

**ATLANTIC HIGHLANDS-HIGHLANDS REGIONAL  
SEWERAGE AUTHORITY**

**Financial Statements**

**For the years ended December 31, 2009 and 2008**

**(With Independent Auditors' Report thereon)**

**ATLANTIC HIGHLANDS-HIGHLANDS REGIONAL SEWERAGE AUTHORITY**  
**Financial Statements and Supplementary Data**  
**For the years ended December 31, 2009 and 2008**  
**(With Independent Auditors' Report thereon)**

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Certified Public Accountants & Consultants

## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Atlantic Highlands-Highlands Regional Sewerage Authority

We have audited the accompanying financial statements of the business-type activities of the Atlantic Highlands-Highlands Regional Sewerage Authority, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with auditing standards prescribed by the Local Government Services, Department of Community Affairs, State of New Jersey. These standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, of the Atlantic Highlands-Highlands Regional Sewerage Authority as of December 31, 2009 and 2008, and the respective changes in financial position and cash flows, thereof for the years 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 12, 2010, on our consideration of the Atlantic Highlands-Highlands Regional Sewerage Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 read in conjunction with this report in considering the results of our audits.

The Management's Discussion and Analysis information and budgetary comparison information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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Our audits were performed for the purpose of forming an opinion on the financial statements of the Atlantic Highlands-Highlands Regional Sewerage Authority, County of Monmouth, State of New Jersey, taken as a whole. The accompanying supplementary schedules, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

HOLMAN & FRENIA, P.C.

**HOLMAN & FRENIA, P.C.**  
*Certified Public Accountants*

April 12, 2010  
Toms River, New Jersey



Certified Public Accountants & Consultants

**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**

To the Board of Commissioners  
Atlantic Highlands-Highlands Regional Sewerage Authority

We have audited the financial statements of the business-type activities of Atlantic Highlands-Highlands Regional Sewerage Authority, in the county of Monmouth, State of New Jersey, as of and for the year ended December 31, 2009, which collectively comprise the Atlantic Highlands-Highlands Regional Sewerage Authority's basic financial statements and have issued our report thereon dated April 12, 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 Atlantic Highlands-Highlands Regional Sewerage 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 Atlantic Highlands-Highlands Regional Sewerage Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Atlantic Highlands-Highlands Regional Sewerage Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a significant deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Atlantic Highlands-Highlands Regional Sewerage 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*.

We noted certain matters that we reported to management of Atlantic Highlands-Highlands Regional Sewerage Authority in a separate letter dated April 12, 2010.

This report is intended solely for the information and use of management, others within the Authority, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**HOLMAN & FRENIA, P.C.**  
*Certified Public Accountants*

April 12, 2010  
Toms River, New Jersey

*Atlantic Highlands – Highlands*  
*Regional Sewerage Authority*  
PO Box 72 Atlantic Highlands, New Jersey 07716

April 12, 2010

David G. Palamara  
Administrator  
732-977-2100

Authority Commissioners,  
Atlantic Highlands – Highlands  
Regional Sewerage Authority

The Management’s Discussion and Analysis (MD&A) provides an overview and analysis of the Atlantic Highlands-Highlands Regional Sewerage Authority’s (the Authority) financial activities for the fiscal year ended December 31, 2009 and as compared with the previous year. It should be read in conjunction with the accompanying financial statements.

**Overall**

The Authority is a governmental utility that performs an important health and sanitary service for the residents of the Boroughs of Atlantic Highlands and Highlands. A disruption or failure of this service would have an immediate and catastrophic effect on their quality of life.

Since commencing operation in 1986, the Authority has operated around the clock, 365 days a year without interruption. With dedicated Authority Members and staff, capital replacement and upgrade programs and on-going comprehensive operations and maintenance programs, the Authority has sustained and even increased its system’s operating performance, reliability and safety. And while the topography of its service area requires additional work and costs than other systems, rate increases over the last decade have been lower than those of surrounding municipalities and utilities.

**Organizational and Financial Overview**

The Authority receives sewage from Borough owned and operated collection systems in Atlantic Highlands and Highlands at Authority owned pump stations operating in each Borough. The combined sewage flow is then pumped from the Atlantic Highlands Pump Station to the Township of Middletown Sewerage Authority (TOMSA) for treatment and disposal. Under the 1982 and 1983 agreements between the Authority and TOMSA, the Authority is billed for these services and passes on this cost plus its own operational expenses to the Boroughs as User Fees. These fees are apportioned annually based upon the actual flow from each Borough. Charges to sanitary users are set by each Borough and include the Borough’s costs to operate and maintain their collection systems.

Authority equipment and systems are constantly maintained to insure our ability to provide reliable service. However, after twenty-four years of continuous operation, much of the Authority’s equipment has served well beyond its designed useful life. Obsolescence limits repairability, and reliability and operating efficiency can no longer be achieved on some equipment as in the past.

In addition, during 2009 there were serious failures in the ductile iron Force Main from Highlands to Atlantic Highlands caused by external corrosion of the pipe. This resulted in several leaks and discharge of sewage from our system, and while emergency repairs were made to stop the leaks, the pipe's structural integrity was found to be severely compromised. Initial investigation indicates that the soil conditions native to this area are the prime cause of this corrosion. There are additional serious problems with the Force Main in some areas caused by internal wear from chemical sulfides. A complete investigation is underway to determine the extent of the damage from both causes. The correction costs are unknown but expected to be very significant.

Plans for 2010 include addressing problems with the force main from Highlands and several other major projects. They include installing a new Supervisory Control and Data Acquisition (SCADA) control system which monitors and controls all important pump station systems for the Atlantic Highlands Pump Station, similar to a system that was completed for the Highlands Pump Station in 2008, new higher efficiency pumps for the Atlantic Highlands Pump Station, and repairs to the wet well, basins and other parts of the Highlands Pump Station.

