

REPORT OF AUDIT
CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
COUNTY OF HUNTERDON
YEAR 2014

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)

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CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
PART I
REPORT ON EXAMINATION OF FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

CLINTON TOWNSHIP SEWERAGE AUTHORITY
 (A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
 ROSTER OF OFFICIALS
 YEAR ENDED DECEMBER 31, 2014

<u>Members</u>	<u>Title</u>
Peter Geiger	Chairman
Michael Mc Cue	Vice Chairman
John Lazarus	Treasurer
Edward Schneider	Secretary
Katrin Glode-Sethna	Member
Steven Krommenhoek	Member

* * * * *

<u>Administration</u>	<u>Title</u>
Meliss Paulus	Administrator
C. Gregory Watts	General Counsel
John Rolak	Engineer

Certified Public Accountant
Public School Accountant
Registered Municipal Accountant

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Independent Auditor's Report

April 24, 2015

To the Honorable Chairman and Members
of the Clinton Township Sewerage Authority
Clinton Township, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Clinton Township Sewerage Authority (a component unit of the Township of Clinton) (the Authority), as of and for the years ended December 31, 2014 and 2013 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Auditor's Responsibility (Cont'd)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Authority, as of December 31, 2014 and December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Changes in Net Position-Restricted, and the Schedule of Operating Revenues and Costs Compared to Budget, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Changes in Net Position-Restricted and the Schedule of Operating Revenues and Costs Compared to Budget, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, The Schedule of Changes in Net Position-Restricted, and the Schedule of Operating Revenues and Costs Compared to Budget, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 24, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.



William M. Colantano, Jr.
Registered Municipal Accountant
No. 68

REQUIRED SUPPLEMENTARY INFORMATION

CLINTON TOWNSHIP SEWERAGE AUTHORITY FINANCIAL REPORT – FOR THE YEAR 2014 (GASB)

INTRODUCTION

The Clinton Township Sewerage Authority, hereafter referred to as “CTSA”, hereby presents its Annual Financial Report developed in compliance with Statement of Governmental Accounting Standard No. 34, entitled “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”, hereafter referred to as “GASB” (Government Accounting Standards Board), and related standards.

MISSION

The mission of the CTSA is to protect the public health and the environment by providing environmentally sound and affordable sewerage treatment and disposal for the residents of Clinton Township.

RESPONSIBILITY AND CONTROLS

The CTSA has prepared and is responsible for the financial statements and related information included in this report. The Management feels that the cost of the system should not exceed its benefits and due diligence has been taken to maintain the cost of running the plant and the system at reasonable rates and with good accounting practices.

The CTSA is made up of six appointed Members.

The CTSA meets on a monthly basis at an open public meeting. Individual members also periodically meet with the Auditor and General Counsel to review and gain input and guidance on the financial practices of the CTSA.

Based on its present and past practices the CTSA is proud to present a stable and responsible financial accounting. Its operations are conducted within a high standard of business ethics.

SUMMARY OF ORGANIZATION

The Sewerage Authorities Law of the State of New Jersey (L1946,c.138 as amended; RS 40:14A01, et seq.) declared it to be in the public interest and to be the policy of the State and its communities to foster and promote by all reasonable means the relief of waters from pollution and to reduce and ultimately abate the menace to the public health caused thereby. The Township of Clinton was granted express authority to create the Clinton Township Sewerage Authority to acquire, construct, maintain, operate or improve works for the collection, treatment and purification or disposal of sewerage.

The six members are appointed by the Governing Body of the Township of Clinton for five year terms.

The CTSA does not operate or maintain the sewer plant; that is the responsibility of the Town of Clinton. Operational and maintenance costs for both the plant and local sewer lines are funded from customers’ fees and charges.

INTRODUCTION (Continued)

AUDIT CONTROL

The audit is conducted by an independent auditor William M. Colantano, Jr., CPA and is included in this report. The audits reflect the sound financial practices the CTSA has maintained since the beginning of its operation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the Clinton Township Sewerage Authority's annual financial report presents our discussion and analysis of the CTSA's financial performance during the fiscal year ending December 31, 2014. Please read it in conjunction with the CTSA's financial statements (Exhibits A), which follow this section.

