

REPORT OF AUDIT
CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
COUNTY OF HUNTERDON
YEAR 2011

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
YEAR ENDED DECEMBER 31, 2011

CLINTON TOWNSHIP SEWERAGE AUTHORITY
 (A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
 ROSTER OF OFFICIALS
 YEAR ENDED DECEMBER 31, 2011

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

* * * * *

<u>Administration</u>	<u>Title</u>
John Ross	System Operator (To 04/30/11)
Meliss Paulus	Clerk
C. Gregory Watts	General Counsel
John Rolak	Engineer

Certified Public Accountant
Public School Accountant
Registered Municipal Accountant

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April 27, 2012

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

We have audited the accompanying balance sheets of the Clinton Township Sewerage Authority, (a component unit of the Township of Clinton) as of December 31, 2011 and 2010 and the related statement of revenues, expenses and changes in net assets for the years then ended. These financial statements are the responsibility of the management of the Clinton Township Sewerage Authority. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Clinton Township Sewerage Authority at December 31, 2011 and 2010 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America

In accordance with Government Auditing Standards, we have also issued a report dated April 27, 2012 on our consideration of the Clinton Township Sewerage 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information listed in the foregoing table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the examination of the financial statements and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



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

REQUIRED SUPPLEMENTARY INFORMATION

CLINTON TOWNSHIP SEWERAGE AUTHORITY FINANCIAL REPORT – FOR THE YEAR 2011 (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 or 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, 2011. 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 2.15% over the course of this year's operations.
2. During the year, the CTSA's operating revenues decreased by .34%.
3. Operating expenses increased by 4.28%.
4. Net assets decreased by 1.31%

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 balance sheet; a statement of revenues, expenses and changes in net assets; a statement of cash flows; and notes to the financial statements.

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

The statement of revenues, expenses and changes in net assets presents the results of the CTSA's activities over the course of the fiscal year and information as to how the net assets 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, 2011, 2010 AND 2009

Condensed Balance Sheet

	December 31,		
	2011	2010	2009
Current Assets	\$ 475,949	\$ 487,912	\$ 645,358
Restricted Assets	1,906,043	2,053,114	3,039,732
Capital Assets, Net	7,768,980	7,833,299	6,872,116
Total Assets	<u>\$ 10,150,972</u>	<u>\$ 10,374,325</u>	<u>\$ 10,557,206</u>
Current Liabilities:			
Unrestricted	\$ 258,841	\$ 215,452	\$ 228,260
Restricted	28,467	57,363	58,795
Long Term Liabilities	1,642,762	1,771,220	1,857,706
Total Liabilities	<u>\$ 1,930,070</u>	<u>\$ 2,044,035</u>	<u>\$ 2,144,761</u>
Net Assets:			
Invested in Capital Asset	\$ 6,091,197	\$ 6,517,589	\$ 6,454,622
Restricted	1,819,190	1,453,755	1,453,169
Unrestricted	310,515	358,946	504,654
Total Net Assets	<u>\$ 8,220,902</u>	<u>\$ 8,330,290</u>	<u>\$ 8,412,445</u>

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	December 31,		
	2011	2010	2009
Operating Revenues	\$ 951,009	\$ 954,255	\$ 951,790
Operating Expenses	1,027,675	985,525	1,064,949
Operating Income (Loss)	(76,666)	(31,270)	(113,159)
Non-Operating Revenues (Expenses)	(32,722)	(50,885)	(7,876)
Increase (Decrease) in Net Assets	(109,388)	(82,155)	(121,035)
Net Assets @ Beg of Year	8,330,290	8,412,445	8,533,480
Net Assets @ End of Year	<u>\$ 8,220,902</u>	<u>\$ 8,330,290</u>	<u>\$ 8,412,445</u>

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

FINANCIAL STATEMENTS

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 395,062	\$ 429,182
Accounts Receivable	80,887	58,730
Total Unrestricted Assets	475,949	487,912
Restricted Assets:		
Cash and Cash Equivalents	1,847,657	1,511,118
NJ Environmental Infrastructure Trust Loan Receivable	58,386	541,996
Total Restricted Assets	1,906,043	2,053,114
Property, Plant and Equipment	9,995,600	9,912,804
Less: Accumulated Depreciation	2,226,620	2,079,505
Net Property, Plant and Equipment	7,768,980	7,833,299
TOTAL ASSETS	\$ 10,150,972	\$ 10,374,325

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2011 AND 2010
(Continued)

