REPORT OF AUDIT

CLINTON TOWNSHIP SEWERAGE AUTHORITY

(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)

COUNTY OF HUNTERDON

YEAR 2015

BEDARD, KUROWICKI & CO., CPA'S, PC
CERTIFIED PUBLIC ACCOUNTANTS

CLINTON TOWNSHIP SEWERAGE AUTHORITY

(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)

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(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)

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AND REQUIRED SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
ROSTER OF OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2015

Members	Title
Peter Geiger	Chairman
Michael McCue	Vice Chairman
John Lazarus	Treasurer
Edward Schneider	Secretary
Katrin Glode-Sethna	Member
Steven Krommenhoek	Member

* * * * * *

Administration	Title
Meliss Paulus	Administrator
C. Gregory Watts	General Counsel
John Rolak	Engineer

Bedard, Kurowicki & Co.
Certified Public Accountants, PC
www.bkc-cpa.com

INDEPENDENT AUDITORS' REPORT

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, 2015 and 2014 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.

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, 2015 and 2014, 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.

Emphasis of Matter

As discussed in Note 4 to the basic financial statements, the Authority implemented Governmental Auditing Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions-An Amendment to GASB Statement No. 27 during the year ended December 31, 2015. Our opinions are not modified with respect to this matter. The implementation resulted in the restatement of certain balances of the Comparative Statement of Net Position; Comparative Statement of Revenues, Expenses and Changes in Net Position, and the ending balance for Net Position as of December 31, 2014 as detailed in note 4 to the financial statements.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary pension schedules be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements.

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 June 10, 2016 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.

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC

June 10, 2016
Flemington, New Jersey

REQUIRED SUPPLEMENTARY SCHEDULES

CLINTON TOWNSHIP SEWERAGE AUTHORITY
FINANCIAL REPORT – FOR THE YEAR 2015 (GASB)

INTRODUCTION

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

MISSION

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

RESPONSIBILITY AND CONTROLS

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

The CTSA is made up of six appointed Members.

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

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

SUMMARY OF ORGANIZATION

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

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

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

INTRODUCTION

AUDIT CONTROL

The audit is conducted by independent auditors, Bedard, Kurowicki & Co., CPA's, PC, 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, 2015. Please read it in conjunction with the CTSA's financial statements (Exhibits A), which follow this section.

FINANCIAL HIGHLIGHTS

1. The CTSA's total assets decreased 1% over the course of this year's operations.
2. During the year, the CTSA's operating revenues increased by 1.5%.
3. Operating expenses decreased by 19.6%. Accounts payable decreased by $76,417. Expenses decreased by $236,271 for treatment costs in comparison to the prior year which was a larger factor in the decrease to operating expenses.
4. Net position decreased by 2.6%. This was primarily a result of using reserved funds for anticipated projects.

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)

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 report 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, 2015, 2014, AND 2013

Condensed Statement of Net Position

	December 31, 2015	December 31, 2014	December 31, 2013
Unrestricted Assets	$ 429,591	$ 442,134	$ 518,553
Restricted Assets	1,404,162	1,895,062	1,839,895
Capital Assets, Net	9,474,384	9,090,902	9,275,144
Total Assets	11,308,137	11,428,098	11,633,592
Deferred Outflows of Resources	40,529	7,762	-
Total Assets and Deferred Outflows of Resources	$ 11,348,666	$ 11,435,860	$ 11,633,592
Current Liabilities:			
Unrestricted	$ 239,767	$ 317,893	$ 288,631
Restricted	33,174	28,653	29,937
Long-Term Liabilities	1,419,999	1,478,135	1,451,380
Total Liabilities	1,692,940	1,824,681	1,769,948
Deferred Inflows of Resources	2,878	7,906	132,656
Net Position:			
Net Investment in Capital Asset	8,128,905	7,639,522	7,724,567
Restricted	1,370,988	1,866,409	1,809,958
Unrestricted	152,955	97,342	196,463
Total Net Position	9,652,848	9,603,273	9,730,988
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 11,348,666	$ 11,435,860	$ 11,633,592