FINANCIAL HIGHLIGHTS

1. The CTSA's total assets decreased 1.77% over the course of this year's operations.
2. During the year, the CTSA's operating revenues increased by 12.59%.
3. Operating expenses increased by 24.37%.
4. Net position decreased by 1.29%

OVERVIEW OF ANNUAL FINANCIAL REPORT

The financial statements report information about the CTSA 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 position; a statement of revenues, expenses and changes in net position; a statement of cash flows; and notes to the financial statements.

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

The statement of revenues, expenses and changes in net position presents the results of the CTSA's activities over the course of the fiscal year and information as to how the net position changed during the year.

The statement of cash flow 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 disclosures and other information that is essential to a full understanding of material data provided in the statements. Supplementary information comparing the budget to actual revenues and expenses as well as changes in restricted accounts is provided.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)
(Continued)

The system requires constant maintenance and inspection and as the sewer lines age more repair work and replacements are required.

Revenues from new applications and connections will decrease as surplus capacity becomes less available.

FINANCIAL ANALYSIS

The attached comparative condensed financial statements serve as the key financial data and indicators for management, monitoring and planning.

AVAILABILITY OF FINANCIAL REPORT

This reports is prepared in compliance with State mandates and will be made available to residents, taxpayers and any interested person or entity upon request at the CTSA office located at 79 Beaver Avenue Suite 5, Clinton, NJ 08809.

Clinton Township Sewerage Authority

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
CONDENSED FINANCIAL STATEMENTS
FOR THE YEARS ENDING DECEMBER 31, 2014, 2013 AND 2012

Condensed Statement of Net Position

	December 31,		
	2014	2013	2012
Current Assets	\$ 442,134	\$ 518,553	\$ 620,758
Restricted Assets	1,895,062	1,839,895	1,791,431
Capital Assets, Net	9,090,902	9,275,144	9,450,933
Total Assets	<u>\$ 11,428,098</u>	<u>\$ 11,633,592</u>	<u>\$ 11,863,122</u>
Current Liabilities:			
Unrestricted	\$ 317,893	\$ 288,631	\$ 327,226
Restricted	28,653	29,937	30,733
Long Term Liabilities	1,345,479	1,451,380	1,550,577
Total Liabilities	<u>\$ 1,692,025</u>	<u>\$ 1,769,948</u>	<u>\$ 1,908,536</u>
Net Position:			
Invested in Capital Asset	\$ 7,639,522	\$ 7,724,567	\$ 7,808,171
Restricted	1,866,409	1,809,958	1,760,698
Unrestricted	230,142	329,119	385,717
Total Net Position	<u>\$ 9,736,073</u>	<u>\$ 9,863,644</u>	<u>\$ 9,954,586</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position

	December 31,		
	2014	2013	2012
Operating Revenues	\$ 1,140,853	\$ 1,013,242	\$ 1,002,551
Operating Expenses	1,335,382	1,073,753	987,609
Operating Income (Loss)	(194,529)	(60,511)	14,942
Non-Operating Revenues (Expenses)	66,958	(30,431)	1,718,742
Increase (Decrease) in Net Position	(127,571)	(90,942)	1,733,684
Net Position @ Beg of Year	9,863,644	9,954,586	8,220,902
Net Position @ End of Year	<u>\$ 9,736,073</u>	<u>\$ 9,863,644</u>	<u>\$ 9,954,586</u>

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
PART II
FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

FINANCIAL STATEMENTS

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 347,517	\$ 375,453
Accounts Receivable	94,617	86,813
Prepaid Debt Service		6,984
Damage Claim Receivable		49,303
Total Unrestricted Assets	442,134	518,553
Restricted Assets:		
Cash and Cash Equivalents	1,895,062	1,839,895
Total Restricted Assets	1,895,062	1,839,895
Capital Assets:		
Capital Assets not Being Depreciated	434,593	412,820
Capital Assets Being Depreciated	11,507,986	11,501,207
Less: Accumulated Depreciation	(2,851,677)	(2,638,883)
Net Capital Assets	9,090,902	9,275,144
TOTAL ASSETS	\$ 11,428,098	\$ 11,633,592

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2014 AND 2013
(Continued)

