

TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY

FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

For the Years Ended December 31, 2010 and 2009

TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY

AUDIT REPORT
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MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

A. Financial Highlights

1. The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$55,535,022 (net assets) as opposed to \$55,159,433 for the prior fiscal year.
2. The Authority's unrestricted/restricted cash and cash equivalent and investment balance at December 31, 2010 was \$4,964,877 representing a decrease of \$7,980,523 from the prior fiscal year. The decrease primarily funded the Waste Water Treatment Plant Upgrade Project. The cash balance of \$4,964,877 has been programmed by the Authority for future capital improvements and working capital. These improvements include the following projects:

Waste Water Treatment Plant Upgrade Project -	
Authority responsibility	\$1,180,000
2010 I & I Projects	700,000
Other Designated Projects	<u>400,000</u>
	<u>\$2,280,000</u>

3. The Authority had Total Operating Revenues of \$9,445,824 and Total Operating Expenses of \$9,254,061 (which includes a charge to operations of \$309,007 for unfunded post retirement medical benefits for the year ended December 31, 2010).
4. The Authority's cash capital outlays for the fiscal year were \$10,063,911.
5. On July 10, 2008, the Authority Commissioners approved a resolution to authorize the authority to sell Sewer Revenue Bonds as part of the State of New Jersey Environmental Infrastructure Trust. In connection with the offering, \$7,595,000 of 2008A Sewer Revenue Bonds were sold with an average fixed coupon of approximately 5.25%. Additionally, the Authority has issued the 2008B Sewer Revenue Bonds in the amount of \$7,627,686 which is an interest free loan. The Bonds mature 20 years from date of issue. The proceeds of the loans have been deposited in a trust account established by the New Jersey Environmental Infrastructure Trust and are designated solely for the Authority's Waste Water Treatment Plant Upgrade Project. Upon proper approval, funds will be released from the trust account to cover construction costs. The 2008A and 2008B Sewer Revenue Bonds are secured by the assets of the Authority including its restricted and unrestricted cash balances. During the year ended December 31, 2010, \$8,553,092 was released from the escrow account to fund the project's capital expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

B. Using the Annual Report

1. Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's Financial Statements. The Authority's Financial Statements and Notes to Financial Statements included in this report were prepared in accordance with Generally Accepted Accounting Principles applicable to governmental entities in the United States of America.

2. Financial Statements

The Financial Statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. They consist of Comparative Balance Sheets, Comparative Statements of Revenue, Expense and Changes in Fund Equity, and Comparative Statements of Cash Flows.

The Balance Sheets present information on all the Authority's assets and liabilities, with the difference between the two reported as net assets.

The Comparative Statements of Revenue, Expense, and Changes in Fund Equity present information showing how the Authority's fund balance changed during the most recent fiscal year. All changes in fund balance are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of unrelated cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The Financial Statements report on the Authority's activities. The activities are primarily supported by user charges. The Authority's function is to provide a service to the community. The Authority's Financial Statements can be found in Exhibits A, B, and C of this Report.

3. Notes to Financial Statements

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to Financial Statements can be found in this report after the Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

C. The Authority as a Whole

The Authority's equity increased during the fiscal year as detailed below. The Authority's revenues are from user charges. The Authority's revenues were sufficient to cover all expenses, including depreciation during the fiscal year.

The largest portion of the Authority's equity reflects its investment in capital assets (e.g., land, buildings, equipment, and the collection system). The Authority uses these capital assets to provide services to the community. The unrestricted net assets of the Authority are available for future use to provide services.

COMPUTATIONS OF NET EQUITY

	December 31,	
	<u>2010</u>	<u>2009</u>
Cash and other assets	\$ 1,547,890	\$ 1,634,909
Restricted assets - cash	4,697,343	12,787,096
Capital assets - net	<u>65,903,416</u>	<u>58,541,043</u>
Total Assets	72,148,649	72,963,048
Less: Total liabilities	<u>16,613,627</u>	<u>17,803,615</u>
Net Assets	<u>\$55,535,022</u>	<u>\$55,159,433</u>
Net assets - unrestricted	\$50,903,651	\$50,856,411
Net assets - restricted	<u>4,631,371</u>	<u>4,303,022</u>
Net Assets	<u>\$55,535,022</u>	<u>\$55,159,433</u>