Condensed Statement of Revenues, Expenses and Changes in Net Position

	December 31, 2015	December 31, 2014	December 31, 2013
Operating Revenues	$ 1,157,847	$ 1,140,853	$ 1,013,242
Operating Expenses	1,073,575	1,335,382	1,073,753
Operating Income (Loss)	84,272	(194,529)	(60,511)
Non-Operating Revenues (Expenses)	(34,697)	66,958	(30,431)
Prior Period Adjustment - Net Pension Liabiity	-	(144)	(132,656)
Increase (Decrease) in Net Position	49,575	(127,715)	(223,598)
Net Position @ Beginning of Year	9,603,273	9,730,988	9,954,586
Net Position @ End of Year	$ 9,652,848	$ 9,603,273	$ 9,730,988

CLINTON TOWNSHIP SEWERAGE AUTHORITY

(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)

PART II

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014

FINANCIAL STATEMENTS

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Unrestricted Assets:		
Cash and Cash Equivalents	$ 308,735	$ 347,517
Accounts Receivable	120,856	94,617
Total Unrestricted Assets	429,591	442,134
Restricted Assets:		
Cash and Cash Equivalents	1,404,162	1,895,062
Total Restricted Assets	1,404,162	1,895,062
Capital Assets:		
Capital Assets not Being Depreciated	1,015,022	434,593
Capital Assets Being Depreciated	11,526,230	11,507,986
Less: Accumulated Depreciation	(3,066,868)	(2,851,677)
Net Capital Assets	9,474,384	9,090,902
Total Assets	11,308,137	11,428,098
Deferred Outflows of Resources:		
Deferred Amount on Pension Activity	40,529	7,762
Total Assets and Deferred Outflows of Resources	$ 11,348,666	$ 11,435,860

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
COMPARATIVE STATEMENT OF NET POSITION (Continued)
DECEMBER 31, 2015 AND 2014

	2015	2014
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities (Payable from Unrestricted Assets):		
Accounts Payable	$ 128,119	$ 204,536
Payroll Taxes & Withholdings Payable	489	1,956
Accrued Sick Pay	6,692	5,500
Current Portion of Loan Payable	104,467	105,901
	239,767	317,893
Current Liabilities (Payable from Restricted Assets):		
Trust Funds:		
Reserve for Developer's Deposits	33,174	28,653
Total Current Liabilities	272,941	346,546
Noncurrent Liabilities (Payable from Unrestricted Assets):		
Long-Term Portion of Loan Payable	1,241,012	1,345,479
Net Pension Liability	178,987	132,656
Total Noncurrent Liabilities	1,419,999	1,478,135
Total Liabilities	1,692,940	1,824,681
Deferred Inflows of Resources:		
Deferred Amount on Pension Activity	2,878	7,906
Net Position:		
Net Investment in Capital Assets	8,128,905	7,639,522
Restricted	1,370,988	1,866,409
Unrestricted	152,955	97,342
Total Net Position	9,652,848	9,603,273
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 11,348,666	$ 11,435,860

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, 2015	Dec.31, 2014
Operating Revenues:		
User Charges	$ 1,131,120	$ 1,120,545
Late Charges & Fees	9,394	10,930
Interest Income	8,758	5,649
Employee Contribution Health Insurance	3,990	2,547
Miscellaneous Other	4,585	1,182
Total Operating Revenues	1,157,847	1,140,853
Operating Expenses:		
Cost of Providing Services	661,485	895,721
Administrative and General	196,899	226,867
Depreciation	215,191	212,794
Total Operating Expenses	1,073,575	1,335,382
Operating Income (Loss)	84,272	(194,529)
Non-Operating Revenues (Expenses):		
Connection Fees	5,122	35,476
Interest Income-Other Funds	8	3
Interest Expense	(41,675)	(43,775)
NJ Environmental Infrastructure Trust Credit	1,848	1,914
Administrative Fee-Damage Claim	-	17,015
Prior Year Refund-Damage Claim	-	56,325
Total Non-Operating Revenues (Expenses)	(34,697)	66,958
Increase (Decrease) in Net Position	49,575	(127,571)
Net Position at Beginning of Year	9,603,273	9,863,644
Restatement to Include Net Pension Liability	-	(132,800)
Net Position at Beginning of Year - Restated	9,603,273	9,730,844
Net Position at End of Year	$ 9,652,848	$ 9,603,273