	2011	2010
LIABILITIES AND NET ASSETS		
Current Liabilities (Payable from Unrestricted Assets):		
Accounts Payable	\$ 160,761	\$ 121,418
Payroll Taxes & Withholdings Payable	1,646	5,106
Accrued Sick Pay	3,030	2,442
Current Portion of Loan Payable	93,404	86,486
	258,841	215,452
Current Liabilities (Payable from Restricted Assets):		
Trust Funds:		
Reserve for Developer's Deposits	28,467	57,363
Total Current Liabilities	287,308	272,815
Long Term Liabilities:		
Long Term Portion of Loan Payable	1,642,762	1,771,220
Total Liabilities	1,930,070	2,044,035
Net Assets:		
Invested in Capital Assets	6,091,197	6,517,589
Restricted	1,819,190	1,453,755
Unrestricted	310,515	358,946
Total Net Assets	8,220,902	8,330,290
TOTAL LIABILITIES AND NET ASSETS	\$ 10,150,972	\$ 10,374,325

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 ASSETS

	Year Ended	
	Dec. 31, 2011	Dec. 31, 2010
Operating Revenues:		
User Charges	\$ 931,500	\$ 922,900
Late Charges & Fees	6,505	9,831
Interest Income	11,762	18,531
Employee Contribution Health Insurance	1,115	1,203
Miscellaneous Other	127	1,790
Total Operating Revenues	<u>951,009</u>	<u>954,255</u>
Operating Expenses:		
Cost of Providing Services	683,070	688,668
Administrative and General	197,156	172,766
Depreciation	147,449	124,091
Total Operating Expenses	<u>1,027,675</u>	<u>985,525</u>
Operating Income (Loss)	<u>(76,666)</u>	<u>(31,270)</u>
Non-Operating Revenues (Expenses):		
Connection Fees	16,351	
Interest Income-Other Funds	8	88
Interest Expense	(49,525)	(51,275)
NJ Environmental Infrastructure Trust Credit	444	302
Total Non-Operating Revenues (Expenses)	<u>(32,722)</u>	<u>(50,885)</u>
Increase (Decrease) in Net Assets	(109,388)	(82,155)
Net Assets at Beginning of Year	<u>8,330,290</u>	<u>8,412,445</u>
Net Assets at End of Year	<u>\$ 8,220,902</u>	<u>\$ 8,330,290</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, 2011	Dec. 31, 2010
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 909,343	\$ 927,064
Other Operating Cash Receipts	7,747	12,824
Cash Payments to Suppliers & Employees	(843,755)	(873,172)
Interest Income	11,762	18,531
Net Cash Provided (Used) by Operating Activities	85,097	85,247
Cash Flows from Investing Activities:		
Interest Income-Other Funds	8	88
Net Cash Provided (Used) by Investing Activities	8	88
Cash Flow from Capital and Related Financing Activities:		
Connection Fees	16,351	
Proceeds from Developer's Deposits (Net)	(28,896)	(1,432)
NJ Environmental Infrastructure Trust Credit	444	302
Construction in Progress	(83,129)	(1,085,274)
Loan Payments Received	448,555	985,772
Payment of Debt Principal	(86,486)	(87,556)
Payment of Debt Interest	(49,525)	(51,275)
Net Cash Provided (Used) by Capital & Related Financing Activities	217,314	(239,463)
Increase (Decrease) in Cash and Cash Equivalents	302,419	(154,128)
Cash and Cash Equivalents at Beginning of Year	1,940,300	2,094,428
Cash and Cash Equivalents at End of Year	\$ 2,242,719	\$ 1,940,300
Reconciliation of Balance Sheet:		
Unrestricted Cash and Cash Equivalents	\$ 395,062	\$ 429,182
Restricted Cash and Cash Equivalents	1,847,657	1,511,118
	\$ 2,242,719	\$ 1,940,300

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, 2011	Dec. 31, 2010
Reconciliation of Income from Operations to Net Cash Provided (Used) by Operating Activities:		
Income (Loss) from Operations	\$ (76,666)	\$ (31,270)
Adjustments to Reconcile Income from Operations to Net Cash Provided (Used) by Operating Activities:		
Depreciation	147,449	124,091
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(22,157)	4,164
Increase (Decrease) in Accounts Payable	39,343	(9,402)
Increase (Decrease) in Payroll Taxes & Withholdings Payable	(3,460)	448
Increase (Decrease) in Accrued Sick Pay	588	(2,784)
Net Cash Provided (Used) in Operating Activities	\$ 85,097	\$ 85,247

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
YEAR ENDED DECEMBER 31, 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 balance sheet. Net assets (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 balance sheet 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
 YEAR ENDED DECEMBER 31, 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	50-75 Years
Sewer Mains	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:

Fund	Account	Use for Which Restricted
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
 YEAR ENDED DECEMBER 31, 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 (balance sheet) amounts were \$2,242,719 and \$1,940,300 for December 31, 2011 and 2010, respectively. The bank balances were \$2,242,707 and \$1,991,593 for December 31, 2011 and 2010, respectively.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 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, 2011 and 2010.

