance expenses, including reserves, insurance, extensions and replacements, and to pay punctually the principal of and interest on any bonds and to maintain reserves and sinking funds therefore as may be required by the terms of any contract with bondholders; and to make and enforce rules and regulations for the management of its business affairs.

The Authority is made up of one representative from each member municipality. Each representative is appointed by the Member municipality to a five-year term. Authority officers are elected by its Members for one-year terms on or after each February 1.

The River Road Wastewater Treatment Plant ("WWTP") began operation in 1978 while the upstream treatment facilities became operational in 1984. Upon completion of the River Road Plant, the Authority commenced operation and began diverting flows from existing facilities located in Princeton Township to the Authority's new facilities. The River Road Plant utilizes a two-stage activated sludge process for the treatment of wastewater. The facilities for wastewater treatment consist of aerated grit chambers, two stages of aeration and clarification, filtration, chlorination and dechlorination and reaeration facilities. The River Road Plant's effluent discharges to the Millstone River, and is in accordance with NJDEP agency approved plans and discharge permits.

The Hopewell and Pennington WWTPs, also known as the upstream facilities, have identical treatment processes. The facilities for wastewater treatment consist of an influent bar screen, primary settling, aeration, secondary settling, filtration, chlorination, dechlorination and post aeration.

The Hopewell and Pennington WWTPs discharge to the Beden Brook and the Stony Brook, respectively and are in accordance with NJDEP approved plans and discharge permits. Sludge from all three of the Authority wastewater treatment plants is incinerated at the River Road Plant.

The Authority also owns several miles of interceptor sewers, three pumping stations and associated force mains. Each Participant Municipality is responsible for the maintenance of its own wastewater collection and distribution system.

The River Road WWTP currently provides service to Princeton Borough, Princeton Township, West Windsor Township, a portion of South Brunswick Township, and through South Brunswick, the western part of Plainsboro Township. (Plainsboro Township is neither a Participant nor a Member). The existing upstream facilities currently provide service to Hopewell Borough, Pennington Borough, and a limited portion of Hopewell Township through Pennington Borough. A Member customer service contract has been executed between the Authority and Hopewell Township for another limited area in Hopewell Township served by the Authority's Hopewell WWTP.

Financial Analysis

The following comparative condensed financial statements and other selected information serve as the key financial data and indicators for management, monitoring and planning. Comments regarding budget-to-actual variances and year-to-year variances are included in each section by the name of the statement or account.

CONDENSED FINANCIAL STATEMENTS

CONDENSED STATEMENT OF NET ASSETS

	November 30,		Variance	
	2009	2008	Dollars	Percentage
Assets:				
Current Assets	\$ 21,369,498	\$ 21,158,523	\$ 210,975	1.00%
Property, Plant and Equipment - Net	41,893,280	41,407,685	485,595	1.17%
Other Assets	209,988	244,257	(34,269)	-14.03%
Total Assets	<u>\$ 63,472,766</u>	<u>\$ 62,810,465</u>	<u>\$ 662,301</u>	<u>1.05%</u>
Liabilities:				
Current Liabilities	\$ 6,149,498	\$ 4,563,274	\$ 1,586,224	34.76%
Non-Current Liabilities	20,606,186	22,796,613	(2,190,427)	-9.61%
Total Liabilities	<u>26,755,684</u>	<u>27,359,887</u>	<u>(604,203)</u>	<u>-2.21%</u>
Net Assets:				
Restricted or Invested in Capital Assets	\$ 33,150,420	\$ 33,080,019	\$ 70,401	0.21%
Unrestricted	3,566,662	2,370,559	1,196,103	50.46%
Total Net Assets	<u>36,717,082</u>	<u>35,450,578</u>	<u>1,266,504</u>	<u>3.57%</u>
Total Liabilities and Net Assets	<u>\$ 63,472,766</u>	<u>\$ 62,810,465</u>	<u>\$ 662,301</u>	<u>1.05%</u>

CONDENSED STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

	November 30,		Variance	
	2009	2008	Dollars	Percentage
Operating Revenues:				
Service Charges	\$ 12,365,319	\$ 11,771,625	\$ 593,694	5.04%
Septage, Sludge and Leachate	3,143,654	3,150,791	(7,137)	-0.23%
Other	33,913	47,449	(13,536)	-28.53%
Total Operating Revenues	15,542,886	14,969,865	573,021	3.83%
Operating Expenses:				
Operations and Maintenance	10,851,800	11,165,220	(313,420)	-2.81%
Depreciation	2,829,960	2,967,108	(137,148)	-4.62%
Total Operating Expenses	13,681,760	14,132,328	(450,568)	-3.19%
Operating Income	1,861,126	837,537	1,023,589	122.21%
Non-Operating Revenues/(Expenses)	(594,622)	(479,671)	(114,951)	23.96%
Change in Net Assets	1,266,504	357,866	908,638	253.90%
Net Assets - Beginning of Year	35,450,578	35,092,712	0	2.92%
Net Assets - End of Year	\$ 36,717,082	\$ 35,450,578	\$ 0	1.02%

OTHER SELECTED INFORMATION

	Year		Variance	
	<u>2009</u>	<u>2008</u>	<u>Amount</u>	<u>Percentage</u>
Ratio of Operating Revenue To:				
Operating Expenses	1.14	1.06	0.077	7.2%
Operating Expenses Net of Depreciation	1.43	1.34	0.092	6.8%
Total Assets	0.24	0.24	0.007	2.7%
Total Net Assets	0.42	0.42	0.001	0.2%
			0.000	
			0.000	
Debt Related Ratios				
Equity To Long-Term Debt	1.82	1.59	0.236	14.9%
Current Ratio	3.47	4.64	(1.162)	-25.1%
Debt Service Coverage	4.03	3.88	0.148	3.8%
Other				
Employees at year-end	45	46	(1)	-2.2%
Annual flow in million gallons	3,792.3	3,634.1	158	4.4%
Cost per million gallons	\$ 3,261	\$ 3,239	21	0.7%