See Accompanying Notes To Fiancial Statements

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

	Year Ended Dec. 31, 2015	Year Ended Dec.31, 2014
Cash Flows from Operating Activities:		
Cash Received from Customers	$ 1,104,881	$ 1,112,741
Other Operating Cash Receipts	17,969	14,659
Cash Payments to Suppliers & Employees	(926,540)	(1,093,046)
Interest Income	8,758	5,649
Net Cash Provided (Used) by Operating Activities	205,068	40,003
Cash Flows from Investing Activities:		
Interest Income-Other Funds	8	3
Net Cash Provided (Used) by Investing Activities	8	3
Cash Flow from Capital and Related Financing Activities:		
Connection Fees	5,122	35,476
Proceeds from Developer's Deposits (Net)	4,518	(1,287)
NJ Environmental Infrastructure Trust Credit	1,848	1,914
Construction in Progress	(580,429)	(21,772)
Purchase of Capital Assets	(18,241)	(6,779)
Damage Claim Receivable Expenditures	-	(182,355)
Damage Claim Recovery	-	305,000
Payment of Debt Principal	(105,901)	(99,197)
Payment of Debt Interest	(41,675)	(43,775)
Net Cash Provided (Used) by Capital & Related Financing Activitie	(734,758)	(12,775)
Increase (Decrease) in Cash and Cash Equivalents	(529,682)	27,231
Cash and Cash Equivalents at Beginning of Year	2,242,579	2,215,348
Cash and Cash Equivalents at End of Year	$ 1,712,897	$ 2,242,579
Reconciliation of Statement of Net Position:		
Unrestricted Cash and Cash Equivalents	$ 308,735	$ 347,517
Restricted Cash and Cash Equivalents	1,404,162	1,895,062
	$ 1,712,897	$ 2,242,579

See Accompanying Notes To Fiancial Statements

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

	Year Ended December 31, 2015	Year Ended December 31, 2014
Reconciliation of Income from Operations to Net Cash Provided (Used) by Operating Activities:		
Income (Loss) from Operations	$ 84,272	$ (194,529)
Adjustments to Reconcile Income from Operations to Net Cash Provided (Used) by Operating Activities:		
Depreciation	215,191	212,794
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(26,239)	(7,804)
(Increase) Decrease in Prepaid Debt Service	-	6,984
(Increase) Decrease in Deferred Outflow of Resources	(32,767)	-
Increase (Decrease) in Accounts Payable	(76,417)	21,199
Increase (Decrease) in Payroll Taxes & Withholdings Payable	(1,467)	(42)
Increase (Decrease) in Accrued Sick Pay	1,192	1,401
Increase (Decrease) in Deferred Inflow of Resources	(5,028)	-
Increase (Decrease) in Net Pension Liability	46,331	-
Total Adjustments	120,796	234,532
Net Cash Provided (Used) in Operating Activities	$ 205,068	$ 40,003

FINANCIAL STATEMENTS

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Basis of Presentation - Fund Accounting

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

C. Basis of Accounting

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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 affect 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

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

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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. U.S. 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 $1,712,897 and $2,242,579 for December 31, 2015 and 2014, respectively. The bank balances were $1,712,747 and $2,247,865 for December 31, 2015 and 2014, respectively.

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, 2015 and 2014.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 3: CASH AND INVESTMENTS (Continued)

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 U.S. government and investments in mutual funds or pools. This disclosure is reported below under Concentration of Credit Risk.

Deposit and Investment Risk (Continued)

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
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NOTE 4: PENSION PLAN

Employees, who are eligible for a pension plan, are enrolled in the Public Employees' Retirement System (PERS), 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 defined benefit pension plan. For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The vesting and benefit provisions are set by NJSA 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1.	Members enrolled prior to July 1, 2007
2.	Members eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3.	Members eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4.	Members eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5.	Members eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

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NOTE 4: PENSION PLAN (Continued)

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amounts by employer. The allocation percentages for each group as of June 30, 2015 and 2014 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2015 and 2014, respectively.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented in the Division's schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2015 and 2014. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer may result in immaterial differences.

Contributions

The contribution policy for PERS is set by NJSA 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For Fiscal years 2015 and 2014, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, PL 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 4: PENSION PLAN (Continued)

Contributions (Continued)

The contribution policy is set by 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 will gradually increase the employee contribution rate for PERS members. Effective October 1, 2011 the rate increased from 5.50% to 6.50% of annual contractual compensation for employees enrolled in the PERS pension plans. The rate will increase each year on the first of July over a seven year phase-in period until the withholding rate reaches 7.50% effective July 1, 2018.