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 for investments defined as category 3 assets under GASB Statement No. 3. Since all of the deposits and investments of the authority are category 1 assets, these disclosures are not required.
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
 YEAR ENDED DECEMBER 31, 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.

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 October 1, 2011, the rate will increase to 6.5%. 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 Funded	Annual Contribution	
	Authority	Employee
2011	\$ 12,858	\$ 4,205
2010	10,800	7,058
2009	5,187	6,866

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

NOTE 5: CAPITAL ASSETS

Capital asset activity during the year was as follows:

	Balance Dec 31, 2010	Additions	Disposals	Balance Dec 31, 2011
Sewer Distribution System:				
Contributed	\$ 4,917,253			\$ 4,917,253
Constructed	3,234,715	\$ 1,381,492		4,616,207
Construction in Progress	1,337,986	82,796	\$1,381,492	39,290
Maintenance Equipment	35,063			35,063
Transportation Equipment	41,562			41,562
Office Furniture & Equipment	46,225			46,225
Sewer Capacity Purchased	300,000			300,000
Total Capital Assets	<u>9,912,804</u>	<u>1,464,288</u>	<u>1,381,492</u>	<u>9,995,600</u>
Accumulated Depreciation	<u>(2,079,505)</u>	<u>(147,115)</u>		<u>(2,226,620)</u>
Net Capital Assets	<u>\$ 7,833,299</u>	<u>\$ 1,317,173</u>	<u>\$1,381,492</u>	<u>\$ 7,768,980</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, 2011 and 2010, the liability to the Authority would be approximately \$3,030 and \$2,442, 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
YEAR ENDED DECEMBER 31, 2011
(Continued)

NOTE 9: LONG-TERM DEBT

Long-term Liability Activity for the year ended December 31, 2011 is as follows:

	Balance Dec 31, 2010	Loan De- obligated	Loan Payment	Balance Dec 31, 2011	Due Within 1 Year
NJ Environmental Infra- structure Trust:					
2004 Issue:					
Interest Free Loan	\$ 179,227		\$ 12,944	\$ 166,283	\$ 12,621
Loan	225,000		10,000	205,000	10,000
2010 Issue:					
Interest Free Loan	770,000		25,000	745,000	30,000
Loan	693,479	\$ 35,054	38,542	619,883	40,783
Total	\$ 1,857,706	\$ 35,054	\$ 86,486	\$ 1,736,166	\$ 93,404

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

Year Ending December 31,	Loan Principal	Loan Interest	Total
2012	\$ 93,404	\$ 47,775	\$ 141,179
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
2017-2021	546,896	157,975	704,871
2022-2026	547,129	78,050	625,179
2027-2028	146,987	9,500	156,487
Total	\$ 1,736,166	\$ 463,850	\$ 2,200,016

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%	\$ 205,000
\$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	166,283
\$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%	745,000
\$697,714 interest free loan due in annual installments of \$38,482 to \$41,381 beginning February 1, 2010 through August 1, 2027	619,883
	<u>\$ 1,736,166</u>

SUPPLEMENTARY SCHEDULES

CLINTON TOWNSHIP SEWERAGE AUTHORITY
 (A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
 SCHEDULE OF CHANGES IN RESTRICTED ACCOUNTS
 YEAR ENDED DECEMBER 31, 2011

	Net Assets					Total Restricted Accounts	
	Trust Fund Developer's Deposits	State Unemployment Ins	Special Construction	Construction Fund	Renewals & Replacements		Total Net Assets
Cash & Cash Equivalents at Beginning of Year	\$ 57,363	\$ 6,000	\$ -	\$ 913,700	\$ 534,055	\$ 1,453,755	\$ 1,511,118
Additions:							
Interest Income	3	8				8	11
Developers Deposits	1,750						1,750
NJ Environmental Infrastructure Loan Receipts			448,556			448,556	448,556
Inter-Account Transfer					365,427	365,427	365,427
Total Additions	1,753	8	448,556	-	365,427	813,991	815,744
Total Funds Available	59,116	6,008	448,556	913,700	899,482	2,267,746	2,326,862
Deductions:							
Capital Projects-2011 Expenditures			83,129			83,129	83,129
Development Fees	30,649						30,649
Inter-Account Transfer			365,427			365,427	365,427
Total Deductions	30,649	-	448,556	-	-	448,556	479,205
Cash & Cash Equivalents at End of Year	\$ 28,467	\$ 6,008	\$ -	\$ 913,700	\$ 899,482	\$ 1,819,190	\$ 1,847,657