BASIC FINANCIAL STATEMENTS

STONY BROOK REGIONAL SEWERAGE AUTHORITY
PRINCETON, NEW JERSEY

STATEMENT OF NET ASSETS

November 30, 2009 and 2008

<u>Assets</u>	<u>2009</u>	<u>2008</u>	<u>Liabilities and Net Assets</u>	<u>2009</u>	<u>2008</u>
Unrestricted Assets:			Current Liabilities:		
Current Assets:			Payable From Unrestricted Assets:		
Cash - Held By Authority	\$ 791,021	\$ 725,814	Accounts Payable and Accrued Expenses	\$ 802,464	\$ 882,448
Cash Equivalents - Held By:					
Authority	36,960	36,692	Total Current Liabilities Payable	<u>802,464</u>	<u>882,448</u>
Trustee	3,562,928	3,138,269	Payable From Restricted Assets:		
Accrued Interest Receivable	92,603	154,051	Construction Accounts Payable	249,523	266,897
Accounts Receivable	376,592	274,831	Long-Term Bonds Payable -		
Prepaid Expenses	22,324	25,626	Due Within One Year	3,309,020	2,900,000
			Deferred Revenue	1,656,915	479,740
			Interest Payable	406,456	34,189
			Contractor Hauler Deposits	<u>34,189</u>	<u>34,189</u>
Total Unrestricted Current Assets	<u>4,882,428</u>	<u>4,355,283</u>	Total Current Liabilities Payable From		
			Restricted Assets	<u>5,656,103</u>	<u>3,680,826</u>
Restricted Assets:			Total Current Liabilities	<u>6,458,567</u>	<u>4,563,274</u>
Current Assets:			Long-Term Liabilities:		
Cash Equivalents - Held By Trustee	13,471,409	14,734,207	Accrued Compensated Absences	417,679	436,613
NJ/EIT/ARRA Funds Receivable	3,015,661	2,069,033	Bonds Payable	19,879,438	22,360,000
			Total Long-Term Liabilities	<u>20,297,117</u>	<u>22,796,613</u>
Total Restricted Current Assets	<u>16,487,070</u>	<u>16,803,240</u>	Total Liabilities	<u>26,755,684</u>	<u>27,359,887</u>
Total Current Assets	<u>21,369,498</u>	<u>21,158,523</u>	Net Assets:		
Non Current Assets:			Invested in Capital Assets,		
Unamortized Debt Issue Costs	209,988	244,257	Net of Related Liabilities	18,704,822	16,147,685
Property, Plant and Equipment	107,271,838	103,987,778	Restricted	14,349,975	16,932,334
Less Accumulated Depreciation	(65,378,558)	(62,580,093)	Unrestricted	3,662,285	2,370,559
Net Capital Assets	<u>41,893,280</u>	<u>41,407,685</u>	Total Net Assets	<u>36,717,082</u>	<u>35,450,578</u>
Total Assets	<u>\$ 63,472,766</u>	<u>\$ 62,810,465</u>	Total Liabilities and Net Assets	<u>\$ 63,472,766</u>	<u>\$ 62,810,465</u>

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

STONY BROOK REGIONAL SEWERAGE AUTHORITY
PRINCETON, NEW JERSEY

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

Years ended November 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating Revenues:		
Members' Service Charges	\$ 12,365,319	\$ 11,771,625
Septage, Sludge and Leachate	3,143,654	3,150,791
Other	<u>33,913</u>	<u>47,449</u>
Total Operating Revenues	<u>15,542,886</u>	<u>14,969,865</u>
Operating Expenses Exclusive of Interest and Depreciation	<u>10,851,800</u>	<u>11,165,220</u>
Operating Income Before Interest and Depreciation	<u>4,691,086</u>	<u>3,804,645</u>
Depreciation	<u>2,829,960</u>	<u>2,967,108</u>
Operating Income	<u>1,861,126</u>	<u>837,537</u>
Non-Operating Revenues/(Expenses):		
Interest Earned on Investments	252,557	520,338
Interest Expense - Debt Service	(812,910)	(959,478)
Amortization of Bond Issue Costs	<u>(34,269)</u>	<u>(40,531)</u>
Total Non-Operating Revenues/(Expenses)	<u>(594,622)</u>	<u>(479,671)</u>
Net Income/(Loss)	1,266,504	357,866
Net Assets - Beginning of Year	<u>35,450,578</u>	<u>35,092,712</u>
Net Assets - End of Year	<u>\$ 36,717,082</u>	<u>\$ 35,450,578</u>

STONY BROOK REGIONAL SEWERAGE AUTHORITY
PRINCETON, NEW JERSEY

COMPARATIVE STATEMENTS OF CASH FLOWS

Years ended November 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts From Customers and Users	\$ 12,263,558	\$ 11,719,806
Receipts for Septage, Sludge and Leachate	3,143,654	3,150,791
Miscellaneous Receipts	33,912	47,449
Payments To Suppliers	(6,323,366)	(6,428,708)
Payments To Employees	<u>(4,641,425)</u>	<u>(4,345,896)</u>
Net Cash Provided/(Used) By Operating Activities	<u>4,476,333</u>	<u>4,143,442</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(3,315,554)	(4,145,778)
Deferred Revenue	1,656,915	
Trust Loan Proceeds	828,458	
Principal Payments on Long-Term Debt	(2,900,000)	(2,780,000)
Interest Paid on Bonds	<u>(886,194)</u>	<u>(833,622)</u>
Net Cash Provided By Financing Activities	<u>(4,616,375)</u>	<u>(7,759,400)</u>
CASH FLOWS TO/(FROM) CAPITAL AND RELATED FINANCING ACTIVITIES:		
Interest Received	<u>314,006</u>	<u>430,094</u>
Net Cash Provided/(Used) By Capital and Related Investing Activities	<u>314,006</u>	<u>430,094</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	<u>173,964</u>	<u>(3,185,864)</u>
Cash and Cash Equivalents - Beginning of Year	18,634,982	14,050,527
Adjustment to Beginning Balance	<u>(946,628)</u>	<u>7,770,319</u>
	<u>17,688,354</u>	<u>21,820,846</u>
Cash and Cash Equivalents - End of Year	<u>\$ 17,862,318</u>	<u>\$ 18,634,982</u>
Reconciliation of Operating Income To Net Cash Provided By Operating Activities:		
Operating Income	\$ 1,861,126	\$ 837,537
Depreciation	2,829,960	2,967,108
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(101,761)	(51,819)
Prepaid Expenses	3,302	(758)
Accounts Payable - Unrestricted Assets	(98,919)	141,089
Other Liabilities	<u>(17,375)</u>	<u>250,285</u>
	<u>\$ 4,476,333</u>	<u>\$ 4,143,442</u>

NOTES TO FINANCIAL STATEMENTS

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2009 AND 2008

(1) GENERAL

The Stony Brook Regional Sewerage Authority ("Authority") was created to construct and operate a wastewater collection and treatment system to serve six municipalities in the Stony Brook watershed area of Mercer and Middlesex Counties, New Jersey. The Authority has entered into a service contract agreement with its member municipalities, obligating each participating municipality to the Authority for its proportionate share of the Authority's operating expenses, debt service and required reserve additions to the extent not met by other resources.

The financial statements of the Authority have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles ("GAAP") applicable to enterprise funds of state and local governments.

The Authority's financial statements include all the accounts of all the Authority's operations. The primary criterion for including activities within a reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board ("GASB") Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name);
- the primary government holds the corporate powers of the organization;
- the primary government appoints a voting majority of the organizations board;
- the primary government is able to impose its will on the organization;
- the organization has the potential to impose a financial benefit/burden on the primary government;
- there is a fiscal dependency by the organization on the primary government.

GASB Statement No. 14, The Financial Reporting Entity, establishes standards to determine whether a government component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility for agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The Authority has determined that there were no additional entities required to be included in the reporting entity under the criteria as described above, in the current year.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2009 AND 2008

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with GAAP as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the GASB's accounting policies are described below.

In June 1999, the GASB unanimously approved Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Significant changes in the Statement which directly affect the Authority include the following:

- a. Financial statements include a Management Discussion and Analysis ("MD&A") section providing an analysis of the Authority's overall financial position and results of operations.
- b. Required supplemental information, which consists of schedules of budgeted and actual revenue and expenses.