Long-term funding has been approved these projects through the Authority's Capital Improvement Budget as well as through very low interest loans through the NJ Environmental Infrastructure Trust. Details of these needs and projects are included in the Authority's 2008 Annual Inspection Report and the NJEIT Application for funding.

High levels of groundwater and storm water inflow and infiltration (I&I) enter into Borough owned collection systems significantly increase the Authority's operating costs. The Authority has worked with and supported the Boroughs to address these problems. Both Boroughs have plans to address problems in sub-basins with the highest I&I flows and understand that continued action on their respective collection systems are required.

Total User Fees billed to the Boroughs were continuously held stable or lowered for the twelve years ending 12/31/2007. This was achieved in large part from improved staff and equipment efficiency, which enabled the Authority to offset many of its uncontrollable costs, such as TOMSA sewage disposal costs and electrical utility rates. Interest income from investments as well as non-user revenues also contributed to stable user fees.

The Authority Since 2001, the Authority has provided over \$1.4 million dollars to the Boroughs for I&I Reduction Grants and User Fee Rate Stabilization. By utilizing proceeds from the sale of excess Authority property plus Authority investments, the Authority has funded these costs from its limited reserves rather than increase User Fees. With these reserves fully expended or otherwise committed, in 2009 an increase of 4.9% was necessary and in 2010 an increase of 3.8% was necessary. In the future, higher User Fees may be required due to changes in federal and state environmental regulations, continuing increases in utility and sewerage disposal costs, system repairs, and increased flows resulting from residential and commercial expansion and I&I.

One significant note pertains to the Authority's largest operating expense, sewage treatment fees charged by TOMSA. The Authority has disputed charges billed by TOMSA and some of

these amounts have been placed in an escrow account awaiting resolution of the disputes. As required in our contract with TOMSA, all disputes must be resolved through the American Arbitration Association (AAA) and a complaint has been filed with AAA. TOMSA's claims include amounts previously unbilled as well as additional amounts still unbilled and an adverse decision in this case could cause extremely significant increases for users.

This arbitration has had a major impact on our financials. Over \$400,000 of the 2009 TOMSA bills have been disputed; and because these charges are deemed improper they are not budgeted nor included in the billings to the Boroughs. But while these disputed amounts unbudgeted and unpaid, they are required to be included in audit balance sheets. These disputed bills together with associated litigation costs account for almost all of the Authority's over-budget condition.

In addition to the disputed billings, TOMSA claims that it is entitled to over \$4,750,000 in unbilled amounts. While the existing TOMSA agreement indicates an ending term of 2013, environmental and other law require its continuance until renegotiated or other treatment arrangements are in place, so the potential financial impact of these disputes are very significant in both amount and length.

### **Financial Statements**

The financial statements included on this report are the Statements of Net Assets, Statements of Revenues, Expenses, and Changes in Net Assets, and Statements of Cash Flows as of and for the years ended December 31, 2009 and 2008.

The Statements of Net Assets shows the financial position of the Authority at December 31st of each year. Assets are compared with liabilities and net assets are the result.

The Statements of Revenues, Expenses, and Changes in Net Assets measure performance for each year and how this performance impacts net assets.

Finally, the Statements of Cash Flows demonstrates why cash balances increased or decreased during the two years.

### **Financial Analysis**

The Authority, at December 31, 2009, has total assets of \$7,759,775 compared to \$7,991,119 on December 31, 2008. The decrease can primarily be attributed to a decrease in investments and the increase of accumulated depreciation due to current year's depreciation expense.

Authority total liabilities of \$8,887,071 on December 31, 2009 increased over the previous year. This increase can be attributed to the inclusion of the disputed and unpaid TOMSA billings, which are the subject of the noted litigation, as Accrued TOMSA expenses.

In Summary, net assets decreased \$1,072,726 for the year ended December 31, 2009. The Authority's Statements of Revenues, Expenses, and Changes in Net Assets accounts for this decrease in net assets.

### Condensed Financial Information

Key Authority Financial Information for the years 2009 and 2008 include the following balances:

	<u>2009</u>	<u>2008</u>
ASSETS		
Unrestricted current assets	\$ 96,219	\$ 57,004
Restricted current assets	1,023,781	1,115,010
Property, plant and equipment, net	5,683,861	5,828,683
Unamortized debt issue costs	82,112	95,797
Investments	<u>873,802</u>	<u>894,625</u>
Total assets	<u>\$ 7,759,775</u>	<u>\$ 7,991,119</u>
LIABILITIES AND NET ASSETS		
Unrestricted current liabilities	\$ 188,220	\$ 104,707
Restricted current liabilities	1,882,198	977,287
Long-term liabilities	6,816,653	6,963,695
Net assets	<u>(1,127,296)</u>	<u>(54,570)</u>
Total liabilities and net assets	<u>\$ 7,759,775</u>	<u>\$ 7,991,119</u>

#### Other Financial Information:

Total revenues	\$ 1,949,647	\$ 1,927,833
Expenses	(3,022,373)	(2,723,893)
Prior Year Adjustment	<u>-0-</u>	<u>(21,800)</u>
Net (loss)	\$ (1,072,726)	\$ (817,860)
Bonds paid down	\$ 165,000	\$ 160,000

The Authority's financial report is designed to provide users of the financial statements with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. The financial statements of the Authority are a matter of public record and may be examined at 100 First Avenue, Atlantic Highlands, New Jersey by appointment.

