

REPORT OF AUDIT
CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
COUNTY OF HUNTERDON
YEAR 2012

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, 2012 AND DECEMBER 31, 2011

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
ROSTER OF OFFICIALS
YEAR ENDED DECEMBER 31, 2012

<u>Members</u>	<u>Title</u>
Peter Geiger	Chairman
Michael Mc Cue	Vice Chairman
Alan Fillebrown	Treasurer
Edward Schneider	Secretary
Vacancy	Member

* * * * *

<u>Administration</u>	<u>Title</u>
Meliss Paulus	Clerk
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 26, 2013

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, 2012 and 2011 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, 2012 and December 31, 2011, 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 26, 2013 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 2012 (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 five 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 five 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, 2012. 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 increased 16.87% over the course of this year's operations.
2. During the year, the CTSA's operating revenues increased by 5.42%.
3. Operating expenses decreased by 3.90%.
4. Net position increased by 21.09%

The increases in total assets and net position are primarily a result of the contributed capital of the Water Edge Collection System in the amount of \$1,765,800.

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, 2012, 2011 AND 2010

Condensed Statement of Net Position

	December 31,		
	2012	2011	2010
Current Assets	\$ 620,758	\$ 475,949	\$ 487,912
Restricted Assets	1,791,431	1,906,043	2,053,114
Capital Assets, Net	9,450,933	7,768,980	7,833,299
Total Assets	<u>\$ 11,863,122</u>	<u>\$ 10,150,972</u>	<u>\$ 10,374,325</u>
Current Liabilities:			
Unrestricted	\$ 327,226	\$ 258,841	\$ 215,452
Restricted	30,733	28,467	57,363
Long Term Liabilities	1,550,577	1,642,762	1,771,220
Total Liabilities	<u>\$ 1,908,536</u>	<u>\$ 1,930,070</u>	<u>\$ 2,044,035</u>
Net Position:			
Invested in Capital Asset	\$ 7,808,171	\$ 6,091,197	\$ 6,517,589
Restricted	1,760,698	1,819,190	1,453,755
Unrestricted	385,717	310,515	358,946
Total Net Position	<u>\$ 9,954,586</u>	<u>\$ 8,220,902</u>	<u>\$ 8,330,290</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position

	December 31,		
	2012	2011	2010
Operating Revenues	\$ 1,002,551	\$ 951,009	\$ 954,255
Operating Expenses	987,609	1,027,675	985,525
Operating Income (Loss)	14,942	(76,666)	(31,270)
Non-Operating Revenues (Expenses)	1,718,742	(32,722)	(50,885)
Increase (Decrease) in Net Position	1,733,684	(109,388)	(82,155)
Net Position @ Beg of Year	8,220,902	8,330,290	8,412,445
Net Position @ End of Year	<u>\$ 9,954,586</u>	<u>\$ 8,220,902</u>	<u>\$ 8,330,290</u>

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
PART II
FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
YEARS ENDED DECEMBER 31, 2012 AND DECEMBER 31, 2011

FINANCIAL STATEMENTS

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 469,536	\$ 395,062
Accounts Receivable	151,222	80,887
Total Unrestricted Assets	620,758	475,949
Restricted Assets:		
Cash and Cash Equivalents	1,791,431	1,847,657
NJ Environmental Infrastructure Trust Loan Receivable		58,386
Total Restricted Assets	1,791,431	1,906,043
Capital Assets:		
Capital Assets not Being Depreciated	377,076	339,290
Capital Assets Being Depreciated	11,501,207	9,656,310
Less: Accumulated Depreciation	(2,427,350)	(2,226,620)
Net Capital Assets	9,450,933	7,768,980
TOTAL ASSETS	\$ 11,863,122	\$ 10,150,972

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, 2012 AND 2011
(Continued)

	2012	2011
LIABILITIES AND NET POSITION		
Current Liabilities (Payable from Unrestricted Assets):		
Accounts Payable	\$ 229,417	\$ 160,761
Payroll Taxes & Withholdings Payable	2,392	1,646
Accrued Sick Pay	3,232	3,030
Current Portion of Loan Payable	92,185	93,404
	327,226	258,841
Current Liabilities (Payable from Restricted Assets):		
Trust Funds:		
Reserve for Developer's Deposits	30,733	28,467
Total Current Liabilities	357,959	287,308
Long Term Liabilities:		
Long Term Portion of Loan Payable	1,550,577	1,642,762
Total Liabilities	1,908,536	1,930,070
Net Position:		
Net Invested in Capital Assets	7,808,171	6,091,197
Restricted	1,760,698	1,819,190
Unrestricted	385,717	310,515
Total Net Position	9,954,586	8,220,902
TOTAL LIABILITIES AND NET POSITION	\$ 11,863,122	\$ 10,150,972