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011		2010	
	Budget	Actual	Budget	Actual
REVENUES				
Net Assets Appropriated	\$ 114,671	\$ 114,671	\$ 225,592	\$ 225,592
Revenues-Regular:				
User Charges	936,800	931,500	923,800	922,900
Late Charges and Fees	8,000	6,505	5,000	9,831
Interest on Investments	15,000	11,762	10,000	18,531
Connection Fees		16,351		
NJ Environmental Infrastructure				
Trust Credits		444		302
Employee Contribution Health Insurance		1,115		1,203
Miscellaneous Other		127		1,790
Total Revenues Regular	<u>959,800</u>	<u>967,804</u>	<u>938,800</u>	<u>954,557</u>
TOTAL REVENUES	<u><u>\$ 1,074,471</u></u>	<u><u>\$ 1,082,475</u></u>	<u><u>\$ 1,164,392</u></u>	<u><u>\$ 1,180,149</u></u>
EXPENSES				
Administrative and General:				
Salaries and Wages	\$ 46,800	\$ 46,934	\$ 45,800	\$ 45,830
Public Employee's Retirement System	13,835	12,858	9,341	10,800
Payroll Taxes	3,545	4,119	3,510	3,474
Unemployment Compensation	100		500	
Hospitalization	11,000	11,404	11,000	10,006
Dental Insurance	1,000	1,087	1,000	886
Legal Fees	30,000	14,673	40,000	21,107
Engineering Fees	30,000	41,436	40,000	19,654
Auditing & Accounting Fees	13,500	13,500	14,000	13,500
Insurance	12,000	10,756	20,000	10,225
Office Supplies & Expenses	3,000	3,340	3,000	2,235
Postage	2,500	2,339	2,500	2,166
Computer Expenses	2,000	2,111	3,000	1,721
Director's Fees	5,100	5,000	5,100	4,100
Telephone	10,500	10,248	10,000	10,505
Rent	9,000	9,000	9,000	9,000
Education	700	117	1,000	117
Capacity Reserve - Deer Meadow	2,100	2,046	2,100	2,046
Advertising	500	132	500	141
Office Equipment				976
Debt Service Administrative Fee		3,179		3,179
Miscellaneous - Contingency	1,000	2,877	1,000	1,098
Total Administrative and General	<u>198,180</u>	<u>197,156</u>	<u>222,351</u>	<u>172,766</u>

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)

	2011		2010	
	Budget	Actual	Budget	Actual
COST OF PROVIDING SERVICES				
Regular:				
Salaries and Wages	\$ 85,500	\$ 35,101	\$ 83,800	\$ 79,713
Payroll Taxes	6,580	2,983	6,210	6,368
Hospitalization	19,000	7,483	19,000	16,267
Dental Insurance	1,500	374	2,000	1,106
Repairs and Maintenance Supplies	24,000	8,726	27,500	7,670
Electric	48,000	41,814	47,250	41,349
Treatment Cost	425,000	417,655	425,000	421,945
Calibration	5,000	4,568	6,000	4,568
Vehicle Maintenance	5,000	4,809	5,000	4,056
Maintenance Labor-Operator		52,303		
Maintenance Labor-Contracted	15,000	23,989	20,000	21,232
Medical			500	
Travel	2,000	1,748	1,750	1,753
Share of Cost-Upgrade	82,000	80,702	82,000	81,851
NJ on Call	1,200	815	1,200	790
Line Testing & Repairs	15,000		15,000	
Geographic Information System	500		1,000	
Sub-Total	<u>735,280</u>	<u>683,070</u>	<u>743,210</u>	<u>688,668</u>
 Total Cost of Providing Services	 <u>933,460</u>	 <u>880,226</u>	 <u>965,561</u>	 <u>861,434</u>
 DEBT SERVICE				
Principal	86,486	86,486	87,556	87,556
Interest	49,525	49,525	51,275	51,275
Total Debt Service	<u>136,011</u>	<u>136,011</u>	<u>138,831</u>	<u>138,831</u>
 RESERVES & CAPITAL OUTLAY				
Capital Outlays	5,000		10,000	
Renewals & Replacements			50,000	50,000
Total Reserves & Capital Outlay	<u>5,000</u>	<u>-</u>	<u>60,000</u>	<u>50,000</u>
 TOTAL EXPENSES	 <u>\$ 1,074,471</u>	 <u>\$ 1,016,237</u>	 <u>\$ 1,164,392</u>	 <u>\$ 1,050,265</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, 2011

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

April 27, 2012

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

We have audited the financial statements of the Clinton Township Sewerage Authority, (a component unit of the Township of Clinton) as of and for the year ended December 31, 2011, and have issued our report thereon dated April 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as stated in the General Comments and Recommendations section of this report, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described in the General Comments and Recommendations section of this report is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these 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 non-compliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the management of the Authority, state audit agencies and federal award agencies and is not intended to be and should not be used by anyone other than these specified parties.



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