Reporting Entity

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

Basis of Accounting

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

The Authority's reports are based on all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles, Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 2006, unless those pronouncements conflict with or contradict GASB pronouncements. Where applicable, certain prior-year amounts have been reclassified to conform to current-year presentation.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2009 AND 2008

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets

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

<u>ACCOUNT</u>	<u>AMOUNT</u>	<u>USE FOR WHICH RESTRICTED</u>
Revenue	All revenue except grants-in-aid and interest on investments.	Authorized operating expenses and, as of the first day of each month, transfers to the various accounts described below.
Bond Service	Amount needed to pay matured principal and interest plus principal and interest due on or before the following December 1 st .	Principal and interest on the bonds.
Bond Reserve	Amount needed to equal the greatest amount of debt service due in any fiscal year.	Transfers to meet minimum levels required in the Bond Service or Sinking Accounts. Any excess may be transferred into the Renewal and Replacement Account.
Renewal & Replacement	Amount needed to increase the balance to equal the Renewal and Replacement Reserve Requirement as defined by the resolutions.	Transfers to meet minimum levels required in the Bond Service, Sinking or Bond Reserve Accounts or major repairs, renewals, and extensions of the system.
General	Any amount determined by the Authority after meeting requirements of the Bond Service Fund, the Sinking Fund, the Bond Reserve Fund and the Renewal and Replacement Fund.	Transfers to meet minimum levels required in the Bond Service, Bond Reserve, Sinking Fund or Renewal and Replacement Accounts; if all accounts meet minimum requirements, then for any lawful purpose.
Sinking Fund	Beginning in 2004, the amount needed to increase the balance so that it equals the amount of Sinking Fund installments payable on the following December 1 st .	Principal and interest on bonds due on various dates through 2012.
Construction	Proceeds from bonds and grants-in-aid for construction projects.	Construction costs.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2009 AND 2008

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets (continued)

In accordance with the terms of the bond resolutions, cash and investments of the Bond Service, Bond Reserve, Renewal and Replacement, and Construction Accounts are classified as Restricted Assets.

The amounts by which the Restricted Assets exceed the corresponding liabilities that they will liquidate are reservations of retained earnings, as these excesses are not available for the payment of current operating expenses.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Authority considers investments with maturities of three months or less to be cash equivalents. Non-negotiable certificates of deposit are not considered investments.

Investments

Investments are stated at cost which approximates market.

Interest Income on Construction Account Investments

Interest Income on investments in the Construction Account is classified as a non-operating revenue and the related accrued interest receivable as a Restricted Asset, as the use of this income has been designated by resolution of the Authority to pay future construction costs.

Inventory

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

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2009 AND 2008

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment

Property, Plant and Equipment is stated at cost which includes direct construction costs, other expenditures related to construction and net interest expense on tax-exempt borrowings obtained to finance construction projects.

System construction costs are charged to Construction in Progress until such time as given segments of the system are completed and put into operation.

Depreciation is determined on a straight-line basis for all Plant and Equipment. Depreciation on assets acquired with grants-in-aid is recorded as a reduction of contributed capital. Depreciation is provided over the following estimated useful lives:

Building and Improvements	40 years
Sewer Mains and Interceptors	40 years
Other Equipment	5 - 15 years
Vehicles	5 years

Details of Property, Plant and Equipment as of November 30, 2009 and 2008 are as follows:

	Balance, November 30, <u>2009</u>	Balance, November 30, <u>2008</u>
Land	\$ 911,690	\$ 911,690
Treatment Plant	75,670,327	73,768,762
Pumping Stations	10,416,589	10,416,589
Collection System	11,150,036	11,150,036
Office Furniture and Equipment	2,293,065	2,055,262
Automotive Equipment	569,880	552,775
Construction in Progress	<u>6,260,251</u>	<u>5,132,664</u>
	107,271,838	103,987,778
Less: Accumulated Depreciation	<u>(65,378,558)</u>	<u>(62,580,093)</u>
Net Property, Plant and Equipment	<u>\$ 41,893,280</u>	<u>\$ 41,407,685</u>

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2009 AND 2008

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unamortized Debt Issue Costs

Deferred Debt Issue Costs are being amortized over the life of the bond issue based on the interest method.

Pension Plan

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

The plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The plan is a cost-sharing, multiple-employer defined benefit plan and as such does not maintain separate records for each Authority in the state and, therefore, the actual data for the Authority is not available. The Division of Pensions issues publicly-available financial reports for the plan that includes financial statements and required supplementary information. The reports may be obtained by writing the State of New Jersey, Division of Pensions.

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

The contribution requirements of plan members and the Authority are established and may be amended by the PERS Board of Trustees. For the years ended November 30, the Authority was required to contribute the following:

<u>PERS</u>	
2009	\$ 224,576
2008	167,715
2007	92,564

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2009 AND 2008

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Procedures

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

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

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

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

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

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

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

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

Income Taxes

No provision for Income Taxes has been made as the Authority is exempt from Federal and State income taxes.

Use of Estimates

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

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2009 AND 2008

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The Authority provides Compensated Absences benefits to its employees. The Authority permits employees to accrue unused sick pay, which may be taken at a later date as sick time off or paid at a later date at current rates of pay. Payment at termination is limited to 960 hours of sick time earned at current rates of pay. Employees may also carry forward up to 40 hours of unused vacation time per year. As of November 30, 2009, the vested amount is \$532,668. This amount is comprised of a long-term liability of \$417,679 and \$114,989 is included in current liabilities for accounts payable and accrued expenses.

(3) CASH AND CASH EQUIVALENTS

The Authority had the following cash and cash equivalents at November 30, 2009:

Checking and Savings Accounts	\$ 791,021
State of New Jersey Cash	
Management Fund	5,120,879
Certificates of Deposit	8,433,000
U.S. Treasury Fund	<u>3,517,418</u>
 Total Cash and Cash Equivalents	 <u>\$ 17,862,318</u>

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"), the Savings Association Insurance Fund ("SAIF"), or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund. New Jersey statutes permit the deposit of public funds only in banks which meet the requirements of the Governmental Unit Deposit Protection Act or the State of New Jersey Cash Management Fund. This Act, commonly referred to as "GUDPA", requires that banks which accept public funds to be a public depository. The statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits.

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.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2009 AND 2008

(3) CASH AND CASH EQUIVALENTS (CONTINUED)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. At November 30, 2009, the book value of the Authority's deposits was \$17,862,318 and the bank balances of the Authority's cash and deposits amounted to \$17,896,499. Of the bank balances, \$431,059 was covered by the FDIC, \$12,344,561 was covered by the New Jersey Governmental Unit Deposit Protection Act, and \$5,120,879 is collateralized held by third parties. The Authority's deposits which are displayed on the Statement of Net Assets as Cash and Cash Equivalents are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured:	
FDIC	\$ 431,059
Collateralized - Held by Third Party:	
New Jersey Cash Management Plan	5,120,879
GUDPA	<u>12,344,561</u>
Total	<u>\$ 17,896,499</u>

New Jersey Cash Management Fund

All investments in the Fund are governed by the regulations of the Investment Council which prescribes standards designed to insure the quality of investments and to minimize the risks related to investments. To date, the Fund has never defaulted on principal or interest on any short term security held by its participants. Further, a reserve is being accumulated as additional protection for other than State participants. Finally, the Council monitors eligible securities on a regular basis. As of November 30, 2009, the Authority had \$5,120,879 on deposit with the New Jersey Cash Management Fund.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk. As of November 30, 2009, the Authority's bank balance was not exposed to custodial credit risk.

(4) INVESTMENTS

At year-end, the Authority had no investments.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2009 AND 2008

(5) PROPERTY PLANT AND EQUIPMENT

Property, Plant and Equipment is summarized as follows.