	2014	2013
LIABILITIES AND NET POSITION		
Current Liabilities (Payable from Unrestricted Assets):		
Accounts Payable	\$ 204,536	\$ 183,337
Payroll Taxes & Withholdings Payable	1,956	1,998
Accrued Sick Pay	5,500	4,099
Current Portion of Loan Payable	105,901	99,197
	317,893	288,631
Current Liabilities (Payable from Restricted Assets):		
Trust Funds:		
Reserve for Developer's Deposits	28,653	29,937
Total Current Liabilities	346,546	318,568
Long Term Liabilities:		
Long Term Portion of Loan Payable	1,345,479	1,451,380
Total Liabilities	1,692,025	1,769,948
Net Position:		
Net Investment in Capital Assets	7,639,522	7,724,567
Restricted	1,866,409	1,809,958
Unrestricted	230,142	329,119
Total Net Position	9,736,073	9,863,644
TOTAL LIABILITIES AND NET POSITION	\$ 11,428,098	\$ 11,633,592

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

	Year Ended	
	Dec. 31, 2014	Dec.31, 2013
Operating Revenues:		
User Charges	\$ 1,120,545	\$ 978,705
Late Charges & Fees	10,930	18,086
Interest Income	5,649	6,838
Employee Contribution Health Insurance	2,547	741
Miscellaneous Other	1,182	8,872
Total Operating Revenues	<u>1,140,853</u>	<u>1,013,242</u>
Operating Expenses:		
Cost of Providing Services	895,721	662,129
Administrative and General	226,867	200,091
Depreciation	212,794	211,533
Total Operating Expenses	<u>1,335,382</u>	<u>1,073,753</u>
Operating Income (Loss)	<u>(194,529)</u>	<u>(60,511)</u>
Non-Operating Revenues (Expenses):		
Connection Fees	35,476	14,371
Interest Income-Other Funds	3	4
Interest Expense	(43,775)	(45,775)
NJ Environmental Infrastructure Trust Credit	1,914	969
Administrative Fee-Damage Claim	17,015	
Prior Year Refund-Damage Claim	56,325	
Total Non-Operating Revenues (Expenses)	<u>66,958</u>	<u>(30,431)</u>
Increase (Decrease) in Net Position	(127,571)	(90,942)
Net Position at Beginning of Year	<u>9,863,644</u>	<u>9,954,586</u>
Net Position at End of Year	<u>\$ 9,736,073</u>	<u>\$ 9,863,644</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
COMPARATIVE STATEMENT OF CASH FLOWS

	Year Ended	
	Dec. 31, 2014	Dec. 31, 2013
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 1,112,741	\$ 1,043,114
Other Operating Cash Receipts	14,659	27,699
Cash Payments to Suppliers & Employees	(1,093,046)	(914,811)
Interest Income	5,649	6,838
Net Cash Provided (Used) by Operating Activities	40,003	162,840
Cash Flows from Investing Activities:		
Interest Income-Other Funds	3	4
Net Cash Provided (Used) by Investing Activities	3	4
Cash Flow from Capital and Related Financing Activities:		
Connection Fees	35,476	14,371
Proceeds from Developer's Deposits (Net)	(1,287)	(796)
NJ Environmental Infrastructure Trust Credit	1,914	969
Construction in Progress	(21,772)	(35,744)
Purchase of Capital Assets	(6,779)	
Damage Claim Receivable Expenditures	(182,355)	(49,303)
Damage Claim Recovery	305,000	
Payment of Debt Principal	(99,197)	(92,185)
Payment of Debt Interest	(43,775)	(45,775)
Net Cash Provided (Used) by Capital & Related Financing Activities	(12,775)	(208,463)
Increase (Decrease) in Cash and Cash Equivalents	27,231	(45,619)
Cash and Cash Equivalents at Beginning of Year	2,215,348	2,260,967
Cash and Cash Equivalents at End of Year	\$ 2,242,579	\$ 2,215,348
Reconciliation of Statement of Net Position:		
Unrestricted Cash and Cash Equivalents	\$ 347,517	\$ 375,453
Restricted Cash and Cash Equivalents	1,895,062	1,839,895
	\$ 2,242,579	\$ 2,215,348