COMPUTATIONS OF CHANGE IN EQUITY

	December 31,	
	2010	2009
REVENUES		
User charges	\$ 9,010,432	\$ 8,763,320
Connection fees	364,838	179,839
Other revenues	70,554	47,397
Total Operating Revenue	9,445,824	8,990,556
EXPENSES		
Total operating expenses	7,449,218	7,309,615
Depreciation expense	1,804,843	1,786,663
Total Operating Expense	9,254,061	9,096,278
Operating income (loss)	191,763	(105,722)
Non-operating revenue (expense) net	183,826	122,140
Net income	375,589	16,418
Net Assets beginning of year	55,159,433	55,143,015
Net Assets end of year	\$55,535,022	\$55,159,433

D. Budgetary Highlights

For the year ended December 31, 2010 budgets were prepared by the Authority and were approved by the Division of Community Affairs of the State of New Jersey. The budgets were primarily used as a management tool. The budgets were prepared in accordance with the accounting procedures prescribed by the Division of Local Government Services of the State of New Jersey.

As indicated by the excess of revenues over expenses, when adjusted by depreciation expenses, the Authority's equity increased during the fiscal year. This increase is indicative of the Authority operating within its budgetary limitations in total, for all its programs.

E. Capital Assets and Debt Administration

1. Capital Assets

As of December 31, 2010, the Authority's investment in capital assets was \$65,820,076 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, collection systems, and vehicles.

COMPUTATIONS OF CHANGES IN EQUITY (CONTINUED)

2. Capital Assets (Continued)

Capital expenditures during the year ended December 31, 2010 aggregated \$10,063,911 compared to \$8,389,395 in 2009 (excluding developers' contributions of \$39,123).

Additional information on the Authority's capital assets can be found in the notes to the Financial Statements, which is included in this Report.

F. Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Authority's budget for the fiscal year ending December 31, 2010:

1. The state of the economy.
2. The ability to control expenditures.

G. Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Patrick W. Parkinson, Executive Director, Township of Middletown Sewerage Authority, Center Avenue, Belford, NJ 07718.

To the Board of Commissioners
Township of Middletown Sewerage Authority
Middletown, New Jersey

We have audited the accompanying balance sheets of the Township of Middletown Sewerage Authority at December 31, 2010 and 2009 and the related statements of revenues, expenses and changes in fund equity and cash flows for the years then ended. These financial statements are the responsibility of the Authority's Management. Our responsibility is to express an opinion 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 and in compliance with audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey. 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 audit provides 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 Township of Middletown Sewerage Authority at December 31, 2010 and 2009, and the results of its operations and its cash flows for each of the two years then ended, in conformity with accounting principles generally accepted in the United States of America and practices prescribed by the Local Finance Board.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 7, 2011, on our consideration of the Township of Middletown Sewerage Authority's internal control over financial reporting and 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 related audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of The Township of Middletown Sewerage Authority taken as a whole. The other Supplemental Information listed in the Table of Contents; and the accompanying schedule of

expenditures of State awards which is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Local Finance Board is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information of the Members of the Board and Management of the Township of Middletown Sewerage Authority and trustee banks, and for filing with the Division of Local Government services, Department of Community affairs, State of New Jersey. However, this report is a matter of public record and its distribution is not limited.



Meyler & Company, LLC

Middletown, New Jersey
April 7, 2011

TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY
COMPARATIVE BALANCE SHEETS

ASSETS

	December 31,	
	2010	2009
Current Assets		
Unrestricted assets		
Cash and cash equivalents	\$ 267,534	\$ 158,304
Accounts receivable-sewer rents	1,004,383	1,169,124
Supplies inventory	<u>275,973</u>	<u>307,481</u>
Total Current Unrestricted Assets	<u>1,547,890</u>	<u>1,634,909</u>
Restricted Assets		
Cash held by Authority	4,697,342	4,376,069
Cash equivalents held by Trustee	<u>1</u>	<u>8,411,027</u>
Total Current Restricted Assets	<u>4,697,343</u>	<u>12,787,096</u>
Total Current Assets	6,245,233	14,422,005
Property, Plant and Equipment		
Net of accumulated depreciation of \$39,829,015 and \$38,024,172 at December 31, 2010 and 2009, respectively	65,820,076	58,453,073
Other Assets		
Bond issuance costs net of amortization of \$9,260 and \$4,630 at December 31, 2010 and 2009, respectively	<u>83,340</u>	<u>87,970</u>
Total Assets	<u>\$72,148,649</u>	<u>\$72,963,048</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY

COMPARATIVE BALANCE SHEETS
LIABILITIES AND FUND EQUITY

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Current Liabilities		
Payable from unrestricted assets		
Accounts payable - operations	\$ 414,449	\$ 406,726
Prepaid sewer rents	30,434	23,517
Accrued expenses	<u>274,093</u>	<u>248,595</u>
Total Liabilities Payable from Unrestricted Assets	<u>718,976</u>	<u>678,838</u>
Payable from Restricted Assets		
Reserve deposits	65,971	73,047
Accounts payable	375,183	1,255,040
Revenue bonds payable - current portion	652,028	635,336
Accrued interest payable	<u>156,815</u>	<u>162,260</u>
Total Liabilities Payable from Restricted Assets	<u>1,249,997</u>	<u>2,125,683</u>
Long-Term Liabilities		
Long-term portion of bonds payable	13,738,985	14,391,013
Unfunded post retirement medical benefits	700,129	391,122
Premium on issuance of bonds net of amortization of \$11,419 at December 31, 2010 and 2009, respectively	<u>205,540</u>	<u>216,959</u>
Total Liabilities	<u>16,613,627</u>	<u>17,803,615</u>
Net Assets		
Net Assets - unrestricted	50,903,651	50,856,411
Net Assets - restricted	<u>4,631,371</u>	<u>4,303,022</u>
Total Net Assets	<u>55,535,022</u>	<u>55,159,433</u>
Total Liabilities and Fund Equity	<u>\$72,148,649</u>	<u>\$72,963,048</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY

COMPARATIVE STATEMENTS OF CASH FLOWS

	<u>Year Ending December 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Receipts from user charges	\$9,664,008	\$9,073,963
Receipts from interest income	177,037	76,228
Payments to suppliers and employees	(7,117,770)	(7,026,153)
Other	<u>(4,551)</u>	<u>58,913</u>
Net cash provided from operating activities	2,718,724	2,182,951
Cash flows from investing activities:		
Reduction in cash equivalents held by trustee	8,411,026	6,703,122
Capital expenditures paid	<u>(10,063,911)</u>	<u>(8,389,395)</u>
Net cash used in investing activities	(1,652,885)	(1,686,273)
Cash flows from financing activities:		
Bond principal paid	(635,336)	(196,337)
Bond issuance costs	<u>(635,336)</u>	<u>(5,000)</u>
Net cash used in financing activities	(635,336)	(201,337)
Net increase (decrease) in cash	430,503	295,341
Cash and cash equivalents at beginning of year	<u>4,534,373</u>	<u>4,239,032</u>
Cash and cash equivalents at end of year	<u>\$4,964,876</u>	<u>\$4,534,373</u>
Reconciliation of operating income to net cash provided by operating activities:		
Net income	\$ 375,589	\$ 16,418
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Developers contribution		(39,123)
Depreciation	1,804,843	1,786,663
Amortization of:		
Bond issuance costs	4,630	4,630
Premium on issuance of bonds	(11,419)	(11,419)
Decrease (increase) in accounts receivable	164,741	46,135
Decrease in supplies inventory	31,508	10,027
Increase (decrease) in payables-restricted and unrestricted	19,931	(62,665)
Increase in unfunded post retirement medical benefits	309,007	391,122
(Decrease) increase in accrued bond interest	(5,445)	102,260
Decrease in reserve deposits	(7,076)	(3,724)
Decrease in prepaid sewer rents	6,917	1,612
Increase (Decrease) in accrued expenses	<u>25,498</u>	<u>(58,985)</u>
Net cash provided from operating activities	<u>\$2,718,724</u>	<u>\$2,182,951</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY
 COMPARATIVE STATEMENTS OF CASH FLOWS (CONTINUED)

Supplemental Cash Flow Information

Interest expense paid on the revenue bonds aggregated \$389,425 and \$319,112 at December 31, 2010 and 2009 respectively. In 2009, developers contributed \$39,123 to contributed capital.