Three-Year Trend Information for PERS:

Year	Annual Contribution	
Funded	Authority	Employee
2015	$ 5,841	$ 4,194
2014	5,085	3,768
2013	11,061	3,288

Components of Net Pension Liability

The components of the Authority’s allocable share of the net pension liability for PERS as of June 30, 2015 and 2014 are as follows:

	2015	2014
Total Pension Liability	$ 343,731	$ 276,832
Plan Fiduciary Net Position	164,744	144,176
Net Pension Liability	$ 178,987	$ 132,656
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%

NOTE 4: PENSION PLAN (Continued)

Contributions (Continued)

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	3.04%
Salary Increases (Based on Age):	
2012-2021	2.15% - 4.40%
Thereafter	3.15% - 5.40%
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
NOTES TO FINANCIAL STATEMENTS
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NOTE 4: PENSION PLAN (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees, and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds / Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex U.S.	3.50%	4.25%
REIT	4.25%	5.12%

CLINTON TOWNSHIP SEWERAGE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
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NOTE 4: PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the Authority as of June 30, 2015 and 2014, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	2015
At Current Discount Rate (4.90%)	$ 178,987
At a 1% Lower Rate (3.90%)	222,459
At a 1% Higher Rate (5.90%)	142,541

	2014
At Current Discount Rate (5.39%)	$ 132,656
At a 1% Lower Rate (4.39%)	166,885
At a 1% Higher Rate (6.39%)	103,912

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 4: PENSION PLAN (Continued)

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,270	$ -
Changes of assumptions	19,222	-
Net difference between projected and actual earnings on pension plan investments	-	2,878
Changes in proportion and differences between Authority contributions and proportionate share of contributions	17,037	-
Total	$ 40,529	$ 2,878

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the plan measurement date year ended June 30, 2015:

	Beginning Balance	Increases	Decreases	Ending Balance
Deferred Outflows of Resources:				
Changes of Assumptions	$ 4,694	$ 23,826	$ 5,028	$ 23,492
Deferred Inflows of Resources:				
Difference Between Projected and Actual Earnings on Pension Plan Investments	8,897	(4,744)	1,275	2,878
Net of Deferred Outflows (Inflows)				$ 20,614

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding employer specific amounts, deferrals from Authority contributions subsequent to the measurement date, and deferrals from change on proportion) will be recognized in pension expense as follows:

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 4: PENSION PLAN (Continued)

Collective Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Year Ending June 30,	
2016	$ 3,753
2017	3,753
2018	3,753
2019	5,976
2020	3,379
Total	$ 20,614

Pension Expense

For the year ended December 31, 2015, the Authority recognized net pension expense of $21,232 which represents the Authority's proportionate share of allocable plan pension expense of $11,742 plus the net amortization of deferred amounts from changes in proportion of $3,649 plus the actual contribution paid by the Authority in the current year of $5,841. The components of allocable pension expense, which exclude amounts attributable to employer paid member contributions and pension expense related to specific liabilities of individual employers, for the Authority for the measurement date fiscal year ending June 30, 2015 are as follows:

Service Cost	$ 7,032
Interest on Total Pension Liability	16,760
Member Contributions	(3,890)
Administrative Expense	131
Expected Investment Return Net of Investment Expense	(11,975)
Pension Expense Related to Specific Liabilities of Individual Employers	(70)
Recognition of Deferred Inflows/Outflows of Resources:	
Amortization of Assumption Changes or Inputs	4,124
Amortization of Expected and Actual Experience	905
Amortization of Projected Versus Actual Investment Earnings on Pension Plan Investments	(1,275)
Pension Expense	$ 11,742

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 5: CAPITAL ASSETS

Capital asset activity during the year was as follows:

	Balance Dec 31, 2014	Additions	Disposals	Balance Dec 31, 2015
Sewer Distribution System:				
Contributed	$ 6,683,053	$ -	$ -	$ 6,683,053
Constructed	4,616,207	-	-	4,616,207
Construction in Progress	134,593	580,429	-	715,022
Maintenance Equipment	114,160	18,244	-	132,404
Transportation Equipment	41,562	-	-	41,562
Office Furniture & Equipment	53,004	-	-	53,004
Sewer Capacity Purchased	300,000	-	-	300,000
Total Capital Assets	11,942,579	598,673	-	12,541,252
Accumulated Depreciation	(2,851,677)	(215,191)	-	(3,066,868)
Net Capital Assets	$ 9,090,902	$ 383,482	$ -	$ 9,474,384