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
COMPARATIVE STATEMENT OF CASH FLOWS
(Continued)

	Year Ended	
	Dec. 31, 2014	Dec. 31, 2013
Reconciliation of Income from Operations to Net Cash Provided (Used) by Operating Activities:		
Income (Loss) from Operations	\$ (194,529)	\$ (60,511)
Adjustments to Reconcile Income from Operations to Net Cash Provided (Used) by Operating Activities:		
Depreciation	212,794	211,533
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(7,804)	64,409
(Increase) Decrease in Prepaid Debt Service	6,984	(6,984)
Increase (Decrease) in Accounts Payable	21,199	(46,080)
Increase (Decrease) in Payroll Taxes & Withholdings Payable	(42)	(394)
Increase (Decrease) in Accrued Sick Pay	1,401	867
Net Cash Provided (Used) in Operating Activities	<u>\$ 40,003</u>	<u>\$ 162,840</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Clinton Township Sewerage Authority (Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

A. Reporting Entity

The Authority, (a component unit of the Township of Clinton) was created in accordance with the State Municipal Utilities Authorities Law (PL 1957, Chapter 183) by ordinance of the Township of Clinton in 1975, to construct and operate a sanitary sewer collection system to serve various areas of the Township of Clinton, Hunterdon County, New Jersey.

The Authority consists of six officials appointed by the Township of Clinton and is responsible for the fiscal control of the operations of the sewer system. Since the Authority issues its own financial statements, its financial activity is not included in the financial statements of the Township of Clinton.

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

B. Basis of Presentation - Fund Accounting

The operations of the Authority are recorded in a proprietary fund type. Proprietary funds are used to account for activities that are financed and operated in a manner similar to business enterprises and the intention is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis are to be financed or recovered primarily through user charges.

C. Basis of Accounting

The Authority's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The Authority has adopted GASB statement 34 and subsequent Statements and Interpretations required certain changes in terminology, format and content, as well as inclusion of the management's discussion and analysis as required supplementary information.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e. total assets net of total liabilities) are segregated into "net investment in capital assets", "restricted" and "unrestricted" components.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of American requires management to make certain estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent net assets and liabilities at the statement of net position date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, among other accounts. Actual results may differ from those estimates

CLINTON TOWNSHIP SEWERAGE AUTHORITY
 (A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2014 AND 2013
 (Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Basis of Accounting (Cont'd)

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types. Under this method of accounting, revenues are recorded in the accounting period in which they are earned and expenses are recorded as incurred.

D. Property, Plant and Equipment

Property, plant and equipment is stated at cost which includes direct construction costs and other expenditures related to construction.

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

Pump Stations	30-75 Years
Sewer Mains	50-75 Years
Other Equipment	5-15 Years
Vehicles	5 Years
Office Equipment	5 Years

E. Restricted Accounts

The Authority has restricted the below summarized accounts which may only be utilized for the purposes indicated:

<u>Fund</u>	<u>Account</u>	<u>Use for Which Restricted</u>
Revenue	All revenue received by the Authority using several bank accounts.	Authorized operating expenses and transfers to the various accounts described below.
Special Construction	Transfer from Construction Fund or Revenue Fund as determined by the Authority	Construction and/or reconstruction of assets or special projects.
Construction	Proceeds of debt and grants for original construction of project and to maintain property, plant and equipment asset accounts.	Construction of Annandale collection system project. Property, plant and equipment and contributed capital is recorded here.
Renewals & Replacements	Funds deposited from time to time at discretion of Authority, usually by budget line item	Renewals & Replacements

CLINTON TOWNSHIP SEWERAGE AUTHORITY
 (A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2014 AND 2013
 (Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. Budgets and Budgetary Control

The Authority follows the following procedures in establishing the budgetary data as reflected in these financial statements.

At least 60 days prior to the Authority's year end (December 31), the Authority must file its operating budget with the Director of the Division of Local Government Services for approval. Within 45 days after receipt of the Authority's budget the Director shall either approve or notify the Authority of the reasons for non-approval of the budget and to state the conditions upon which the approval will be granted. After approval, the Authority will formally adopt the budget. The budget is prepared based on the accounting principles and practices as prescribed by the Division of Local Government Services.