	Balance, November 30, <u>2008</u>	<u>Increase</u>	<u>Decrease</u>	Balance, November 30, <u>2009</u>
Land	\$ 911,690			\$ 911,690
Treatment Plant	73,768,762	\$ 1,901,565		75,670,327
Pumping Stations	10,416,589			10,416,589
Collection System	11,150,036			11,150,036
Office Furniture & Equipment	2,055,262	237,803		2,293,065
Automotive Equipment	552,775	48,600	\$ (31,495)	569,880
Construction in Progress	<u>5,132,664</u>	<u>3,266,955</u>	<u>(2,139,368)</u>	<u>6,260,251</u>
	103,987,778	5,454,923	(2,170,863)	107,271,838
Less: Accumulated Depreciation	<u>62,580,093</u>	\$ <u>2,829,960</u>	<u>(31,495)</u>	<u>65,378,558</u>
Net Property, Plant and Equipment	\$ <u>41,407,685</u>			\$ <u>41,893,280</u>

(6) LONG-TERM DEBT

Bonds payable consisted of the following:

	<u>2009</u>	<u>2008</u>
1993 Series B Revenue Refunding Bonds	\$ 4,430,000	\$ 5,395,000
1999 Series A Revenue Refunding Bonds	670,000	1,305,000
2002 Series Revenue Refunding Bonds	3,575,000	4,690,000
2004 Series Revenue Bonds	8,170,000	8,355,000
2007 NJEIT Financing	5,515,000	5,515,000
2009 NJEIT/ARRA Financing	<u>828,458</u>	
	23,188,458	25,260,000
Total Current Portion	<u>3,309,020</u>	<u>2,900,000</u>
Long-Term Debt	\$ <u>19,879,438</u>	\$ <u>22,360,000</u>

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2009 AND 2008

(6) LONG-TERM DEBT (CONTINUED)

1989 Series A and Series B Revenue Bonds

In September 1989, the Authority issued (a) the \$10,000,000 Series A Revenue Bonds to finance all or part of the cost of certain modifications and improvements to the Authority's system and (b) the \$7,500,000 Series B Revenue Bonds to provide funds to pay all or part of the cost of constructing and equipping a wastewater sludge cake receiving facility for the processing of wastewater sludge cake from within and outside the Authority's service area. The bond proceeds, together with certain other available funds of the Authority, also provided funds to establish certain reserves and accounts, including capitalized interest, and to finance certain costs of issuance.

During 1993, \$6,985,000 of the remaining \$9,700,000 of 1989 Series A Bonds were refunded. The Series B Bonds were not refunded. The remaining 1989 Series B Bonds were refunded in September of 1999.

1993 Refunding Bonds

On February 17, 1993, the Authority issued \$9,590,000 in Revenue Refunding Bonds (1993 Series A) with an average interest rate of 4.96 percent to advance-refund \$2,400,000 of outstanding 1985 Series Revenue Bonds with an average interest rate of 8.40 percent and \$5,950,000 of outstanding 1989 Series A Revenue Bonds with an average interest rate of 7.33 percent. The 1993 Series A Bonds refunded a portion of the 1985 and 1989 Series A Bonds, as follows:

1985 Series A Bonds	\$ 2,400,000
1989 Series A Bonds	<u>5,950,000</u>
	<u>\$ 8,350,000</u>

On May 11, 1993, the Authority issued \$16,455,000 in Revenue Refunding Bonds (1993 Series B) with an average interest rate of 4.49 percent to advance refund \$8,510,000 of outstanding 1977 Series A Revenue Bonds and \$6,080,000 of outstanding 1977 Series B Revenue Bonds, both with an average interest rate of 5.45 percent; \$300,000 of outstanding 1985 Series Revenue Bonds with an average interest rate of 8.4 percent; and \$1,035,000 of 1989 Series A Revenue Bonds with an average interest rate of 7.25 percent.

The net proceeds of \$9,318,819 (1993 Series A) and \$16,097,305 (1993 Series B) plus an additional \$660,789 of prior-issued funds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1977, 1985 and 1989 Series A Revenue Bonds. As a result, these advance-refunded bonds are considered to be defeased, and the liability for these bonds has been removed from Long-Term Debt.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2009 AND 2008

(6) LONG-TERM DEBT (CONTINUED)

1993 Refunding Bonds (continued)

The 1993 Series A and 1993 Series B advance-refundings combined resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,398,330. This difference (net deferred charge on advance-refunding) is being charged to operations through the year 2012 using the interest method of amortization. The Authority completed the advance-refunding to reduce its total debt service payments over the next eighteen (18) years by \$1,399,429 and to obtain an economic gain (difference between the present values of the old and the new debt service payments) of \$912,218.

During 2002, \$6,870,000 of the remaining \$7,895,000 1993 Series A Bonds were refunded. The 1993 Series A Revenue Refunding Bonds are fully retired.

1993 Series B Revenue Refunding Bonds

In May 1993, the Authority issued the \$16,455,000 Series B Revenue Refunding Bonds to take further advantage of declining interest rates. The 1993 Series B Revenue Refunding Bonds advance-refunded all of the 1977 Series A and B Bonds and a portion of the 1985 and 1989 A Bonds as follows:

1977 Series A Bonds	\$ 8,510,000
1977 Series B Bonds	6,080,000
1985 Series A Bonds	300,000
1989 Series A Bonds	<u>1,035,000</u>
	<u>\$ 15,925,000</u>

The Bonds are due in the amounts and at the interest rates shown in the table below:

<u>Due Date</u>	<u>Principal Amount</u>	<u>Rate of Interest</u>
December 1, 2012	<u>\$ 5,395,000</u>	5.45%

The bonds maturing on December 1, 2012 are subject to mandatory redemption through the following sinking fund installments on the dates indicated below:

<u>Year</u>	<u>Amount</u>
2009	\$ 1,020,000
2010	1,075,000
2011	1,135,000
2012	<u>1,200,000</u>
Total	<u>\$ 4,430,000</u>

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2009 AND 2008

(6) LONG-TERM DEBT (CONTINUED)

1999 Series A Revenue Refunding Bonds

On September 30, 1999, the Authority issued \$5,420,000 in Revenue Refunding Bonds with an average interest rate of 4.81% to call the \$5,615,000 of the 1989 Series B Revenue Bonds with an average coupon of 7.66%. The 1999 Series A Revenue Refunding Bonds refunded all of the remaining 1989 Series B Revenue Bonds.

The Bonds are due in the amounts indicated with interest rates shown in the table below.

2009	<u>\$ 670,000</u>	5.10%
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The 1999 Bonds maturing on or before December 1, 2007 are not subject to optional redemption prior to maturity. The 1999 Bonds maturing on or after December 1, 2008 are subject to redemption at the option of the Authority, upon proper notice, as a whole or in part at any time in the manner directed by the Authority, and by lot within a maturity on or after December 1, 2006 at the Redemption Price, expressed as a percentage of the principal amount of each 1999 Bond to be redeemed, set opposite such period in the following table and applicable upon such redemption, plus accrued interest to the date of redemption. After such redemption date, interest on such 1999 Bonds shall cease to accrue and become payable.

<u>Redemption Dates</u> <u>(Both Dates Inclusive)</u>	<u>Redemption Price</u>
December 1, 2009 and thereafter	100%

2002 Refunding Bonds

On October 15, 2002, the Authority issued \$10,275,000 in Revenue Refunding Bonds (2002 Series) with an average interest rate of 3.94% to: (a) currently-refund \$6,870,000 aggregate principal amount of Revenue Refunding Bonds, 1993 Series A (b) advance-refund \$3,420,000 aggregate principal amount of the Revenue Bonds (1996 Series).