Respectfully Submitted,



David G. Palamara  
Administrator

**ATLANTIC HIGHLANDS-HIGHLANDS REGIONAL SEWERAGE AUTHORITY****Statements of Net Assets  
December 31, 2009 and 2008**

<b>ASSETS</b>	<b>2009</b>	<b>2008</b>
Current unrestricted assets:		
Cash	\$ 90,191	\$ 52,897
Prepaid expenses	6,028	4,107
Total current unrestricted assets	<u>96,219</u>	<u>57,004</u>
Current restricted assets:		
Investments:		
Debt service	442,463	398,059
Debt reserve	556,318	691,951
Renewal and replacement	25,000	25,000
NAL A/C - grant program	-	140,000
NAL A/C - operating reserve	1	16,669
Investments - project notes	116,229	-
TOMSA dispute escrow	757,572	737,956
Total current restricted assets	<u>1,897,583</u>	<u>2,009,635</u>
Property, plant and equipment:		
Sewer system	15,864,313	15,495,939
Land	341,667	341,667
Equipment	90,730	90,730
Building improvements	65,301	62,572
Construction in progress	78,513	48,554
Less: accumulated depreciation	<u>(10,756,663)</u>	<u>(10,210,779)</u>
Total property, plant & equipment	<u>5,683,861</u>	<u>5,828,683</u>
Other assets:		
Unamortized debt issue costs	<u>82,112</u>	<u>95,797</u>
Total assets	<u>7,759,775</u>	<u>7,991,119</u>

See independent auditors' report and accompanying notes to financial statements.

**ATLANTIC HIGHLANDS-HIGHLANDS REGIONAL SEWERAGE AUTHORITY**

**Statements of Net Assets (continued)**

**December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>LIABILITIES</b>		
Current unrestricted liabilities:		
Accounts payable	155,795	75,873
Accrued expenses	32,425	28,834
	<u>188,220</u>	<u>104,707</u>
Current restricted liabilities:		
Bonds payable - current	170,000	165,000
Loans payable	2,400	2,400
Accrued interest	179,918	183,053
Accrued TOMSA expenses	979,880	626,834
Notes payable	550,000	-
	<u>1,882,198</u>	<u>977,287</u>
Long-term liabilities:		
Bonds payable	6,945,000	7,115,000
Less: unamortized loss on early extinguishment of debt	(128,347)	(151,305)
	<u>6,816,653</u>	<u>6,963,695</u>
Total long-term liabilities	<u>6,816,653</u>	<u>6,963,695</u>
Total liabilities	<u>8,887,071</u>	<u>8,045,689</u>
<b>NET ASSETS</b>		
Investments in capital assets, net of related debt	(1,220,680)	(1,204,215)
Restricted future debt service	998,781	1,090,010
Unrestricted	<u>(905,397)</u>	<u>59,635</u>
Total net assets	<u>\$ (1,127,296)</u>	<u>\$ (54,570)</u>

See independent auditors' report and accompanying notes to financial statements.

**ATLANTIC HIGHLANDS-HIGHLANDS REGIONAL SEWERAGE AUTHORITY**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**For the years ended December 31, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
Operating revenues:		
User fees	\$ 1,894,879	\$ 1,801,525
Connection fees	3,231	15,565
Miscellaneous	12,695	10,319
Total operating revenues	1,910,805	1,827,409
Operating expenses:		
Cost of providing service	1,728,731	1,442,263
Administrative and general	351,266	218,053
Depreciation	545,884	542,627
Total operating expenses	2,625,881	2,202,943
Operating loss	(715,076)	(375,534)
Non-operating revenues/(expenses):		
Interest expense	(359,848)	(366,106)
Investment income	38,842	100,424
Amortization of debt issuance cost	(36,644)	(36,644)
Inflow & infiltration reduction grant	-	(140,000)
Total non-operating revenues/(expenses)	(357,650)	(442,326)
Change in net assets	(1,072,726)	(817,860)
Net assets, January 1 (unadjusted)	(54,570)	785,090
Prior period adjustment	-	(21,800)
Net assets, January 1 (adjusted)	(54,570)	763,290
Net assets, December 31	\$ (1,127,296)	\$ (54,570)

See independent auditors' report and accompanying notes to financial statements.

**ATLANTIC HIGHLANDS-HIGHLANDS REGIONAL SEWERAGE AUTHORITY**

**Statements of Cash Flows**

**For the years ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Cash flows from operating activities:</b>		
Cash received from service users and others	\$ 1,910,805	\$ 1,827,409
Cash paid to suppliers and employees	<u>(1,648,494)</u>	<u>(1,331,126)</u>
Net cash flows from operating activities	<u>262,311</u>	<u>496,283</u>
<b>Cash flows from investing activities:</b>		
Investment income received	38,842	100,424
Purchases of fixed assets	(401,063)	(176,298)
Maturity/sale of investments	(1,171,320)	(449,438)
Purchase of investments	<u>1,283,372</u>	<u>550,779</u>
Net cash flows from investing activities	<u>(250,169)</u>	<u>25,467</u>
<b>Cash flows from financing activities:</b>		
Interest expense	(359,848)	(366,106)
Principal payments on bonds	(165,000)	(160,000)
Proceeds from sale of notes	<u>550,000</u>	<u>-</u>
Net cash flows from financing activities	<u>25,152</u>	<u>(526,106)</u>
Net change in cash	37,294	(4,356)
Cash, beginning of year	<u>52,897</u>	<u>57,253</u>
Cash, end of year	<u><u>\$ 90,191</u></u>	<u><u>\$ 52,897</u></u>

See independent auditors' report and accompanying notes to financial statements.

**ATLANTIC HIGHLANDS-HIGHLANDS REGIONAL SEWERAGE AUTHORITY**

**Statements of Cash Flows (continued)**

**For the years ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Reconciliation of operating loss to net cash flows from operating activities:</b>		
Operating loss	\$ (715,076)	\$ (375,534)
Items which did not use cash:		
Depreciation	545,884	542,627
Working capital changes which provided/(used) cash:		
Prepaid expenses	(1,921)	1,730
Accounts payable	79,922	15,597
Accrued expenses	3,591	21,657
Accrued interest	(3,135)	(2,921)
Accrued TOMSA expenses	<u>353,046</u>	<u>293,127</u>
Net cash provided by operating activities	<u>\$ 262,311</u>	<u>\$ 496,283</u>

See independent auditors' report and accompanying notes to financial statements.