NOTE 2: AUTHORITY REVENUES

Sewerage charges and reserve capacity fees are charged on a flat per unit rate as approved annually by the governing body. Bills are payable in quarterly installments and delinquent accounts may be included as part of the Township of Clinton's annual tax sale.

NOTE 3: CASH AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. US Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at amortized cost. All other investments are stated at fair value.

New Jersey authorities are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statutes provide a list of permissible investments that may be purchased by New Jersey authorities.

Additionally, the Authority has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

NJSA 17:9-41 e.t. seq establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and saving banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

Cash and cash equivalents includes amounts in deposits, and short-term investments with original maturities of three months or less. The carrying (statement of net position) amounts were \$2,242,579 and \$2,215,348 for December 31, 2014 and 2013, respectively. The bank balances were \$2,247,865 and \$2,227,422 for December 31, 2014 and 2013, respectively.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)

NOTE 3: CASH AND INVESTMENTS (Cont'd)

Investments are stated at cost, which approximates market. The Authority classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments. The Authority had no investments at December 31, 2014 and 2013.

Deposit and Investment Risk

GASB Statement No. 40 "Deposit and Investment Risk Disclosures" requires state and local governments to communicate key information about deposit and investment risks. Required disclosures are as follows:

1. Custodial credit risk disclosures are required for:
 - a. Deposits that are uninsured and either (a) uncollateralized or (b) collateralized with securities held by the pledging financial institution, or its trust department or agent but not in the government's name.
 - b. Investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name.

As the authority has no such investments, this disclosure is not applicable.

2. Credit quality ratings for investments in debt securities, external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities. As the authority has no such investments, this disclosure is not applicable.
3. Disclosure of investments by amount and issuer for any issuer that represents five percent of more of total investments. This requirement does not apply to investments issued or explicitly guaranteed by the US government and investments in mutual funds or pools. This disclosure is reported below under Concentration of Credit Risk.
4. Interest rate risk disclosures are required for all debt investments and non-money market like pools. As the authority has no such investments, this disclosure is not applicable.
5. Investments that are exposed to foreign currency risk should be disclosed. As the authority has no such investments this disclosure is not applicable.

Concentration of Credit Risk

The State of New Jersey does not place any limit on the amount that the authority may invest with any one issuer.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
 (A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2014 AND 2013
 (Continued)

NOTE 4: PENSION PLAN

Employees, who are eligible for a pension plan, are enrolled in the Public Employees' Retirement System, which is administered by the Division of Pensions, Treasury Department of the State of New Jersey. The plan is considered a cost sharing multiple-employer plan.

The Public Employees' Retirement System was established in January, 1955 under the provisions of NJSA 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 55 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statement and required supplementary information for PERS. 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 or visiting their website at www.nj.gov/treasury/pensions/annrpts.shtml.

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

Significant legislation which became effective October 1, 2011 under Chapter 78, PL 2011 will gradually increase the employee contribution rate for PERS members from 5.5% to 7.5% of annual compensation by July 2018. Effective July 1, 2014, the rate increased to 6.92%. After that, the rate will increase each July 1st over the seven year phase in until 7.5% effective July 1, 2018. Funding by the authority is determined by the annual actuarial valuation. Three years trend information for PERS contributions.

Year Funded	Annual Contribution	
	Authority	Employee
2014	\$ 5,085	\$ 3,768
2013	11,061	3,288
2012	14,886	3,111

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)

NOTE 5: CAPITAL ASSETS

Capital asset activity during the year was as follows:

	Balance Dec 31, 2013	Additions	Disposals	Balance Dec 31, 2014
Sewer Distribution System:				
Contributed	\$ 6,683,053			\$ 6,683,053
Constructed	4,616,207			4,616,207
Construction in Progress	112,820	\$ 21,773		134,593
Maintenance Equipment	114,160			114,160
Transportation Equipment	41,562			41,562
Office Furniture & Equipment	46,225	6,779		53,004
Sewer Capacity Purchased	300,000			300,000
Total Capital Assets	<u>11,914,027</u>	<u>28,552</u>	<u>\$ -0-</u>	<u>11,942,579</u>
Accumulated Depreciation	<u>(2,638,883)</u>	<u>212,794</u>		<u>(2,851,677)</u>
Net Capital Assets	<u>\$ 9,275,144</u>	<u>\$ (184,242)</u>	<u>\$ -0-</u>	<u>\$ 9,090,902</u>

NOTE 6: CONTINGENT LIABILITIES

The Authority is involved in various claims and lawsuits incidental to its operations. In the opinion of legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the Authority.