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, 2015 and 2014, the liability to the Authority would be approximately $6,692 and $5,500, 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
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 9: LONG-TERM DEBT

Long-term Liability Activity for the year ended December 31, 2015 is as follows:

	Balance Dec 31, 2014	Loan Payment	Balance Dec 31, 2015	Due Within 1 Year
NJ Environmental Infrastructure Trust:				
2004 Issue:				
Interest Free Loan	$ 126,157	$ 14,819	$ 111,338	$ 14,431
Loan	170,000	15,000	155,000	15,000
2010 Issue:				
Interest Free Loan	500,223	41,082	459,141	40,036
Loan	655,000	35,000	620,000	35,000
Total	$ 1,451,380	$ 105,901	$ 1,345,479	$ 104,467

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

Year Ending December 31,	Loan Principal	Loan Interest	Total
2016	$ 104,467	$ 39,325	$ 143,792
2017	103,033	36,975	140,008
2018	109,490	34,475	143,965
2019	107,810	31,725	139,535
2020	106,071	28,875	134,946
2021-2025	566,240	94,725	660,965
2026-2028	248,368	18,750	267,118
Total	$ 1,345,479	$ 284,850	$ 1,630,329

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%	$ 155,000
$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	111,338
$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%	620,000
$697,714 interest free loan due in annual installments of $38,482 to $41,381 beginning February 1, 2010 through August 1, 2027	459,141
	$ 1,345,479

CLINTON TOWNSHIP SEWERAGE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 10: SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through June 10, 2016, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

NOTE 11: LITIGATION

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

As of December 31, 2015 the Authority has withheld $338,115 from the municipality, in escrow, sanitary sewer treatment costs which are in dispute.

NOTE 12: RESTATEMENT OF PRIOR YEAR NET POSITION

During the year ending December 31, 2015, the Authority has determined that a restatement of its prior year net position is necessary. Due to changes in accounting principles resulting from the issuance of Government Accounting Standards Board's (GASB) Statement No. 68, for pension liabilities, adjustments to the net position for the net pension liability and deferred outflows of resources as of the measurement date of June 30, 2014 are necessary. The following is a summary of the Authority's restatement of net position as of December 31, 2014:

		Business-Type Activities
Net Position, December 31, 2014 as Originally Stated		$ 9,736,073
Add: Deferred Outflow of Resources for Pension Activity		7,762
Less: Net Pension Liability as of December 31, 2014	($132,656)	
Deferred Inflow of Resources for Pension Activity	(7,906)	
		(140,562)
Net Position, December 31, 2014 as Restated		$ 9,603,273

NOTE 13: 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 February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72 *"Fair Value Measurement and Application".* This statement, which is effective for reporting periods beginning after June 15, 2015, is not expected to have a material impact on the Authority's financial reporting.

NOTE 13: RECENT ACCOUNTING PRONOUNCEMENTS NOT YET EFFECTIVE (Continued)

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 73 "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68."* This statement, which is effective for reporting periods beginning after June 15, 2015 and June 15, 2016 for pension systems not within the scope of GASB 68, is not expected to have a material impact on the Authority's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74 *"Financial Reporting for Postemployment Benefit Plans Other than Pension Plans"*. This statement, which is effective for reporting periods beginning after June 15, 2016, is not expected to have a material effect on the Authority's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75 *"Accounting and Financial Reporting for Postemployment Benefits Other than Pensions".* This statement, which is effective for reporting periods beginning after June 15, 2017, is not expected to have a material effect on the Authority's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 76 *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments".* This statement, which is effective for reporting periods beginning after June 15, 2015, is not expected to have a material impact on the Authority's financial reporting.