**ATLANTIC HIGHLANDS-HIGHLANDS REGIONAL SEWERAGE AUTHORITY**  
**Notes to Financial Statements**  
**For the years ended December 31, 2009 and 2008**

**NOTE 1: GENERAL**

Atlantic Highlands-Highlands Regional Sewerage Authority is a public body organized and existing under the Sewerage Authority law constituting Chapter 138 of the Pamphlet Laws of 1946 of the State of New Jersey, approved April 23, 1946, and was created by virtue of an ordinance.

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

The Authority was created to construct facilities to intercept the sewerage flow from the local sewerage collection systems owned and operated by the Boroughs of Atlantic Highlands and Highlands, and to transport such sewerage flow to the Township of Middletown Sewerage Authority (TOMSA) treatment plant for treatment and ultimate disposal through the outfall facilities of the Monmouth County Bayshore Outfall Authority (MCBOA).

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principals as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999 the GASB issued Statement 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement established new financial reporting requirements for state and local governmental entities throughout the United States. They require new information and restructure much of the information that governments have presented in the past. The Authority has implemented these standards. With the implementation of GASB Statement 34, the Authority has prepared required supplementary information titled *Management’s Discussion and Analysis*, which precedes the basic financial statements. In addition, certain other GASB statements are required to be implemented in conjunction with GASB Statement 34 which the Authority has done accordingly.

**A. Basis of Presentation**

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.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business.

**B. Cash and Investments**

The Authority’s investments in securities are for the Bond Reserve Fund, Bond Service Fund, Renewal and Replacement Fund and the General Fund. Investments are presented at fair market value with accrued interest receivable shown under a different heading.

All securities are insured or registered and held by the Authority or by the Authority’s agent in the Authority’s name. There are no material differences between the market values and carrying amounts of the investments.

**ATLANTIC HIGHLANDS-HIGHLANDS REGIONAL SEWERAGE AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2009 and 2008**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Property, Plant and Equipment**

Costs of the sewer system incurred to date consist of facilities constructed or acquired, cost of acquisition of land, easements and rights-of-way, costs incidental to such construction or acquisitions, including engineering and inspection fees, costs of equipment, administrative and legal expenses, facilities contributed to the Authority by subdividers, the excess of value over cost of acquired facilities as determined by the Authority's consulting engineer, and interest on bonds incurred during the period of construction (less income earned on unexpended construction funds).

Depreciation is calculated utilizing the straight-line method for financial reporting purposes. Depreciation is provided over the following estimated useful lives:

Sewer system	30-40 years
Machinery and equipment	3-7 years

**D. Restricted Accounts**

Debt Service Account

Contributions are made monthly to this account so that funds are available when debt service payments are due.

Debt Reserve Account

This account was established from proceeds of the 2001 bond resolution. The amount on deposit shall represent the highest debt service payment in any given year over the life of the bond repayment.

Renewal and Replacement Account

Deposits shall be made to this account from current revenue based on the Consulting Engineer's certificate stating the requirements for the coming year for improvements, construction, reconstruction, major repairs, renewals and replacements.

**E. Unrestricted Accounts**

Revenue and Operating Accounts

The Administrator maintains Revenue and Operating Accounts for the collection of current revenues and payment of operating costs after approval by the Authority and Trustees. Also included is the unrestricted portion of the debt reserve account.

NAL Accounts

Authority Commissioners, by resolution, have restricted cash for rate stabilization, capital, grant programs, operating reserves and TOMSA dispute escrow.

**F. Use of Estimates**

The process of preparing financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from those estimates.

**ATLANTIC HIGHLANDS-HIGHLANDS REGIONAL SEWERAGE AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2009 and 2008**

**NOTE 3: DEPOSITS, CASH EQUIVALENTS, AND INVESTMENTS**

This Authority is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2009, and reported at fair value, are as follows:

Type	Rating	Maturities	Carrying Value
<b>Deposits:</b>			
Demand deposits			\$ 1,230,201
<b>Investments:</b>			
US government investments and mortgage securities	N/A	Various	<u>757,573</u>
<b>Total deposits and investments</b>			<u>\$ 1,987,774</u>

**Reconciliation of Statement of Net Assets**

Current:	
Cash	\$ 90,191
Restricted:	
Cash	<u>1,897,582</u>
	<u>\$ 1,987,774</u>

**A. Custodial Credit Risk**

Deposits in financial institutions, reported as components of cash and investments had a bank balance of \$2,062,532 at December 31, 2009. Of the bank balance, \$500,000 was fully insured by depository insurance and \$1,562,532 was secured by a collateral pool held by the bank.

**B. Investment Interest Rate Risk**

The Authority follows the requirements set forth by the State of New Jersey limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**C. Investment Credit Risk**

The Authority limits its investment choices according to the securities established by State statute.

**D. Concentration of Investment Credit Risk**

The Authority places no limit on the amount it may invest in any one issuer. The Authority is secured by a collateral pool held by the banks. At December 31, 2009, all of the Authority's investments are with TD Bank and Wachovia Securities.

**ATLANTIC HIGHLANDS-HIGHLANDS REGIONAL SEWERAGE AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2009 and 2008**

**NOTE 4: GOVERNMENTAL UNIT DEPOSIT PROTECTION ACT (GUDPA)**

The Commission has deposited cash in 2009 with an approved public fund depository qualified under the provisions of the Governmental Unit Deposit Protection Act. In addition to savings and checking accounts, the Board invests monies in certificates of deposits.

The Governmental Unit Deposit Protection Act P.L. 1970, Chapter 236 was passed to afford protection against bankruptcy or default by a depository. C.17:9-42 provides that no governmental unit shall deposit funds in a public depository unless such funds are secured in accordance with this act. C.17:9-42 provides that every public depository having public funds on deposit shall, as security for such deposits, maintain eligible collateral having a market value at least equal to either (1) 5% of the average daily balance of collected public funds on deposit during the six month period ending on the next preceding valuation date (June 30 or December 31) or (2) at the election of the depository, at least equal to 5% of the average balance of collected public funds on deposit on the first, eighth, fifteenth, and twenty-second days of each month in the six month period ending on the next preceding valuation date (June 30 or December 31). No public depository shall be required to maintain any eligible collateral pursuant to this act as security for any deposit or deposits of any governmental unit to the extent such deposits are insured by the FDIC or any other U.S. agency which insures public depository funds.