NOTE 7: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance – Risks of losses from worker's compensation, property, automobile, liability, and public officials liability are covered by insurance with New Jersey Utilities Authorities Joint Insurance Fund, plus separate policies for employee bonds and official's liability. Significant losses are covered by commercial insurance and there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current or the three prior years.

NOTE 8: COMPENSATED ABSENCES

The Authority has allowed unused sick time to be accumulated to a maximum of 120 days per employee. Up to one half of accumulated sick days may be paid upon disability or retirement or compensating time-off may be taken. If present employees were eligible for this benefit at December 31, 2014 and 2013, the liability to the Authority would be approximately \$5,500 and \$4,099, respectively. Compensation in lieu of unused vacation days is not permitted.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)

NOTE 9: LONG-TERM DEBT

Long-term Liability Activity for the year ended December 31, 2014 is as follows:

	<u>Balance Dec 31, 2013</u>	<u>Loan Payment</u>	<u>Balance Dec 31, 2014</u>	<u>Due Within 1 Year</u>
NJ Environmental Infra- structure Trust:				
2004 Issue:				
Interest Free Loan	\$ 141,364	\$ 15,207	\$ 126,157	\$ 14,819
Loan	185,000	15,000	170,000	15,000
2010 Issue:				
Interest Free Loan	539,213	38,990	500,223	41,082
Loan	<u>685,000</u>	<u>30,000</u>	<u>655,000</u>	<u>35,000</u>
Total	<u>\$ 1,550,577</u>	<u>\$ 99,197</u>	<u>\$ 1,451,380</u>	<u>\$ 105,901</u>

The annual requirements to amortize long-term debt are listed as follows:

<u>Year Ending December 31,</u>	<u>Loan Principal</u>	<u>Loan Interest</u>	<u>Total</u>
2015	\$ 105,901	\$ 41,675	\$ 147,576
2016	104,467	39,325	143,792
2017	103,033	36,975	140,008
2018	109,490	34,475	143,965
2019	107,810	31,725	139,535
2020-2024	577,275	111,600	688,875
2025-2028	<u>343,404</u>	<u>30,750</u>	<u>374,154</u>
Total	<u>\$ 1,451,380</u>	<u>\$ 326,525</u>	<u>\$ 1,777,905</u>

Outstanding loan balances are comprised of the following:

\$265,000 loan due in annual installments of \$10,000 to \$20,000 beginning August 1, 2006 through August 1, 2024. interest from 3.00% to 4.375%	\$ 170,000
\$255,057 interest free loan due in annual installments of \$6,519.36 to \$15,335.84 beginning August 1, 2005 through August 1, 2023	126,157
\$795,000 loan due in annual installments of \$25,000 to \$65,000 beginning August 1, 2011 through August 1, 2028, interest from 5.00% to 5.25%	655,000
\$697,714 interest free loan due in annual installments of \$38,482 to \$41,381 beginning February 1, 2010 through August 1, 2027	<u>500,223</u>
	<u>\$ 1,451,380</u>

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)

NOTE 10: SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through April 24, 2015, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

NOTE 11: LITIGATION

The Authority is presently in litigation with other plaintiffs against the municipality which treats sanitary sewerage emanating from the respective sewer service areas alleging improper charging of treatment costs by the municipality.

As of the date of this report the Authority has withheld \$261,108 from the municipality, in escrow, sanitary sewer treatment costs which are in dispute.

NOTE 12: RECENT ACCOUNTING PRONOUNCEMENTS NOT YET EFFECTIVE

The following is a list of recent accounting pronouncements which are not yet effective as of the year end date of this report:

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67 "Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25". This statement, which is effective for fiscal periods beginning after June 15, 2013, will not have any effect on the Authority's financial reporting.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68 "Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27". This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the Authority's financial reporting.