Non-Cash Activities

	<u>Year Ending December 31,</u>	
	<u>2010</u>	<u>2009</u>
Accounts payable from restricted funds and unrestricted funds	\$(892,065)	\$1,383,373
Bond issuance costs – transfer from Property, Plant and Equipment		(55,792)
Property, Plant and Equipment	892,065	(1,327,581)

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Middletown Sewerage Authority hereafter referred to as the "Authority" is a public body, politic and corporate created on February 13, 1966 by the Township of Middletown, hereafter referred to as the "Township." It is authorized and empowered to acquire, construct, maintain, operate and improve works for the collection, treatment, purification and disposal of sewage or other waste.

The ordinance creating the Authority provides that the governing body of the Authority shall consist of five members and two alternates appointed by the Township governing body.

The Township and the Authority have entered into a Service Agreement dated August, 1, 1969 which was modified on May 10, 1993. Pursuant to Article 3, Section 302 of the Service Agreement the Authority agrees to impose charges, connection fees, or rentals, as defined in the "Service Agreement", in compliance with all applicable rules and regulations of the Township, State and County, and will collect from the users all sums due it, such that the receipts of the Authority in each fiscal year shall be sufficient (1) to pay or provide for the expenses of operations, maintenance and debt service, (2) to maintain such reserves or sinking funds as may be required by any contract of the Authority, and (3) to comply in all respects with the terms and provisions of any Bond Resolution and the Municipal and Country Utility Authorities Law.

Pursuant to Section 302 of the Service Agreement, the Township agrees to pay all amounts of interest and principal on the bonds should the funds available to the Authority be insufficient to cover such obligation, subject to certain notice and consent provisions. The Authority is obligated to repay the Township out of surplus funds within one year from the time received pursuant to the Service Agreement.

The Township has also adopted an ordinance compelling connection to the Authority's system. Upon failure to comply with such ordinance, the Township may proceed to make such connection, or cause same to be made, and charge and assess the cost thereof against such property pursuant to the revised Statute of New Jersey.

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

The following is a summary of the Authority's significant accounting policies applied in the preparation of the financial statements.

TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Financial Statements

The financial statements of the Authority have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles, government auditing standards, and the requirement of the Division of Local Government Services of the State of New Jersey.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investment Securities

Investment securities are stated at cost which approximates fair value. The cost of securities sold for purposes of computing gains or losses is determined by the specific identification method.

Revenue Recognition/Accounts Receivable-Sewer Rents

Accounts receivable consists of amounts due the Authority for user charges. Accounts are billed quarterly on a cycle basis. Revenue is recognized on a quarterly basis based upon bills sent out to each lot and block in the Township of Middletown at the specified rate approved by the Board of Commissioners. Additionally, revenue is recognized from connection fees when new facilities connect to the system. This is a one time fee recalculated annually based upon NJ statutes.

Restricted Accounts

In accordance with the July 10, 2008 Trust Resolution, the Authority has established the following restricted funds consisting of cash and investments:

<u>Fund</u>	<u>Description</u>	<u>Purpose</u>
Revenue Fund	All Revenue received by the Authority	Authorized operating expenses and, required transfers to the various accounts described below.

TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

<u>Fund</u>	<u>Description</u>	<u>Purpose</u>
Bond service Fund (Current Debt Service)	Amount needed to pay matured principal and interest plus principal and interest due on or before the following February 1 st and August 1 st .	Principal and interest on the bonds
Renewal and Replacement Fund	Amount needed to increase the balance to the extent required to be current, certified by the consulting engineer upon completion of project.	Cost of extraordinary repairs, renewals, and replacements.
Operating Fund	Amounts needed to pay for the operation, the maintenance or the repair of the System and for reasonable and necessary Operating Expenses.	Cost of reasonable and necessary Operating Expenses.
Bond Service Reserve	No requirement	Transfers to meet levels required in the debt service or any sinking fund. Any excess may be transferred into the Revenue Fund
General Fund	Balance after all other requirements are met.	Make-up deficiencies in other funds, capital additions, redemption bonds.
Construction	Proceeds of debt issued.	Construction costs.

TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unamortized Debt Issue Cost

Debt issue costs consist of underwriting, legal, engineering, and accounting fees, printing, and other financial costs incurred in connection with the issuance of the bonds net of accumulated amortization. These costs are being amortized over the life of the Bond issue.

Interfunds Receivable and Payable

During the course of its operations, the Authority has numerous transactions between funds to finance operations, provide services, construct assets, and service debts. To the extent that certain transactions between the accounts had not been paid or received as of the balance sheet dates, balances of interfund amounts receivable and payable have been recorded.

Grants

Contributions, received from various governmental sources as grants, are recorded in the period received. Developer construction contributions are recorded in the period in which applicable construction costs are incurred. Donated assets are recorded at fair market value at the date of gift. Grants not externally restricted and utilized to finance operations are identified as non-operating revenues.

Inventory

The Authority's inventory consists of plant supplies and replacement parts, fuel and chemicals for the treatment of sewerage. The inventory is stated at cost, determined on a first in, first out basis.

Cash Equivalents

The Authority considers all highly liquid investments with a maturity date of three months or less, at the time of purchase, to be cash equivalents.

Premium on Sale of Bonds

The Authority amortizes the premium it receives on the sale of bonds over the life of the bonds which is 20 years.

TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment

Property, plant and equipment are stated at cost which includes direct construction costs, other expenditures related to construction, and certain professional and administrative costs.

System construction costs are charged to construction in progress until such time as given segments of the system are completed and put into operation. Depreciation is determined on a straight-line basis for all plant and equipment.

Depreciation is provided over the following estimated lives:

Building and plants	40 years
Machinery and equipment	15 years
Collection system	40 years
Vehicles and office equipment	3-10 years

NOTE 2 - INVESTMENTS

Investments are stated at cost which approximates fair value. The Authority's investments are limited to obligations of or guaranteed by the State Government or State of New Jersey, bonds, notes or other indebtedness of an agency or instrumentality of the State government, bank certificates of deposit or time savings account and deposits in interest-bearing accounts of any bank. At December 31, 2010 and 2009 all cash is in a money market account with a bank that is part of the Government Unit Protection Act (GUPA).

TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment of the Authority consisted of the following as of December 31:

	<u>2010</u>	<u>2009</u>
Land	\$ 2,641,837	\$ 2,641,837
Buildings and plant	1,067,009	911,252
Machinery and equipment	21,875,237	21,586,750
Collection system	62,264,945	62,207,024
Work in progress	<u>17,800,063</u>	<u>9,130,382</u>
	105,649,091	96,477,245
Accumulated depreciation	<u>39,829,015</u>	<u>38,024,172</u>
Net property, plant and equipment	<u>\$65,820,076</u>	<u>58,453,073</u>

At December 31, 2010, in connection with the Authority's Waste Water Treatment Plant Upgrade Project, \$383,590 of interest expense was capitalized to the Project costs.

NOTE 4 - BONDS PAYABLE

Bonds payable of the Authority consisted of the following as of December 31:

	<u>2010</u>	<u>2009</u>
2008A Sewer Revenue Bonds	\$ 7,350,000	\$ 7,595,000
2008B Sewer Revenue Bonds	<u>7,041,013</u>	<u>7,431,349</u>
	14,391,013	15,026,349
Less current portion	<u>652,028</u>	<u>635,336</u>
	<u>\$13,738,985</u>	<u>\$14,391,013</u>

On July 10, 2008, the Authority Commissioners approved a resolution to authorize the authority to sell Sewer Revenue Bonds as part of the State of New Jersey Environmental Infrastructure Trust. In connection with the offering, \$7,595,000 of 2008A Sewer Revenue Bonds were sold with an average fixed coupon of approximately 5.25%. Additionally, the Authority has issued the 2008B Sewer Revenue Bonds in the amount of \$7,627,686 which is an interest free loan. The Bonds mature 20 years from date of issue. The proceeds of the loans have been deposited in a trust account established by the New Jersey Environmental

TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 4 - BONDS PAYABLE (CONTINUED)

Infrastructure Trust and are designated solely for the Authority's Waste Water Treatment Plant Upgrade Project. Upon proper approval, funds will be released from the trust account to cover construction costs. The 2008A and 2008B Sewer Revenue Bonds are secured by the assets of the Authority including its restricted and unrestricted cash balances.