No public depository shall at any time receive and hold on deposit for any period in excess of 15 days public funds of a governmental unit(s) which, in aggregate, exceed 75% of the capital funds of the depository, unless such depository shall, in addition to the security required to be maintained under the paragraph above, secure such excess by eligible collateral with a market value at least equal to 100% of such excess.

In the event of a default, the Commissioner of Banking within 20 days after default occurrence shall ascertain the amount of public funds on deposit in the defaulting depository and the amounts covered by federal deposit insurance and certify the amounts to each affected governmental unit. Within 10 days after receipt of this certification, each unit shall furnish to the Commissioner verified statements of its public deposits. The Commissioner shall ascertain the amount derived or to be derived from the liquidation of the collateral maintained by the defaulting depository and shall distribute such proceeds pro rata among the governmental units to satisfy the net deposit liabilities to such units.

If the proceeds of the sale of the collateral are insufficient to pay in full the liability to all affected governmental units, the Commissioner shall assess the deficiency against all other public depositories having public funds on deposit determined by a formula determined by law. All sums collected by the Commissioner shall be paid to the governmental units having deposits in the defaulting depository in the proportion that the net deposit liability to each governmental unit bears to the aggregate of the net deposit liabilities to all such governmental units.

All public depositories are required to furnish information and reports dealing with public funds on deposit every six months (June 30 and December 31) with the Commissioner of Banking. Any public depository which refuses or neglects to give any such information so requested may be excluded from the right to receive public funds for deposit until such time as the Commissioner shall acknowledge that such depository has furnished the information requested.

Upon review and approval of the Certification Statement that the public depository complies with statutory requirements, the Commissioner issues forms approving the bank as a municipal depository. The municipality should request copies of these approval forms semiannually to assure that all depositories are complying with requirements.

**ATLANTIC HIGHLANDS-HIGHLANDS REGIONAL SEWERAGE AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2009 and 2008**

**NOTE 5: DEBT ISSUE COSTS AND LOSS ON EARLY EXTINGUISHMENT OF DEBT**

Issuance costs related to the 2001 Bond issue and the loss on the 2001 extinguishment of debt are being amortized over the life of the refunded bonds, 15 years, on a straight line basis.

**NOTE 6: BONDS PAYABLE**

In accordance with GASB Statement 23, "Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities", gains or losses arising from debt refunding are to be deferred and amortized over the lesser of the original remaining life of the old debt or the life of the new debt. It also requires that gains or losses related to debt refunding be used to determine the carrying value of the new debt that was issued to finance the refunding.

Bonds payable at December 31, 2009 and 2008 consisted of the following:

	<u>2009</u>	<u>2008</u>
Series 2001 Bonds (sewer), interest rates of 2.50% to 5.0%, maturity dates serially beginning January 1, 2003 and ending January 1, 2032. Interest payment dates are January 1, and July 1. Bonds dated before January 1, 2011 are not callable, others are at any time prior to maturity.	\$ 7,115,000	\$ 7,280,000
Less: current portion	<u>(170,000)</u>	<u>(165,000)</u>
Bonds payable, excluding current portion	<u>\$6,945,000</u>	<u>\$ 7,115,000</u>

Revenues and a certain portion of the funds, as set forth in the Bond Resolution, are pledged to secure the principal or redemption price and interest on the outstanding bonds.

Revenue bonds outstanding as of December 31, 2009 are listed below:

<u>Series</u>	<u>Issued</u>	<u>Date Due</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	10/19/2001					
		1/1/10	3.900	\$ 170,000	\$ 356,521	\$ 526,521
		1/1/11	4.000	180,000	349,606	529,606
		1/1/12	4.125	185,000	342,191	527,191
		1/1/13	5.500	195,000	333,013	528,013
		1/1/14	5.500	205,000	322,013	527,013
		1/1/15-1/1/19	5.500	1,195,000	1,424,441	2,619,441
		1/1/20-1/1/24	5.500-5.000	1,555,000	1,060,575	2,615,575
		1/1/25-1/1/29	5.000	1,985,000	658,625	2,643,625
		1/1/30-1/1/32	5.000	1,445,000	110,619	1,555,619
				<u>\$ 7,115,000</u>	<u>\$ 4,957,604</u>	<u>\$ 12,072,604</u>

**ATLANTIC HIGHLANDS-HIGHLANDS REGIONAL SEWERAGE AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2009 and 2008**

**NOTE 6: BONDS PAYABLE (continued)**

Sewer Revenue Bonds, Series 2001, are subject to mandatory retirement prior to maturity on January 1 of the following years from sinking fund installments that are required to be made in amounts sufficient to redeem the principal amounts of such bonds shown below:

<u>Year</u>	<u>Amount</u>
2015	\$ 215,000
2016	225,000
2017	240,000
2018	250,000
2019	265,000
2020	280,000
2021	295,000
2022	310,000
2023	325,000
2024	345,000
2025	360,000
2026	380,000
2027	395,000
2028	415,000
2029	435,000
2030	460,000
2031	480,000
2032	<u>505,000</u>
	<u>\$6,180,000</u>

**NOTE 7: BOND INSURANCE**

The Authority has an insurance policy with the Financial Guaranty Insurance Company, which guarantees the payment of principal and interest on the outstanding bonds. The policy is non-cancelable and went into effect at the time of the bond closing.