In January 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 69 "Government Combinations and Disposals of Government Operations". This statement, which is effective for fiscal periods beginning after December 15, 2013, will not have any effect on the Authority's financial reporting.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(Continued)

NOTE 12: RECENT ACCOUNTING PRONOUNCEMENTS NOT YET EFFECTIVE (Cont'd)

In November 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 71 "Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68". This statement, which is effective for fiscal periods beginning after June 30, 2014, is not anticipated to have any effect on the Authority's financial reporting.

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72 "Fair Value Measurement and Application". This statement, which is effective for fiscal periods beginning after June 30, 2015, is not expected to have an effect on the Authority's financial reporting. The Authority has elected not to adopt early implementation of this statement.

SUPPLEMENTARY SCHEDULES

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
SCHEDULE OF CHANGES IN NET POSITION-RESTRICTED
YEAR ENDED DECEMBER 31, 2014

	Trust Fund Developer's Deposits	Net Assets				Total Net Assets	Total Restricted Accounts
		State Unemploy- ment Ins	Special Construction	Construction Fund	Renewals & Replacements		
Cash & Cash Equivalents at Beginning of Year	\$ 29,937	\$ 6,017	\$ -	\$ 998,700	\$ 805,241	\$ 1,809,958	\$ 1,839,895
Additions:							
Interest Income	3	3				3	6
Developers Deposits	500						500
Budget Transfer				85,000		85,000	85,000
Inter-Account Transfer			28,552			28,552	28,552
Total Additions	503	3	28,552	85,000	-	113,555	114,058
Total Funds Available	30,440	6,020	28,552	1,083,700	805,241	1,923,513	1,953,953
Deductions:							
Capital Projects-2014 Expenditures			28,552			28,552	28,552
Developers Fees	1,787						1,787
Inter-Account Transfer					28,552	28,552	28,552
Total Deductions	1,787	-	28,552	-	28,552	57,104	58,891
Cash & Cash Equivalents at End of Year	\$ 28,653	\$ 6,020	\$ -	\$ 1,083,700	\$ 776,689	\$ 1,866,409	\$ 1,895,062

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
SCHEDULE OF OPERATING REVENUES AND COSTS COMPARED TO BUDGET
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014		2013	
	Budget	Actual	Budget	Actual
REVENUES				
Net Assets Appropriated	\$ 66,532	\$ 66,532	\$ 5,000	\$ 5,000
Revenues-Regular:				
User Charges	1,122,800	1,120,545	978,600	978,705
Late Charges and Fees	3,560	10,930	3,560	18,086
Interest on Investments	5,000	5,649	5,000	6,838
Connection Fees		35,476		14,371
NJ Environmental Infrastructure				
Trust Credits		1,914		969
Employee Contribution Health Insurance		2,547		741
Administrative Fee-Damage Claim		17,015		
Prior Year Refund-Damage Claim		56,325		
Miscellaneous Other		1,182		8,872
Total Revenues Regular	1,131,360	1,251,583	987,160	1,028,582
TOTAL REVENUES	\$ 1,197,892	\$ 1,318,115	\$ 992,160	\$ 1,033,582
EXPENSES				
Administrative and General:				
Salaries and Wages	\$ 52,000	\$ 62,901	\$ 49,000	\$ 52,369
Public Employee's Retirement System	6,500	5,085	6,500	11,061
Payroll Taxes	4,000	4,740	4,000	3,878
Unemployment Compensation	100		100	
Hospitalization	16,000	17,126	14,500	14,820
Dental Insurance	1,200	998	1,200	998
Legal Fees	30,000	31,749	30,000	18,095
Engineering Fees	25,000	42,373	25,000	28,942
Auditing & Accounting Fees	20,900	14,843	20,500	16,565
Insurance	12,000	10,490	12,000	10,619
Office Supplies & Expenses	3,000	1,589	2,000	4,049
Postage	2,500	2,932	2,500	3,569
Computer Expenses	1,500	1,100	1,500	1,774
Director's Fees	5,100	5,767	5,100	5,100
Telephone	9,000	9,611	9,000	8,866
Rent	9,000	9,000	9,000	9,000
Education	2,000	821	1,000	2,838
Capacity Reserve-Deer Meadow	2,100	2,046	2,100	2,046
Advertising	300	452	500	1,406
Debt Service Administrative Fee		3,179		3,179
Miscellaneous-Contingency	1,000	65	1,000	917
Total Administrative and General	203,200	226,867	196,500	200,091