In August 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 77 *"Tax Abatement Disclosures".* This statement, which is effective for reporting periods beginning after December 15, 2015, is not expected to have a material impact on the Authority's financial reporting.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 78 *"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans".* This statement, which is effective for reporting periods beginning after December 15, 2015, is not expected to have a material impact on the Authority's financial reporting.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 79 *"Certain External Investment Pools and Pool Participants".* This statement, which is effective for reporting periods beginning after December 15, 2015, is not expected to have a material impact on the Authority's financial reporting.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 13: RECENT ACCOUNTING PRONOUNCEMENTS NOT YET EFFECTIVE (Continued)

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 80 *"Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*". This statement, which is effective for reporting periods beginning after June 15, 2016, is not expected to have a material impact on the Authority's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 81 *"Irrevocable Split-Interest Agreements".* This statement, which is effective for reporting periods beginning after June 15, 2016, is not expected to have a material impact on the Authority's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82 *"Pension Issues - an amendment of GASB Statements No. 67, No. 68 and No. 73".* This statement is effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. This statement is not expected to have a material impact on the Authority's financial reporting.

REQUIRED SUPPLEMENTARY INFORMATION PART II

CLINTON TOWNSHIP SEWERAGE AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE YEARS
UNAUDITED

	Year Ending December 31,		
	2015	2014	2013
Authority's Proportion of the Net Pension Liability	0.0007973417%	0.0007085277%	0.0006862827%
Authority's Proportion of the Net Pension Liability	$ 178,987	$ 132,656	$ 131,162
Authority's Covered Employee Payroll	60,000	55,000	49,000
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	298.31%	241.19%	267.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%

CLINTON TOWNSHIP SEWERAGE AUTHORITY
SCHEDULE OF THE AUTHORITY CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE YEARS
UNAUDITED

	Year Ending December 31,		
	2015	2014	2013
Contractually Required Contributions	$ 6,855	$ 5,841	$ 5,171
Contributions in Relation to the Contractually Required Contribution	6,855	5,841	5,085
Contribution Deficiency (Excess)	$ 13,710	$ 11,682	$ 10,256
Authority's Covered Employee Payroll	60,000	55,000	49,000
Contributions as a Percentage of Covered Employee Payroll	11.43%	10.62%	10.55%

See Accompanying Notes To Financial Statements

CLINTON TOWNSHIP SEWERAGE AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION-PART II
YEAR ENDED DECEMBER 31, 2015

NOTE 1: PUBLIC EMPLOYEES RETIREMENT SYSTEM

There were no changes in benefit terms.

Changes in assumptions

The discount rate used to measure the total pension liability was 4.90% as of the June 30, 2015 plan measurement date and 5.39% as of the June 30, 2014 plan measurement date. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90% for both plan measurement dates and municipal bond rates of 3.80% and 4.29% for the respective plan measurement dates of June 30, 2015 and June 30, 2014.

SUPPLEMENTARY SCHEDULES

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
SCHEDULE OF CHANGES IN NET POSITION-RESTRICTED
FOR THE YEAR ENDED DECEMBER 31, 2015

	Trust Fund Developer's Deposits	Net Assets: State Unemployment Insurance	Net Assets: Special Construction	Net Assets: Construction Fund	Net Assets: Renewals & Replacements	Net Assets: Total Net Assets	Total Restricted Accounts
Cash & Cash Equivalents at Beginning of Year	$ 28,653	$ 6,020	$ -	$ 1,083,700	$ 776,689	$ 1,866,409	$ 1,895,062
Additions:							
Interest Income	3	8	-	-	-	8	11
Developers Deposits	6,500	-	-	-	-	-	6,500
Budget Transfer	-	-	-	-	85,000	85,000	85,000
Inter-Account Transfer	-	-	580,429	-	-	580,429	580,429
Total Additions	6,503	8	580,429	-	85,000	665,437	671,940
Total Funds Available	35,156	6,028	580,429	1,083,700	861,689	2,531,846	2,567,002
Deductions:							
Capital Projects - Current Year Expenditures	-	-	580,429	-	-	580,429	580,429
Developers Fees	1,982	-	-	-	-	-	1,982
Inter-Account Transfer	-	-	-	580,429	-	580,429	580,429
Total Deductions	1,982	-	580,429	580,429	-	1,160,858	1,162,840
Cash & Cash Equivalents at End of Year	$ 33,174	$ 6,028	$ -	$ 503,271	$ 861,689	$ 1,370,988	$ 1,404,162