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, 2012	Dec. 31, 2011
Operating Revenues:		
User Charges	\$ 979,020	\$ 931,500
Late Charges & Fees	15,014	6,505
Interest Income	7,587	11,762
Employee Contribution Health Insurance	710	1,115
Miscellaneous Other	220	127
Total Operating Revenues	<u>1,002,551</u>	<u>951,009</u>
Operating Expenses:		
Cost of Providing Services	591,380	683,070
Administrative and General	195,499	197,156
Depreciation	200,730	147,449
Total Operating Expenses	<u>987,609</u>	<u>1,027,675</u>
Operating Income (Loss)	<u>14,942</u>	<u>(76,666)</u>
Non-Operating Revenues (Expenses):		
Connection Fees		16,351
Interest Income-Other Funds	5	8
Interest Expense	(47,775)	(49,525)
NJ Environmental Infrastructure Trust Credit	712	444
Contributed Capital-Waters Edge Collection System	1,765,800	
Total Non-Operating Revenues (Expenses)	<u>1,718,742</u>	<u>(32,722)</u>
Increase (Decrease) in Net Position	1,733,684	(109,388)
Net Position at Beginning of Year	<u>8,220,902</u>	<u>8,330,290</u>
Net Position at End of Year	<u>\$ 9,954,586</u>	<u>\$ 8,220,902</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, 2012	Dec. 31, 2011
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 956,949	\$ 909,343
Other Operating Cash Receipts	15,944	7,747
Cash Payments to Suppliers & Employees	(765,539)	(843,755)
Interest Income	7,587	11,762
Net Cash Provided (Used) by Operating Activities	214,941	85,097
Cash Flows from Investing Activities:		
Interest Income-Other Funds	5	8
Net Cash Provided (Used) by Investing Activities	5	8
Cash Flow from Capital and Related Financing Activities:		
Connection Fees		16,351
Proceeds from Developer's Deposits (Net)	2,266	(28,896)
NJ Environmental Infrastructure Trust Credit	712	444
Construction in Progress	(37,786)	(83,129)
Purchase of Capital Assets	(79,097)	
Loan Payments Received	58,386	448,555
Payment of Debt Principal	(93,404)	(86,486)
Payment of Debt Interest	(47,775)	(49,525)
Net Cash Provided (Used) by Capital & Related Financing Activities	(196,698)	217,314
Increase (Decrease) in Cash and Cash Equivalents	18,248	302,419
Cash and Cash Equivalents at Beginning of Year	2,242,719	1,940,300
Cash and Cash Equivalents at End of Year	\$ 2,260,967	\$ 2,242,719
Reconciliation of Statement of Net Position:		
Unrestricted Cash and Cash Equivalents	\$ 469,536	\$ 395,062
Restricted Cash and Cash Equivalents	1,791,431	1,847,657
	\$ 2,260,967	\$ 2,242,719

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, 2012	Dec.31, 2011
Reconciliation of Income from Operations to Net Cash Provided (Used) by Operating Activities:		
Income (Loss) from Operations	\$ 14,942	\$ (76,666)
Adjustments to Reconcile Income from Operations to Net Cash Provided (Used) by Operating Activities:		
Depreciation	200,730	147,449
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(70,335)	(22,157)
Increase (Decrease) in Accounts Payable	68,656	39,343
Increase (Decrease) in Payroll Taxes & Withholdings Payable	746	(3,460)
Increase (Decrease) in Accrued Sick Pay	202	588
Net Cash Provided (Used) in Operating Activities	\$ 214,941	\$ 85,097

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, 2012 AND 2011

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 five 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 "invested 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, 2012 AND 2011
 (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, 2012 AND 2011
 (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 \$2,260,967 and \$2,242,719 for December 31, 2012 and 2011, respectively. The bank balances were \$2,266,235 and \$2,242,707 for December 31, 2012 and 2011, respectively.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(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, 2012 and 2011.

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, 2012 AND 2011
 (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, P.L. 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, 2012, the rate increased to 6.64%. 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 year trend information for PERS contributions.