The net proceeds of \$10,275,000 (2002 Series) plus an additional \$339,318 of prior-issued funds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 Series A and the Revenue Bonds (Series 1996). As a result, these refunded bonds are considered to be defeased, and the liability for these bonds has been removed from Long-Term Debt.

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2009 AND 2008

(6) LONG-TERM DEBT (CONTINUED)

2002 Refunding Bonds (continued)

The Series 2002 refundings resulted in a difference between reacquisition price and the net carrying amount of old debt of \$76,252. This difference (net deferred charge on refunding) is being charged to operations through the year 2016, using the interest method of amortization. The Authority completed the refunding to reduce total debt service payments over the next fifteen (15) years by \$868,047 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$665,242.

The Series 2002 Revenue Refunding Bonds are due in the amounts and at interest rates shown in the table below:

<u>Due Date</u>	<u>Principal Amount</u>	<u>Rate of Interest</u>
December 1:		
2009	\$ 1,150,000	5.00%
2010	290,000	3.25
2011	310,000	4.00
2012	335,000	4.00
2013	345,000	5.00
2014	365,000	5.00
2015	385,000	5.00
2016	<u>395,000</u>	4.00
	<u>\$ 3,575,000</u>	

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2009 AND 2008

(6) LONG-TERM DEBT (CONTINUED)

2004 Revenue Bonds

In 2004, the Authority issued \$8,865,000 of Revenue Bonds for the purpose of funding various projects and plant improvements.

The Series 2004 Revenue Bonds are due in the amounts and at interest rates shown in the table below:

<u>Due Date</u>	<u>Principal Amount</u>	<u>Rate of Interest</u>
December 1:		
2009	\$ 190,000	3.50%
2010	195,000	3.50
2011	200,000	3.50
2012	210,000	4.10
2013	220,000	4.10
2014	225,000	4.10
2015	235,000	4.10
2016	245,000	4.10
2017	255,000	4.15
2018	265,000	4.25
2019	280,000	4.35
2020	290,000	4.40
2021	305,000	4.45
2022	320,000	4.55
2023	335,000	4.65
2026	1,105,000	4.80
2029	1,265,000	4.90
2033	<u>2,030,000</u>	5.00
	<u>\$ 8,170,000</u>	

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2009 AND 2008

(6) LONG-TERM DEBT (CONTINUED)

2007 New Jersey Environmental Infrastructure Trust Fund Loan

In 2007, the Authority participated in the New Jersey Environmental Infrastructure Trust Financing Program in the amount of \$5,515,000 to finance energy efficiencies to the sludge incineration facilities. The financing is made up of two parts : the Trust Loan bears interest at 3.40% to 5.00%; the Fund Loan is Principal only.

The Series 2007 Trust Loan Agreement Bonds are due in the amounts and at interest rates shown in the table below:

<u>Due Date</u>	<u>Principal Amount</u>	<u>Rate of Interest</u>
August 1:		
2010	\$ 105,000	5.00%
2011	115,000	5.00
2012	120,000	3.40
2013	125,000	3.50
2014	125,000	3.60
2015	130,000	5.00
2016	140,000	5.00
2017	145,000	5.00
2018	150,000	5.00
2019	160,000	4.00
2020	165,000	4.00
2021	170,000	5.00
2022	180,000	5.00
2023	190,000	4.25
2024	200,000	4.50
2025	205,000	4.50
2026	215,000	4.50
2027	<u>225,000</u>	4.25
	<u>\$ 2,865,000</u>	

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2009 AND 2008

(6) LONG TERM DEBT (CONTINUED)

2007 New Jersey Environmental Infrastructure Trust Fund Loan (continued)

The 2007 Fund Loan Agreement Portion of the Trust Financing is due as follows
(Principal only):

<u>Due Date</u>	<u>Principal Amount</u>
2010	\$ 145,937
2011	148,908
2012	148,440
2013	149,015
2014	146,278
2015	146,591
2016	148,781
2017	147,529
2018	146,122
2019	147,686
2020	146,810
2021	145,809
2022	146,747
2023	147,373
2024	148,577
2025	146,075
2026	146,559
2027	<u>146,763</u>
	<u>\$ 2,650,000</u>

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2009 AND 2008

(6) LONG-TERM DEBT (CONTINUED)

2009 New Jersey Environmental Infrastructure Trust Fund Loan

In 2009, the Authority participated in the New Jersey Environmental Infrastructure Trust Financing Program in the amount of \$3,310,373 to finance the replacement of eight mechanical surface aerators located in the existing nitrification tanks. In addition, the project includes replacement of the polymer and caustic chemical storage and feed systems for sludge processing and various appurtenance work.

The financing is made up of three parts: the Trust Loan in the amount of \$825,000 which bears interest at 2.00% to 5.00%; the Fund Loan in the amount of \$828,458 is Principal only and the American Recovery and Reinvestment Act ("ARRA") provides for principal forgiveness in the amount of \$1,656,915. The Trust Loan in the amount of \$825,000 closed on December 2, 2009 which is subsequent to this fiscal year end and is not reflected as a liability for this fiscal year. In addition the ARRA portion of the funding in the amount of \$1,656,915 is considered a deferred revenue because the principal forgiveness was contingent upon the Trust Fund closing subsequent to the end of this fiscal year.

The 2009 Fund Loan Agreement Portion of the Trust Financing is due as follows (Principal only):

<u>Due Date</u>	<u>Principal Amount</u>
2010	\$ 28,083
2011	42,125
2012	42,125
2013	42,125
2014	42,125
2015	42,125
2016	42,125
2017	42,125
2018	42,125
2019	42,125
2020	42,125
2021	42,125
2022	42,125
2023	42,125
2024	42,125
2025	42,125
2026	42,125
2027	42,125
2028	42,125
2029	<u>42,125</u>
	<u>\$ 828,458</u>

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2009 AND 2008

(6) LONG-TERM DEBT (CONTINUED)

Annual Debt Service

The following table sets forth the annual debt service (budgetary basis) of the Authority for all bonds outstanding:

<u>12-Month Period Ending November 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 3,030,000	\$ 812,910	\$ 3,842,910
2010	1,839,020	787,243	2,626,263
2011	1,951,034	707,155	2,658,189
2012	2,055,565	620,147	2,675,712
2013	881,141	528,658	1,409,799
2014	903,403	498,012	1,401,415
2015-2019	3,732,333	2,035,685	5,768,018
2020-2024	3,450,941	1,498,732	4,949,673
2025-2029	3,315,022	869,628	4,184,650
2030-2033	<u>2,029,999</u>	<u>260,000</u>	<u>2,289,999</u>
	<u>\$ 23,188,458</u>	<u>\$ 8,618,170</u>	<u>\$ 31,806,628</u>

(7) RISK MANAGEMENT

The Authority is a member of the New Jersey Utility Authorities Joint Insurance Fund ("Fund").

The Fund was created on September 15, 1991, in accordance with P.L. 1983, C.372, entitled "An Act concerning joint insurance funds for local units of government, and supplementing Chapter 10 of Title 40A of the New Jersey statutes." The Fund is both an insured and self-administered group of utility authorities established for the purpose of providing low cost insurance coverage and safety programs for the member utility authorities in order to keep insurance premiums, claims and administrative costs at a minimum.