**NOTE 8: NOTES PAYABLE**

Notes payable at December 31, 2009 and 2008 consisted of the following:

	<u>2009</u>	<u>2008</u>
Project Notes, interest rates of 2.15%, principal and interest maturing on September 15, 2010.	\$ 550,000	\$ -0-

**ATLANTIC HIGHLANDS-HIGHLANDS REGIONAL SEWERAGE AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2009 and 2008**

**NOTE 9: INVESTMENT INCOME**

As of December 31, 2009 and 2008, the Authority had investment income consisting of the following:

	<u>2009</u>	<u>2008</u>
Interest income	\$ 43,366	\$ 78,254
Add: realized gain(loss)	<u>(4,524)</u>	<u>22,170</u>
Interest income, net	<u>\$ 38,842</u>	<u>\$ 100,424</u>

**NOTE 10: PENSIONS**

**A. Plan Description**

The Authority contributes to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees' Retirement System (PERS) of New Jersey, which is part of the Division of Pensions in the Department of Treasury, State of New Jersey. It provides retirement, disability, annual cost-of-living and death benefits to plan members and beneficiaries. The State administered funds were established by an Act of the State Legislature which assigns the authority to establish and amend benefit provisions to the plan's Board of Trustees. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERS.

**B. Funding Status and Progress**

Plan members are required to contribute 5.5% of their annual covered salary and the Authority is required to contribute at an actuarially determined rate. The contribution requirements of plan members and the Authority are established and may be amended by the plan's Board of Trustees. The Authority contributed \$13,550 and \$8,257 to PERS for the years ended December 31, 2009 and 2008, respectively.

**NOTE 11: POST-RETIREMENT BENEFITS**

**A. Plan Description**

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for participating entities, including the Authority. The Plans are cost-sharing, multiple employer-defined benefit plans.

**ATLANTIC HIGHLANDS-HIGHLANDS REGIONAL SEWERAGE AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2009 and 2008**

**NOTE 10: POST-RETIREMENT BENEFITS (continued)**

**A. Plan Description (continued)**

As a result of implementing GASB Statement No. 43, Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans (“OPEB”), effective for fiscal year 2007, the State Health Benefits Program (“SHBP”) and the Prescription Drug Program (“PDP”) and Post-Retirement Medical (“PRM”) of the PERS and TPAF are combined and reported as Pension and Other Employee Benefit Trust funds in the State’s Comprehensive Annual Financial Report (“CAFR”). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Fund (Health Benefits Program Fund-State). The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as a separate Fund (Health Benefits Program Fund-Local) in the State’s CAFR. The health benefits programs had a total of 454 state and local participating employers and contributing entities for fiscal year 2008.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits issues publicly-available financial reports that include the financial statements and required supplementary information of the above trusts. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

**B. Funding Policy**

P.L. 1987, c.384 and P.L. 1990, c.6 required the PERS to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2007, there were 75,860 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the State and participating local governments in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

P.L. 1977, c.136 provides for the State and participating local governments to pay health benefits on a pay-as-you-go basis for all enrolled retired employees, regardless of retirement date, under 2 provisions. The first is for employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired employees who are eligible for a disability retirement regardless of years of service. The State and participating local governments contributed \$64.6 million for 6,304 eligible retired members for fiscal year 2007.

PERS retirees are excluded from the provisions set forth in P.L. 1977, c.136 since their health benefits coverage is funded through each of their respective pension fund systems via an annual appropriation. The State and participating local governments made PRM contributions of \$224.3 million for PERS in fiscal year 2007.

The State will set in fiscal year 2008 the employer contribution rate based on the annual required contribution of the employers (“ARC”), an amount actuarially-determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years. The Authority’s contributions to the State Health Benefits Program Fund for post-retirement benefits for the years ended December 31, 2009, 2008 and 2007 were not available.

**ATLANTIC HIGHLANDS-HIGHLANDS REGIONAL SEWERAGE AUTHORITY**  
**Notes to Financial Statements (continued)**  
**For the years ended December 31, 2009 and 2008**

**NOTE 12: COMMITMENTS**

The Authority executed two forward purchase agreements on November 16, 2001 with Bank of America relative to its debt service reserve fund and debt service fund. The Authority will receive an interest return equal to its arbitrage yield.

**NOTE 13: DEFEASED DEBT**

On October 19, 2001, the Authority issued Series 2001 bonds of \$8,170,000 (par value) with interest rates of 2.50% to 5.0% to advance refund 1993 bonds with interest rates of 2.60% to 5.50% that had \$8,315,000 still outstanding. The Series 2001 bonds were issued at par, and after paying issuance costs of \$95,446, the net proceeds were \$8,074,554. \$7,962,465 of the net proceeds, along with \$417,145 of the 1993 Bond Service Fund and \$280,671 of the 1993 Bond Reserve Fund were paid to First Union National Bank as escrow agent to provide for the payment of all of the outstanding Series 1993 bonds on January 1, 2002 at a redemption price of 102% of the principal amount plus accrued interest, if any. Of the remaining proceeds, \$19,704 was invested in U.S. Treasury obligations, and is used to pay interest on the Series 2001 bonds, and \$92,385 was deposited in the Authority's Construction Fund to pay other bond issuance costs. For financial reporting purposes, the 1993 Bonds are considered defeased and, therefore, removed as a liability from the Authority's general-purpose financial statements.

**NOTE 14: AMORTIZATION EXPENSE**

Amortization expense for the years ended December 31, 2009 and 2008 of \$36,644 includes \$13,685 for the amortization of debt issuance cost, and \$22,959 for the amortization of loss on extinguishments of debt.

**NOTE 15: ARBITRATION WITH TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY**

The Authority has entered into arbitration with American Arbitration Association concerning costs charged for sewerage treatment costs to the Authority by Township of Middletown Sewerage Authority ("TOMSA"). To date, all disputed liabilities charged to the Authority have been accrued and expensed. The Authority has escrowed some amounts that have been withheld from payments to TOMSA. Certain TOMSA invoices have not been paid due to insufficient support from TOMSA. The balance of the escrowed payments at December 31, 2009 was \$757,572. This escrow does not represent the amount of disputed charges at December 31, 2009. The outcome of the arbitration cannot be determined at this time.