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
SCHEDULE OF OPERATING REVENUES AND COSTS COMPARED TO BUDGET
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015		2014	
	Budget	Actual	Budget	Actual
REVENUES				
Net Assets Appropriated	$ 34,276	$ 34,276	$ 66,532	$ 66,532
Revenues-Regular:				
User Charges	1,126,560	1,131,120	1,122,800	1,120,545
Late Charges and Fees	18,000	9,394	3,560	10,930
Interest on Investments	5,200	8,758	5,000	5,649
Connection Fees	-	5,122	-	35,476
NJ Environmental Infrastructure Trust Credits	-	1,848	-	1,914
Employee Contribution Health Insurance	-	3,990	-	2,547
Administrative Fee-Damage Claim	-	-	-	17,015
Prior Year Refund-Damage Claim	-	-	-	56,325
Miscellaneous Other	2,915	4,585	-	1,182
Total Revenues Regular	1,152,675	1,164,817	1,131,360	1,251,583
TOTAL REVENUES	$ 1,186,951	$ 1,199,093	$ 1,197,892	$ 1,318,115
EXPENSES				
Administrative and General:				
Salaries and Wages	$ 65,000	$ 61,192	$ 52,000	$ 62,901
Public Employee's Retirement System	6,825	5,841	6,500	5,085
Pension Net Liability	-	8,536	-	-
Payroll Taxes	4,200	4,274	4,000	4,740
Unemployment Compensation	100	-	100	-
Health Insurance	16,800	19,305	16,000	17,126
Dental Insurance	1,250	965	1,200	998
Legal Fees	32,400	16,518	30,000	31,749
Engineering Fees	27,000	15,427	25,000	42,373
Auditing & Accounting Fees	22,600	15,954	20,900	14,843
Insurance	12,000	10,373	12,000	10,490
Office Supplies & Expenses	3,000	1,837	3,000	1,589
Postage	4,000	2,856	2,500	2,932
Computer Expenses	1,500	1,100	1,500	1,100
Director's Fees	6,100	6,100	5,100	5,767
Telephone	9,000	11,270	9,000	9,611
Rent	9,000	9,000	9,000	9,000
Education	2,000	-	2,000	821
Capacity Reserve-Deer Meadow	2,100	2,046	2,100	2,046
Advertising	500	792	300	452
Debt Service Administrative Fee	-	3,180	-	3,179
Miscellaneous-Contingency	1,000	333	1,000	65
Total Administrative and General	226,375	196,899	203,200	226,867

CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)
SCHEDULE OF OPERATING REVENUES AND COSTS COMPARED TO BUDGET (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015		2014	
	Budget	Actual	Budget	Actual
COST OF PROVIDING SERVICES				
Regular:				
Repairs and Maintenance Supplies	$ 15,000	$ 25,270	$ 12,000	$ 18,229
Electric	32,000	45,187	28,000	36,493
Water Service	1,000	689	320	674
Treatment Cost	520,000	400,640	540,000	636,911
Calibration	5,000	4,568	5,000	4,568
Vehicle Maintenance	-	-	5,000	274
Maintenance Labor-Operator	122,000	127,692	140,200	116,948
Maintenance Labor-Contracted	30,000	55,364	33,000	78,482
Travel	2,000	784	2,000	2,041
NJ on Call	1,000	1,291	1,200	1,101
Sub-Total	728,000	661,485	766,720	895,721
Total Cost of Providing Services	954,375	858,384	969,920	1,122,588
DEBT SERVICE				
Principal	105,901	105,901	99,197	99,197
Interest	41,675	41,675	43,775	43,775
Total Debt Service	147,576	147,576	142,972	142,972
RESERVES & CAPITAL OUTLAY				
Capital Reserves	85,000	85,000	85,000	85,000
Total Reserves & Capital Outlay	85,000	85,000	85,000	85,000
TOTAL EXPENSES	$ 1,186,951	$ 1,090,960	$ 1,197,892	$ 1,350,560

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, 2015

BKC
Bedard, Kurowicki & Co.
Certified Public Accountants, PC
www.bkc-cpa.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MATTERS

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, 2015 and 2014, 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 June 10, 2016.

Report on Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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.

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC

June 10, 2016
Flemington, New Jersey

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 be aware of this situation and realize that the concentration duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization’s internal control. We do not believe that the condition described above represents a material weakness.

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

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

RECOMMENDATIONS

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

STATUS OF PRIOR YEAR'S AUDIT FINDINGS/RECOMMENDATIONS

There were no prior year recommendations.

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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.

Bedard, Kurowicki & Co.

BEDARD, KUROWICKI & CO., CPA'S, PC