The following coverages are offered by the Fund to its members:

- a. Worker's Compensation and Employer's Liability
- b. Liability other than Motor Vehicles
- c. Property Damage other than Motor Vehicles
- d. Motor Vehicle
- e. Environmental Liability

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2009 AND 2008

(7) RISK MANAGEMENT (CONTINUED)

The Joint Insurance Fund is also a member of The Municipal Excess Liability Joint Insurance Fund which provides excess insurance for worker's compensation and employer's liability.

The Authority has chosen to purchase property insurance including boiler and machinery coverage outside of the Joint Insurance Fund.

A participating utility authority must remain in the Fund for the full term of membership unless earlier terminated by a majority vote of the Fund Commissioners or a two-thirds vote of the Executive Committee for non-payment of assessments or continued non-compliance after written notice to comply with the by-laws or other obligations. Termination may occur only after proper notice has been given, in accordance with the Fund's by-laws.

(8) AMOUNTS REQUIRED BY BOND RESOLUTION

The following cash and investment accounts are required by the bond resolutions as of November 30, 2009:

	<u>Amount Required</u>	<u>Balance On Hand</u>	<u>Excess or (Deficiency)</u>
Bond Service Account	\$ 3,436,455	\$ 3,436,456	\$ 1
Bond Reserve Account	3,842,910	3,934,294	91,384
Renewal and Replacement Account	600,000	600,001	1
General Account	<u>0</u>	<u>3,559,593</u>	<u>3,559,593</u>
	<u>\$ 7,879,365</u>	<u>\$ 11,530,344</u>	<u>\$ 3,650,979</u>

STONY BROOK REGIONAL SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2009 AND 2008

(9) NET ASSETS

Net Assets consist of Investment in Capital Assets and Restricted and Unrestricted balances (required by the Bond Resolution) as follows:

	Balance, November 30, <u>2009</u>	Balance, November 30, <u>2008</u>
Net Assets:		
Capital Assets, Net of Related Liabilities	\$ 18,704,822	\$ 16,147,685
Restricted:		
Bond Service	3,436,455	3,379,739
Bond Reserve	3,842,910	3,859,478
Renewal and Replacement	600,000	600,000
Capital Projects	<u>6,470,610</u>	<u>9,093,117</u>
Total Restricted	14,349,975	16,932,334
Unrestricted – Designated for Emergencies	1,000,000	1,000,000
Unrestricted	<u>2,662,285</u>	<u>1,370,559</u>
	<u>\$ 36,717,082</u>	<u>\$ 35,450,578</u>

(10) LITIGATION, CLAIMS AND CONTINGENT LIABILITIES

In the ordinary conduct of its business, the Authority may be a party to litigation. At November 30, 2009, in the opinion of management based upon consultation with legal counsel, there were no matters pending or threatened which would have a material adverse effect on the financial position of the Authority.

(11) DEFERRED COMPENSATION

The Authority offers its employees a Deferred Compensation Plan ("Plan") created in accordance with Internal Revenue Code Section 457. The Plan is available to all eligible employees. The Plan permits them to defer a portion of their salary before Federal income tax. The deferred compensation is available to employees or their beneficiaries upon termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights, have been removed from the books and accounts of the Authority as they are no longer the property or rights of the Authority.

SUPPLEMENTARY INFORMATION

STONY BROOK REGIONAL SEWERAGE AUTHORITY
PRINCETON, NEW JERSEY

SCHEDULE OF CHANGES IN UNRESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

Year ended November 30, 2009

	Held By Authority Operating Accounts	Held By Trustee		Memo	
		Revenue Account	General Account	2009 Totals	2008 Totals
Sources:					
Members' Service Charges		\$ 12,365,319		\$ 12,365,319	\$ 11,771,625
Members' Service Charges - Prior Year Interest	\$ 469,473 1,855	6,360 12	\$ 22,803	475,833 24,670	244,596 104,116
Receipts From Septage, Sludge and Leachate Services	2,998,155			2,998,155	3,130,158
Miscellaneous Receipts	109,854			109,854	173,491
Transfers Within Other Unrestricted Accounts	11,274,500	(8,906,359)	(2,368,141)	3,147,418	3,546,170
Transfers From Restricted Accounts		32,465	3,114,953		
Total Sources	<u>14,853,837</u>	<u>3,497,797</u>	<u>769,615</u>	<u>19,121,249</u>	<u>18,970,156</u>
Uses:					
Operations/Capital Expenditures	14,788,362			14,788,362	15,131,349
Transfers To Restricted Accounts		3,497,785	344,968	3,842,753	3,855,292
Total Uses	<u>14,788,362</u>	<u>3,497,785</u>	<u>344,968</u>	<u>18,631,115</u>	<u>18,986,641</u>
Increase/(Decrease)	65,475	12	424,647	490,134	(16,486)
Balance, Beginning of Year	<u>762,506</u>	<u>3,322</u>	<u>3,134,947</u>	<u>3,900,775</u>	<u>3,917,261</u>
Balance, End of Year	<u>\$ 827,981</u>	<u>\$ 3,334</u>	<u>\$ 3,559,594</u>	<u>\$ 4,390,909</u>	<u>\$ 3,900,775</u>
Balance Comprised of:					
Cash	\$ 791,021			\$ 791,021	\$ 725,814
Cash Equivalents	36,960	3,334	3,559,594	3,599,888	3,174,961
Total	<u>\$ 827,981</u>	<u>\$ 3,334</u>	<u>\$ 3,559,594</u>	<u>\$ 4,390,909</u>	<u>\$ 3,900,775</u>

STONY BROOK REGIONAL SEWERAGE AUTHORITY
PRINCETON, NEW JERSEY

SCHEDULE OF CHANGES IN RESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

Year ended November 30, 2009

	Held By Trustee						(Memo) 2008 Totals
	Debt Service Account	Bond Reserve Account	Replacement Account	2004 Construction Account	2007 NJEIT Construction Account	2009 NJEIT Construction Account	
Sources:							
Interest Received on Investments	\$ 156	\$ 107,281	\$ 11,402	\$ 170,467	\$ 9	\$ (172,670)	\$ 325,978
Credited To Income				172,670			
Transfers Within Restricted Accounts	3,842,756				618,201		3,855,293
Transfers From Unrestricted Accounts					649,236	271,308	1,600,677
NJEIT Fund Loan							1,569,642
DEP Loan							
Total Sources	<u>3,842,912</u>	<u>107,281</u>	<u>11,402</u>	<u>343,137</u>	<u>1,267,446</u>	<u>98,638</u>	<u>7,351,590</u>
Uses:							
Construction							
Payment of Bond Interest	886,194						886,194
Charged To Expenses	2,900,000						2,900,000
Payment of Bond Principal							
Transfer To Unrestricted Accounts						98,638	3,546,169
Total Uses	<u>3,786,194</u>	<u>32,465</u>	<u>11,402</u>	<u>1,706,541</u>	<u>1,298,374</u>	<u>98,638</u>	<u>7,350,648</u>
Increase/(Decrease)	56,718	74,816	11,402	(1,363,404)	(30,928)	98,638	941
Balance, Beginning of Year	3,379,739	3,859,478	600,000	6,863,000	31,990		14,733,266
Balance, End of Year	<u>\$ 3,436,457</u>	<u>\$ 3,934,294</u>	<u>\$ 600,000</u>	<u>\$ 5,499,596</u>	<u>\$ 1,062</u>	<u>\$ 0</u>	<u>\$ 14,734,207</u>
Balance Comprised of:							
Cash							
Cash Equivalents	\$ 3,436,457	\$ 3,934,294	\$ 600,000	\$ 5,499,596	\$ 1,062		\$ 14,734,207
Total	<u>\$ 3,436,457</u>	<u>\$ 3,934,294</u>	<u>\$ 600,000</u>	<u>\$ 5,499,596</u>	<u>\$ 1,062</u>	<u>\$ 0</u>	<u>\$ 14,734,207</u>