TOMSA bills the Authority based on estimated flows and provides an adjustment based on actual flows at the end of each year. This reconciliation was not available as of the date of the report. The Authority will record this adjustment in 2010, as necessary.

**NOTE 16: PRIOR PERIOD ADJUSTMENT**

In 2008, it was determined that the Authority's accrued vacation and sick time was understated by \$21,800. In 2008, the Authority corrected this with a reduction to the prior year net assets of \$21,800.

**ATLANTIC HIGHLANDS-HIGHLANDS REGIONAL SEWERAGE AUTHORITY**  
**Schedule of Operating Revenues and Costs Funded by**  
**Operating Revenues Compared to Budget**  
**For the year ended December 31, 2009**

	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL	VARIANCE
<b>Revenues:</b>				
User fees	\$ 1,894,879	\$ 1,894,879	\$ 1,894,879	\$ -
Connection fees	20,000	20,000	3,231	(16,769)
Investment income	67,000	67,000	38,842	(28,158)
Other operating revenues	8,800	8,800	12,695	3,895
	<u>1,990,679</u>	<u>1,990,679</u>	<u>1,949,647</u>	<u>(41,032)</u>
<b>Expenses:</b>				
Cost of providing service:				
Utilities	133,200	133,200	110,543	22,657
Truck expenses	3,000	3,000	1,068	1,932
Salaries and wages	143,462	143,462	171,028	(27,566)
Plant supplies	900	900	27,824	(26,924)
Payroll taxes, fringe and pension	37,577	37,577	38,872	(1,295)
Maintenance and repairs	30,000	30,000	6,167	23,833
Engineering	21,400	21,400	26,301	(4,901)
Disposal fees - TOMSA	893,000	893,000	1,297,447	(404,447)
Chemicals	37,000	37,000	39,271	(2,271)
Insurance	12,500	12,500	10,210	2,290
Other expenses	1,850	1,850	-	1,850
	<u>1,313,889</u>	<u>1,313,889</u>	<u>1,728,731</u>	<u>(414,842)</u>
Administrative and general expenses:				
Telephone, alarms and paging	-	-	6,783	(6,783)
Salaries and wages	65,950	65,950	82,600	(16,650)
Fringe benefits	9,919	9,919	20,485	(10,566)
Office expenses	1,500	1,500	5,948	(4,448)
Qualified purchasing agent	2,500	2,500	2,857	(357)
Legal	9,550	9,550	211,093	(201,543)
Fiscal agent	3,500	3,500	4,045	(545)
Audit and accounting	55,900	55,900	17,455	38,445
	<u>148,819</u>	<u>148,819</u>	<u>351,266</u>	<u>(202,447)</u>
Debt service & capital outlay:				
Debt service	165,000	165,000	165,000	-
Interest expense	362,971	362,971	362,971	-
	<u>527,971</u>	<u>527,971</u>	<u>527,971</u>	<u>-</u>
Total costs funded by operating revenues	<u>1,990,679</u>	<u>1,990,679</u>	<u>2,607,968</u>	<u>(617,289)</u>
Surplus (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (658,321)</u>	<u>\$ (658,321)</u>

See independent auditors' report.

**ATLANTIC HIGHLANDS-HIGHLANDS REGIONAL SEWERAGE AUTHORITY**  
**Schedule of Operating Revenues and Costs Funded by**  
**Operating Revenues Compared to Budget**  
**For the year ended December 31, 2008**

	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL	VARIANCE
<b>Revenues:</b>				
User fees	\$ 1,801,525	\$ 1,801,525	\$ 1,801,525	\$ -
Investment income	70,000	70,000	100,424	30,424
Other operating revenues	28,475	28,475	25,884	(2,591)
	<u>1,900,000</u>	<u>1,900,000</u>	<u>1,927,833</u>	<u>27,833</u>
<b>Expenses:</b>				
Cost of providing service:				
Utilities	107,100	122,100	102,586	19,514
Truck expenses	1,750	6,750	2,255	4,495
Salaries and wages	135,000	185,000	160,660	24,340
Plant supplies	1,500	16,500	7,515	8,985
Payroll taxes, fringe and pension	30,800	45,800	41,097	4,703
Maintenance and repairs	40,000	50,000	12,997	37,003
Engineering	25,000	50,000	28,476	21,524
Disposal fees - TOMSA	868,360	1,058,360	1,040,060	18,300
Chemicals	28,000	48,000	34,942	13,058
Insurance	12,000	17,000	11,675	5,325
Other expenses	5,450	5,450	-	5,450
	<u>1,254,960</u>	<u>1,604,960</u>	<u>1,442,263</u>	<u>162,697</u>
Administrative and general expenses:				
Telephone, alarms and paging	4,700	7,700	5,245	2,455
Salaries and wages	77,004	82,004	84,735	(2,731)
Fringe benefits	8,850	13,850	7,252	6,598
Office expenses	2,800	6,800	2,018	4,782
Qualified purchasing agent	2,500	6,500	2,996	3,504
Legal	13,263	68,263	57,766	10,497
Fiscal agent	3,500	7,500	2,962	4,538
Audit and accounting	22,423	67,423	55,079	12,344
	<u>135,040</u>	<u>260,040</u>	<u>218,053</u>	<u>41,987</u>
<b>Debt Service &amp; Capital Outlay:</b>				
Debt service	160,000	160,000	160,000	-
Interest expense	350,000	350,000	369,026	(19,026)
	<u>510,000</u>	<u>510,000</u>	<u>529,026</u>	<u>(19,026)</u>
<b>Total costs funded by operating revenues</b>	<u>1,900,000</u>	<u>2,375,000</u>	<u>2,189,342</u>	<u>185,658</u>
<b>Surplus (deficiency)</b>	<u>\$ -</u>	<u>\$ (475,000)</u>	<u>\$ (261,509)</u>	<u>\$ 213,491</u>

See independent auditors' report.