Year	Annual Contribution	
	Authority	Employee
2012	\$ 14,886	\$ 3,111
2011	12,858	4,205
2010	10,800	7,058

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)

NOTE 5: CAPITAL ASSETS

Capital asset activity during the year was as follows:

	Balance Dec 31, 2011	Additions	Disposals	Balance Dec 31, 2012
Sewer Distribution System:				
Contributed	\$ 4,917,253	\$ 1,765,800		\$ 6,683,053
Constructed	4,616,207			4,616,207
Construction in Progress	39,290	37,786		77,076
Maintenance Equipment	35,063	79,097		114,160
Transportation Equipment	41,562			41,562
Office Furniture & Equipment	46,225			46,225
Sewer Capacity Purchased	300,000			300,000
Total Capital Assets	<u>9,995,600</u>	<u>1,882,683</u>	\$ -0-	<u>11,878,283</u>
Accumulated Depreciation	<u>(2,226,620)</u>	<u>(200,730)</u>		<u>(2,427,350)</u>
Net Capital Assets	<u>\$ 7,768,980</u>	<u>\$ 1,681,953</u>	<u>\$ -0-</u>	<u>\$ 9,450,933</u>

Contributed Capital: In 2012 the Authority obtained ownership of the Waters Edge Sewerage Facilities. Estimated values of \$444,000 for the pumping station and \$1,321,800 for the collection system have been added to capital assets as contributed capital.

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, 2012 and 2011, the liability to the Authority would be approximately \$3,232 and \$3,030, 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, 2012 AND 2011
(Continued)

NOTE 9: LONG-TERM DEBT

Long-term Liability Activity for the year ended December 31, 2012 is as follows:

	Balance Dec 31, 2011	Loan De- obligated	Loan Payment	Balance Dec 31, 2012	Due Within 1 Year
NJ Environmental Infra- structure Trust:					
2004 Issue:					
Interest Free Loan	\$ 166,283		\$ 12,621	\$ 153,662	\$ 12,298
Loan	205,000		10,000	195,000	10,000
2010 Issue:					
Interest Free Loan	619,883		40,783	579,100	39,887
Loan	745,000		30,000	715,000	30,000
Total	<u>\$ 1,736,166</u>	<u>\$ -0-</u>	<u>\$ 93,404</u>	<u>\$ 1,642,762</u>	<u>\$ 92,185</u>

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

Year Ending December 31,	Loan Principal	Loan Interest	Total
2013	\$ 92,185	\$ 45,775	\$ 137,960
2014	99,197	43,775	142,972
2015	105,901	41,675	147,576
2016	104,467	39,325	143,792
2017	103,033	36,975	140,008
2018-2022	562,229	143,450	705,679
2023-2027	510,750	61,850	572,600
2028	65,000	3,250	68,250
Total	<u>\$ 1,642,762</u>	<u>\$ 416,075.</u>	<u>\$ 2,058,837</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%	\$ 195,000
\$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	153,662
\$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%	715,000
\$697,714 interest free loan due in annual installments of \$38,482 to \$41,381 beginning February 1, 2010 through August 1, 2027	<u>579,100</u>
	<u>\$ 1,642,762</u>

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)

NOTE 10: SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through April 26, 2013, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

NOTE 11: 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 November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61 "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The purpose of the statement is to amend the criteria for reporting and including component units with the primary government. This statement, which is effective for fiscal periods beginning after June 15, 2012, is not anticipated to have any effect on the Authority's financial reporting. In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65 "Items Previously Reported as Assets and Liabilities". This statement, which clarifies the reporting requirements related to deferred assets and liabilities, is effective for fiscal periods beginning after December 15, 2012, is not anticipated to have any effect on the Authority's financial reporting.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 66 "Technical Corrections--2012--an amendment of GASB Statements No. 10 and No. 62". This statement, which resolves conflicts between Statements No. 10 and No. 54 provides more flexibility in fund classifications for risk based activities, is effective for fiscal periods beginning after December 15, 2012, is not anticipated to have any effect on the Authority's financial reporting.

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.

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, 2012

	Net Assets					Total Restricted Accounts	
	Trust Fund Developer's Deposits	State Unemploy- ment Ins	Special Construction	Construction Fund	Renewals & Replacements		Total Net Assets
Cash & Cash Equivalents at Beginning of Year	\$ 28,467	\$ 6,008	\$ -	\$ 913,700	\$ 899,482	\$ 1,819,190	\$ 1,847,657
Additions:							
Interest Income	4	5				5	9
Developers Deposits	9,199						9,199
NJ Environmental Infrastructure Loan Receipts			58,386			58,386	58,386
Inter-Account Transfer			58,497			58,497	58,497
Total Additions	9,203	5	116,883	-	-	116,888	126,091
Total Funds Available	37,670	6,013	116,883	913,700	899,482	1,936,078	1,973,748
Deductions:							
Capital Projects-2012 Expenditures			116,883			116,883	116,883
Development Fees	6,937						6,937
Inter-Account Transfer					58,497	58,497	58,497
Total Deductions	6,937	-	116,883	-	58,497	175,380	182,317
Cash & Cash Equivalents at End of Year	\$ 30,733	\$ 6,013	\$ -	\$ 913,700	\$ 840,985	\$ 1,760,698	\$ 1,791,431