STONY BROOK REGIONAL SEWERAGE AUTHORITY
PRINCETON, NEW JERSEY

Schedule 3
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SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES

Year ended November 30, 2009

	<u>2009 Budget</u>	<u>2009 Actual</u>	<u>2008 Budget</u>	<u>2008 Actual</u>
Operating Revenues:				
Members Charges:				
Gross	\$ 12,365,319	\$ 12,365,319	\$ 11,771,625	\$ 11,771,625
Net	<u>12,365,319</u>	<u>12,365,319</u>	<u>11,771,625</u>	<u>11,771,625</u>
Septage, Sludge and Leachate	3,160,240	3,143,654	3,022,240	3,150,791
Interest Income	250,000	126,816	300,000	282,116
Other	36,000	33,913	30,000	47,449
Retained Earnings	<u>100,000</u>	<u>100,000</u>	<u> </u>	<u> </u>
Total Operating Revenues	<u>\$ 15,911,559</u>	<u>\$ 15,769,702</u>	<u>\$ 15,123,865</u>	<u>\$ 15,251,981</u>
Costs Funded By Operating Revenues:				
Salaries and Wages				
Employees:				
Administrative	\$ 445,162	\$ 453,136	\$ 428,541	\$ 420,551
Operations and Maintenance	3,044,683	3,025,188	2,875,499	2,902,866
Benefits	<u>1,147,767</u>	<u>1,144,167</u>	<u>1,057,038</u>	<u>1,022,478</u>
Total Costs Funded By Operating Revenues	<u>\$ 4,637,612</u>	<u>\$ 4,622,491</u>	<u>\$ 4,361,078</u>	<u>\$ 4,345,895</u>
Administrative Expenses:				
Insurance	\$ 310,947	\$ 268,982	\$ 321,551	\$ 281,190
Seminars	12,735	6,300	14,435	7,342
Meetings and Travel	11,263	4,988	12,040	6,652
Telephone	43,181	38,242	42,506	41,263
Computer Payroll Service	12,966	14,828	11,666	13,394
Office Supplies	14,708	11,798	13,981	12,235
Data Processing Supplies	20,075	22,958	19,575	13,244
Service Contracts	73,736	65,667	69,091	68,509
Dues	13,171	10,452	13,089	9,863
Magazines, Books, etc.	4,952	2,009	5,366	1,915
Postage	6,000	5,266	6,000	6,596
Advertising and Printing	3,125	1,833	2,700	2,076
Rental and Easements	12,634	13,291	12,862	12,862
Regulatory Fees and Permits	70,200	41,413	64,200	46,753
Miscellaneous	<u>14,276</u>	<u>18,595</u>	<u>12,293</u>	<u>17,974</u>
Total Administrative Expenses	<u>\$ 623,969</u>	<u>\$ 526,622</u>	<u>\$ 621,355</u>	<u>\$ 541,868</u>

STONY BROOK REGIONAL SEWERAGE AUTHORITY
PRINCETON, NEW JERSEY

SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES

Year ended November 30, 2009

	2009 <u>Budget</u>	2009 <u>Actual</u>	2008 <u>Budget</u>	2008 <u>Actual</u>
Operating and Maintenance Expenses:				
Fuel Oil and Natural Gas	\$ 2,019,987	\$ 1,759,338	\$ 2,126,320	\$ 2,284,228
Water	42,652	43,259	38,587	47,805
Electricity	2,195,568	1,737,558	1,773,456	1,914,044
Operating Chemicals	770,689	723,448	710,825	635,283
Maintenance Tools and Supplies	184,440	211,225	172,600	208,677
Janitorial Supplies	7,350	8,621	7,350	7,571
Laboratory Chemicals and Supplies	19,053	12,163	19,053	14,054
Uniforms	17,317	17,504	17,885	15,650
Training	25,546	13,393	24,720	11,996
Safety Equipment	51,895	48,302	52,020	33,998
Outside Lab Testing	30,700	29,340	30,361	28,372
Pretreatment Supplies	300		300	
Ash Hauling	357,488	267,516	308,195	248,254
Maintenance and Repairs	166,774	254,565	164,704	122,845
Operations Supplies	127,040	80,400	103,984	103,531
Buildings and Grounds	44,600	39,960	44,600	34,107
Spare Parts	157,970	171,970	139,320	194,002
Hazardous Waste Disposal	10,000	569	10,000	7,736
Medical Testing	2,655	1,954	2,860	2,362
Contingency for Fines	20,000	2,000	20,000	3,000
Minor Operational Improvements	142,835	68,668	135,635	21,557
Total Operating and Maintenance Expenses	<u>\$ 6,394,859</u>	<u>\$ 5,491,753</u>	<u>\$ 5,902,775</u>	<u>\$ 5,939,072</u>
Vehicle Maintenance:				
Gas, Oil and Tires	\$ 33,400	\$ 30,723	\$ 28,280	\$ 37,244
Parts and Service	21,000	30,440	21,000	16,171
Vehicle Registration	2,389	2,722	2,339	1,489
Total Vehicle Maintenance	<u>\$ 56,789</u>	<u>\$ 63,885</u>	<u>\$ 51,619</u>	<u>\$ 54,904</u>
Professional Services:				
Legal and Audit	\$ 90,500	\$ 59,012	\$ 93,800	\$ 59,153
Trustee Services	8,200	3,125	8,200	5,000
Consultants - Other	156,720	84,912	125,560	219,327
Total Professional Services	<u>\$ 255,420</u>	<u>\$ 147,049</u>	<u>\$ 227,560</u>	<u>\$ 283,480</u>
Total Operating Expenses	<u>\$ 11,968,649</u>	<u>\$ 10,851,800</u>	<u>\$ 11,164,387</u>	<u>\$ 11,165,219</u>

STONY BROOK REGIONAL SEWERAGE AUTHORITY
PRINCETON, NEW JERSEY

SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES

Year ended November 30, 2009

	2009 <u>Budget</u>	2009 <u>Actual</u>	2008 <u>Budget</u>	2008 <u>Actual</u>
Capital Purchase Fund Contribution	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Equipment Recorded as Property, Plant and Equipment		<u>48,600</u>		<u>59,750</u>
	<u>\$ 100,000</u>	<u>\$ 148,600</u>	<u>\$ 100,000</u>	<u>\$ 159,750</u>
Total Operating Expenses	\$ 12,068,649	\$ 11,000,400	\$ 11,264,387	\$ 11,324,969
Debt Service Funded By Members	<u>3,842,910</u>	<u>3,842,910</u>	<u>3,859,478</u>	<u>3,859,478</u>
Costs Funded By Operating Revenues	<u>\$ 15,911,559</u>	<u>14,843,310</u>	<u>\$ 15,123,865</u>	<u>15,184,447</u>
Excess of Revenues over Expenditures		<u>\$ 926,392</u>		<u>\$ 67,534</u>

STONY BROOK REGIONAL SEWERAGE AUTHORITY
SCHEDULE OF AMOUNTS REFUNDABLE TO OR RECEIVABLE FROM INDIVIDUAL MEMBERS
For The Year Ended November 30, 2009