**ATLANTIC HIGHLANDS-HIGHLANDS REGIONAL SEWERAGE AUTHORITY**  
**Schedule of Debt Service Requirements by Years**  
**December 31, 2009**

Period Ending	Sewer Revenue Refunding Bonds, Series 2001		
	Principal	Interest	Total
1/1/2010	\$ 170,000	\$ 179,918	
7/1/2010		176,603	526,521
1/1/2011	180,000	176,603	
7/1/2011		173,003	529,606
1/1/2012	185,000	173,003	
7/1/2012		169,188	527,191
1/1/2013	195,000	169,188	
7/1/2013		163,825	528,013
1/1/2014	205,000	163,825	
7/1/2014		158,188	527,013
1/1/2015	215,000	158,188	
7/1/2015		152,275	525,463
1/1/2016	225,000	152,275	
7/1/2016		146,088	523,363
1/1/2017	240,000	146,088	
7/1/2017		139,488	525,576
1/1/2018	250,000	139,488	
7/1/2018		132,613	522,101
1/1/2019	265,000	132,613	
7/1/2019		125,325	522,938
1/1/2020	280,000	125,325	
7/1/2020		117,625	522,950
1/1/2021	295,000	117,625	
7/1/2021		110,250	522,875
1/1/2022	310,000	110,250	
7/1/2022		102,500	522,750
1/1/2023	325,000	102,500	
7/1/2023		94,375	521,875
1/1/2024	345,000	94,375	
7/1/2024		85,750	525,125
1/1/2025	360,000	85,750	
7/1/2025		76,750	522,500
1/1/2026	380,000	76,750	
7/1/2026		87,250	544,000
1/1/2027	395,000	87,250	
7/1/2027		57,375	539,625
1/1/2028	415,000	57,375	
7/1/2028		47,000	519,375

See independent auditors' report.

**ATLANTIC HIGHLANDS-HIGHLANDS REGIONAL SEWERAGE AUTHORITY**  
**Schedule of Debt Service Requirements by Years**  
**December 31, 2009**

Period Ending	Sewer Revenue Refunding Bonds, Series 2001		
	Principal	Interest	Total
1/1/2029	435,000	47,000	
7/1/2029		36,125	518,125
1/1/2030	460,000	36,125	
7/1/1930		24,625	520,750
1/1/2031	480,000	24,625	
7/1/2031		12,625	517,250
1/1/2032	505,000	12,619	517,619
	<u>\$ 7,115,000</u>	<u>\$ 4,957,604</u>	<u>\$ 12,072,604</u>

See independent auditors' report.

**ATLANTIC HIGHLANDS-HIGHLANDS REGIONAL SEWERAGE AUTHORITY**  
**Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments-Unrestricted**  
**For the year ended December 31, 2009**

	Revenue Account	Operating Account	Total
Cash and investments January 1, 2009	\$ 3,729	\$ 49,168	\$ 52,897
Cash receipts:			
User fees	1,894,879	-	1,894,879
Interest	39	246	285
Rent	6,136	-	6,136
Connection fees and applications	4,031	-	4,031
Other	4,247	-	4,247
Transfer from other unrestricted accounts	1,912,584	1,865,255	3,777,839
Transfer from restricted accounts	138,513	224,719	363,232
Total cash, investments & receipts	<u>3,964,158</u>	<u>2,139,388</u>	<u>6,103,546</u>
Cash disbursements:			
Operating expenses	-	2,049,204	2,049,204
Transfer to other unrestricted accounts	3,391,787	-	3,391,787
Transfer to restricted accounts	572,364	-	572,364
Total disbursements	<u>3,964,151</u>	<u>2,049,204</u>	<u>6,013,355</u>
Cash and investments December 31, 2009	<u>\$ 7</u>	<u>\$ 90,184</u>	<u>\$ 90,191</u>

See independent auditors' report.

**ATLANTIC HIGHLANDS-HIGHLANDS REGIONAL SEWERAGE AUTHORITY**  
**Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments-Restricted**  
**For the year ended December 31, 2009**

	Debt Service 2001 Issue	Debt Reserve 2001 Issue	Non- Arbitrage Limited	TOMSA Dispute Escrow	Renewal and Replacement	Cash for Project Notes	Total
Cash and investments January 1, 2009	\$ 398,059	\$ 691,951	\$ 156,669	\$ 737,955	\$ 25,000	\$ -	\$ 2,009,634
Cash receipts:							
Interest	11	26,737	2,409	19,749	5	45	48,956
Transfer from other restricted accounts	-	-	-	-	-	550,000	550,000
Transfer from unrestricted accounts	572,364	-	-	-	-	-	572,364
Unrealized gain (loss) on investments	-	-	(5,984)	(132)	-	-	(6,116)
Total cash, investments & receipts	970,434	718,688	153,094	757,572	25,005	550,045	3,174,838
Cash disbursements:							
Bond payments	527,971	-	-	-	-	-	527,971
Transfer to other restricted accounts	-	23,862	153,093	-	-	-	176,955
Transfer to unrestricted accounts	-	138,508	-	-	5	433,816	572,329
Total disbursements	527,971	162,370	153,093	-	5	433,816	1,277,255
Cash and investments December 31, 2009	\$ 442,463	\$ 556,318	\$ 1	\$ 757,572	\$ 25,000	\$ 116,229	\$ 1,897,583

**ATLANTIC HIGHLANDS-HIGHLANDS REGIONAL SEWERAGE AUTHORITY**  
**Board of Commissioners and Management**  
**December 31, 2009**

Michael Rybeck	Chairman
Richard O'Neil	Vice-Chairman
John Bentham	Treasurer
Kenneth Braswell	Secretary
Wilbur Bishof	Assistant Secretary
Michael Duda	Assistant Treasurer
David Palamara	Administrator