CLINTON TOWNSHIP SEWERAGE AUTHORITY
 (A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
 SCHEDULE OF OPERATING REVENUES AND COSTS COMPARED TO BUDGET
 YEARS ENDED DECEMBER 31, 2014 AND 2013
 (Continued)

	2014		2013	
	Budget	Actual	Budget	Actual
COST OF PROVIDING SERVICES				
Regular:				
Repairs and Maintenance Supplies	\$ 12,000	\$ 18,229	\$ 24,000	\$ 13,479
Electric	28,000	36,493	45,000	39,852
Water Service	320	674		558
Treatment Cost	540,000	636,911	375,000	429,795
Calibration	5,000	4,568	5,000	4,568
Vehicle Maintenance	5,000	274	5,000	798
Maintenance Labor-Operator	140,200	116,948	80,000	111,208
Maintenance Labor-Contracted	33,000	78,482	35,000	59,460
Travel	2,000	2,041	2,500	1,164
NJ on Call	1,200	1,101	1,200	1,247
Sub-Total	<u>766,720</u>	<u>895,721</u>	<u>572,700</u>	<u>662,129</u>
Total Cost of Providing Services	<u>969,920</u>	<u>1,122,588</u>	<u>769,200</u>	<u>862,220</u>
DEBT SERVICE				
Principal	99,197	99,197	92,185	92,185
Interest	43,775	43,775	45,775	45,775
Total Debt Service	<u>142,972</u>	<u>142,972</u>	<u>137,960</u>	<u>137,960</u>
RESERVES & CAPITAL OUTLAY				
Capital Reserves	<u>85,000</u>	<u>85,000</u>	<u>85,000</u>	<u>85,000</u>
Total Reserves & Capital Outlay	<u>85,000</u>	<u>85,000</u>	<u>85,000</u>	<u>85,000</u>
TOTAL EXPENSES	<u>\$ 1,197,892</u>	<u>\$ 1,350,560</u>	<u>\$ 992,160</u>	<u>\$ 1,085,180</u>

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)

PART III

REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING
GENERAL COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2014

Certified Public Accountant
Public School Accountant
Registered Municipal Accountant

100 Route 31 North
Washington, NJ 07882 - 1530
Fax # (908) 689-8388
(908) 689-5002

INDEPENDENT AUDITOR'S REPORT

April 24, 2015

To the Honorable Chairman and Members
of the Clinton Township Sewerage Authority
Clinton Township, New Jersey

We have audited, in accordance with the 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, the financial statements as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Clinton Township Sewerage Authority (a component unit of the Township of Clinton) (the Authority's) basic financial statements, and have issued our report thereon dated April 24, 2015.

Report on Internal Control over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the Authority's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. The findings identified in the General Comments and Recommendations section of this report represent potential control deficiencies. Our evaluation of the potential deficiencies effect on financial reporting and compensating controls in place to address the associated risk did not result in findings of material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



William M. Colantano, Jr.
Registered Municipal Accountant
No.68

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
GENERAL COMMENTS

CONTROL DEFICIENCIES

Segregation of Duties-The Authority does not maintain an adequate segregation of duties with respect to the recording and treasury functions. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time. This is due to the limited number of personnel of the Authority. Accordingly, management of the Authority should be aware of this situation and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

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 organization's internal control. We do not believe that the condition described above represents a material weakness.

Based on a review of compensating controls we feel that the Authority has adequately addressed the risks that are inherent to a lack of segregation of duties and that no recommendations applies or corresponding corrective action be taken by management.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)

RECOMMENDATIONS

There were no recommendations developed during the course of the examination.

STATUS OF PRIOR YEAR'S AUDIT FINDINGS/RECOMMENDATIONS

There were no prior year recommendations.

We would be pleased to confer on questions that might arise with respect to any matters in this report.

We wish to express our appreciation for the assistance and courtesies rendered by the Authority officials and employees during the course of the examination.



William M. Colantano, Jr.
Registered Municipal Accountant
No. 68