	Princeton Borough	Princeton Township	South		West		Hopewell Borough	Pennington Borough	Total
			Brunswick Township	Windsor Township	Windsor Township	Pennington Borough			
Actual:									
Operating Expenses	\$ 1,937,047	\$ 1,870,132	\$ 4,138,096	\$ 2,493,218	\$ 178,396	\$ 283,511	\$ 10,900,400		
Capital Purchase Fund Contribution	17,769	17,157	37,963	22,873	1,637	2,601	100,000		
Retained Earnings	(17,769)	(17,157)	(37,963)	(22,873)	(1,637)	(2,601)	(100,000)		
Revenues - Septage Sludge and Leachate Receipts	(558,641)	(539,342)	(1,193,419)	(719,039)	(51,449)	(81,764)	(3,143,654)		
Interest	(22,537)	(21,757)	(48,143)	(29,006)	(2,075)	(3,298)	(126,816)		
Misc Revenue	(6,024)	(5,819)	(12,874)	(7,757)	(556)	(883)	(33,913)		
Budget Balance To Retained Earnings	164,624	158,937	351,684	211,891	15,161	24,095	926,392		
Debt Service Apportioned to Members	682,902	659,310	1,458,876	878,978	62,893	99,951	3,842,910		
Total Base Charges (Dollar Amount)	2,197,371	2,121,461	4,694,220	2,828,285	202,370	321,612	12,365,319		
Gallons Treated (Actual)	673,912,557	650,631,781	1,439,672,040	867,407,873	62,065,044	98,635,271	3,792,324,566		
Total Base Charges (Percentage)	17.770%	17.157%	37.963%	22.873%	1.637%	2.601%	100.00000%		
Debt Service Adjustment - Increase/(Decrease)	95,258	42,545	(99,142)	(9,861)	(15,209)	(13,591)	-		
Net Member Charges - Actual	2,292,629	2,164,006	4,595,078	2,818,424	187,161	308,021	12,365,319		
Budget:									
Operating Expenses	2,081,914	2,238,602	4,572,223	2,573,034	184,454	318,422	11,968,649		
Capital Purchase Fund Contribution	17,395	18,704	38,202	21,498	1,541	2,660	100,000		
Revenues - Septage Sludge and Leachate Receipts	(549,715)	(591,088)	(1,207,264)	(679,392)	(48,704)	(84,077)	(3,160,240)		
Interest	(43,487)	(46,760)	(95,504)	(53,745)	(3,863)	(6,651)	(250,000)		
Misc Revenue	(6,262)	(6,733)	(13,753)	(7,739)	(555)	(958)	(36,000)		
Budget Balance From Retained Earnings	(17,395)	(18,704)	(38,202)	(21,498)	(1,541)	(2,660)	(100,000)		
Debt Service	668,464	718,773	1,468,055	826,153	59,225	102,240	3,842,910		
Total Base Charges (Dollar Amount)	2,150,914	2,312,794	4,723,757	2,658,311	190,567	328,976	12,365,319		
Gallons Treated (budget)	666,686,021	716,861,778	1,464,151,117	823,956,142	59,067,196	101,967,600	3,832,689,854		
Total Base Charges (Percentage)	17.395%	18.704%	38.202%	21.488%	1.541%	2.660%	100.00000%		
Debt Service Adjustment - Increase (Decrease)	95,258	42,545	(99,142)	(9,861)	(15,209)	(13,591)	0		
Net Member Charges - Budget / Paid	2,246,172	2,355,339	4,624,615	2,648,450	175,358	315,385	12,365,319		
Due (To)/From Members at November 30, 2009	\$ 46,457	\$ (191,333)	\$ (29,537)	\$ 169,974	\$ 11,803	\$ (7,364)	\$ 0		
Allocation:									
Operation	\$ 32,019	\$ (131,870)	\$ (20,358)	\$ 117,149	\$ 8,135	\$ (5,075)	\$ 0		
Debt Service	14,438	(59,463)	(9,179)	52,825	3,668	(2,289)	0		
Amount Due/(Refund)	\$ 46,457	\$ (191,333)	\$ (29,537)	\$ 169,974	\$ 11,803	\$ (7,364)	\$ 0		

STONY BROOK REGIONAL SEWERAGE AUTHORITY
PRINCETON, NEW JERSEY

NOTES TO SCHEDULE OF AMOUNTS REFUNDABLE TO OR
RECEIVABLE FROM INDIVIDUAL MEMBERS

NOVEMBER 30, 2009

1. Basis of Presentation

Six of the seven member municipalities entered into an amended service contract dated November 1, 1977, with Stony Brook Regional Sewerage Authority ("Authority") for the treatment and disposal of sewage in return for the Authority constructing, operating, and maintaining the system. At the beginning of each year, the members are assessed user charges based on the current year's budgeted operating revenues and expenses allocated to the individual members by the Authority's projection based on the average of five prior years of flow. This allocation is then adjusted for actual flow received through year-end, and any additional charges or refunds necessary to or from the members are determined by the Authority and assessed in the year-end adjustment.

2. Meter Certification and Calibration

The Authority's staff services and calibrates the billing meters monthly. On a quarterly basis, the Authority utilizes the services of W. G. Malden Inc. to certify the flow meters at each of the metering stations. As a result of the monthly calibration and quarterly certification, adjustments to the meter data are made by the Authority's engineering staff. A monthly flow report is sent to all of the member communities showing the adjusted flows and describing any adjustments which were made.

3. Allocation Percentage

Allocation percentages are developed using actual flows measured by the meters installed at the member municipalities' meter stations. These flows are then adjusted for non-metered flow during meter breakdowns and any reallocations of flows experienced from having one member's meter station registering flows from another community. These percentages are then used to allocate actual revenues and expenditures to determine the amount refundable to or receivable from the individual members.

INTERNAL CONTROL/COMPLIANCE SECTION

Hutchins, Farrell, Meyer & Allison, P.A.

Certified Public Accountants • Business & Financial Advisors

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Members
Stony Brook Regional Sewerage Authority
Princeton, New Jersey 08540

We have audited the basic financial statements of the Stony Brook Regional Sewerage Authority ("Authority") as of and for the year ended November 30, 2009, and have issued our report thereon dated January 28, 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 as 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 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, 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 for the information of the management of the Authority, the Division of Local Government Services, Department of Community Affairs, State of New Jersey as well as other federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Hutchins, Farrell, Meyer & Allison, P.A.

Hutchins, Farrell, Meyer & Allison, P.A.

January 28, 2010

STONY BROOK REGIONAL SEWERAGE AUTHORITY

ROSTER OF OFFICIALS

NOVEMBER 30, 2009

Authority Members

	<u>Position</u>
Robert A. Bartolini	Chair
Gale D. Downey	Vice Chair
David H. Miller	Treasurer
Bharat Patel	Member
C. Schuyler Moorehouse	Member
Charles T. Watson, Jr.	Member
James McKinnon	Member

Other Officials

	<u>Position</u>
John Kantorek, PE	Secretary/Executive Director
Antonia Pchola, PE	Manager of Engineering
Stuart Neuhof, CPA	Chief Financial Officer
Patricia Carlino	Assistant Secretary
Diane Alexander	Attorney

COMMENTS AND RECOMMENDATIONS

STONY BROOK REGIONAL SEWERAGE AUTHORITY

FINDINGS AND RECOMMENDATIONS

NOVEMBER 30, 2009

None noted.