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, 2012 AND 2011

	2012		2011	
	Budget	Actual	Budget	Actual
REVENUES				
Net Assets Appropriated	\$ 43,839	\$ 43,839	\$ 114,671	\$ 114,671
Revenues-Regular:				
User Charges	979,440	979,020	936,800	931,500
Late Charges and Fees	8,000	15,014	8,000	6,505
Interest on Investments	10,000	7,587	15,000	11,762
Connection Fees				16,351
NJ Environmental Infrastructure				
Trust Credits		712		444
Employee Contribution Health Insurance		710		1,115
Miscellaneous Other		220		127
Total Revenues Regular	<u>997,440</u>	<u>1,003,263</u>	<u>959,800</u>	<u>967,804</u>
TOTAL REVENUES	<u>\$ 1,041,279</u>	<u>\$ 1,047,102</u>	<u>\$ 1,074,471</u>	<u>\$ 1,082,475</u>
EXPENSES				
Administrative and General:				
Salaries and Wages	\$ 48,000	\$ 51,047	\$ 46,800	\$ 46,934
Public Employee's Retirement System	15,000	14,886	13,835	12,858
Payroll Taxes	4,000	3,829	3,545	4,119
Unemployment Compensation	100		100	
Hospitalization	12,500	13,509	11,000	11,404
Dental Insurance	1,200	978	1,000	1,087
Legal Fees	30,000	17,492	30,000	14,673
Engineering Fees	40,000	31,887	30,000	41,436
Auditing & Accounting Fees	13,500	17,300	13,500	13,500
Insurance	12,000	10,807	12,000	10,756
Office Supplies & Expenses	4,000	3,651	3,000	3,340
Postage	2,500	2,447	2,500	2,339
Computer Expenses	2,000	89	2,000	2,111
Director's Fees	5,100	4,100	5,100	5,000
Telephone	10,500	8,525	10,500	10,248
Rent	9,000	9,000	9,000	9,000
Education	400		700	117
Capacity Reserve - Deer Meadow	2,100	2,046	2,100	2,046
Advertising	500	217	500	132
Debt Service Administrative Fee		3,179		3,179
Miscellaneous - Contingency	1,000	510	1,000	2,877
Total Administrative and General	<u>213,400</u>	<u>195,499</u>	<u>198,180</u>	<u>197,156</u>

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, 2012 AND 2011
(Continued)

	2012		2011	
	Budget	Actual	Budget	Actual
COST OF PROVIDING SERVICES				
Regular:				
Salaries and Wages			\$ 85,500	\$ 35,101
Payroll Taxes			6,580	2,983
Hospitalization			19,000	7,483
Dental Insurance			1,500	374
Repairs and Maintenance Supplies	\$ 24,000	\$ 15,423	24,000	8,726
Electric	48,000	28,913	48,000	41,814
Treatment Cost	425,000	323,785	425,000	417,655
Calibration	5,000	4,568	5,000	4,568
Vehicle Maintenance	5,000	335	5,000	4,809
Maintenance Labor-Operator	75,000	105,971		52,303
Maintenance Labor-Contracted	15,000	21,065	15,000	23,989
Travel	1,000	333	2,000	1,748
Share of Cost-Upgrade	80,000	79,033	82,000	80,702
NJ on Call	1,200	1,004	1,200	815
Line Testing & Repairs	7,500	10,950	15,000	
Geographic Information System			500	
Sub-Total	686,700	591,380	735,280	683,070
Total Cost of Providing Services	900,100	786,879	933,460	880,226
DEBT SERVICE				
Principal	93,404	93,404	86,486	86,486
Interest	47,775	47,775	49,525	49,525
Total Debt Service	141,179	141,179	136,011	136,011
RESERVES & CAPITAL OUTLAY				
Capital Outlays			5,000	
Total Reserves & Capital Outlay	-	-	5,000	-
TOTAL EXPENSES	\$ 1,041,279	\$ 928,058	\$ 1,074,471	\$ 1,016,237

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, 2012

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 26, 2013

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, 2012 and 2011, 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 26, 2013.

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. However, we identified certain deficiencies in internal control as described in the General Comments and Recommendations section of this report that we consider to be significant deficiencies.

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.

Preparation of Financial Statements-Recent professional standards state that individuals responsible for the accounting and reporting function have the skills and knowledge to prepare the annual financial statements and their related notes. Based on the findings of the audit, it is my conclusion that there are no individuals within the Authority who meet those standards.

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 significant deficiencies described above are to be considered material weaknesses.

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