Bond principal amortization and annual interest rates relating to the 2008A and 2008B Sewer Revenue Bonds are as follows:

<u>Year</u>	2008A Sewer Revenue Bonds			Total Debt Service	2008B Sewer Revenue Bonds
	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>		<u>Principal</u>
2011	\$ 260,000	5.000%	\$ 377,175	\$ 637,175	\$ 392,028
2012	270,000	5.000%	364,175	634,175	390,182
2013	285,000	5.000%	350,675	635,675	391,105
2014	300,000	5.000%	336,425	636,425	391,566
2015	315,000	5.000%	321,425	636,425	391,566
2016	330,000	5.000%	305,675	635,675	391,105
2017	345,000	5.000%	289,175	634,175	390,182
2018	365,000	5.000%	271,925	636,925	391,874
2019	380,000	5.250%	253,675	633,675	389,875
2020	400,000	5.500%	233,725	633,725	389,905
2021	425,000	5.500%	211,725	636,725	391,751
2022	450,000	5.500%	188,350	638,350	392,751
2023	470,000	5.500%	163,600	633,600	389,828
2024	500,000	5.000%	137,750	637,750	392,382
2025	525,000	5.000%	112,750	637,750	392,382
2026	550,000	5.000%	86,500	636,500	391,613
2027	575,000	5.000%	59,000	634,000	390,074
2028	605,000	5.000%	30,250	635,250	390,844
	<u>\$7,350,000</u>		<u>\$4,093,975</u>	<u>\$11,443,975</u>	<u>\$7,041,013</u>

NOTE 5 - PENSION PLANS

The Authority participates in the Public Employees' Retirement System of the State of New Jersey which is part of the Division of Pensions in the Treasury, State of New Jersey. The Plan is funded annually based on the projected benefit method with aggregate level normal cost and frozen initial unfunded benefit method with aggregate level normal cost and frozen initial unfunded accrued liability. The Plan, which covers public employees throughout the State, does not maintain separate records for each reporting unit and, accordingly, the

TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 5 - PENSION PLANS (CONTINUED)

actuarial data for the employees of the Authority who are members of the Plan is not available. Funding of the Plan is done on a fiscal year ended June 30 and resulted in a required funding of \$164,074 and \$138,233 for 2010 and 2009, respectively.

NOTE 6 – POST EMPLOYMENT RETIREMENT MEDICAL BENEFITS

Plan Description

The Township of Middletown Sewerage Authority (“Authority”) is a single-employer defined benefit healthcare plan administered by the Authority. The Authority provides medical insurance benefits to eligible retirees and their spouses. Employees retiring after reaching age 62 and completing at least 15 years of service with the Authority or upon reaching age 55 and having worked for 25 years in the New Jersey pension system, who participate in the Authority’s health care plan at the time of retirement, receive a one-time opportunity to elect continued coverage under the health care plan then in effect for active employees.

Funding Policy

The Authority is responsible for the entire cost required to fund the post retirement medical benefits. The annual required contribution is based upon projected pay-as-you-go financing requirements. For the year ended December 31, 2010 and 2009, the Authority contributed \$130,006 and \$102,616, respectively towards the annual required contribution.

Annual Post Employment Medical Benefit Cost

The Authority’s annual Other Post Employment Benefit (OPEB) for medical cost is calculated based on the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 6 – POST EMPLOYMENT RETIREMENT MEDICAL BENEFITS (CONTINUED)

Annual Post Employment Medical Benefit Cost (Continued)

The following table shows the components of the Authority's annual OPEB cost for the years ended December 31, 2010 and 2009 and the amount actually contributed to the plan:

	<u>Year</u>	
	<u>2010</u>	<u>2009</u>
Annual required contribution	\$513,488	\$493,738
Interest on net OPEB obligation	70,727	
Adjustment to Annual Required Contribution (ARC)	<u>(145,071)</u>	<u> </u>
Annual OPEB cost (expense)	439,144	493,738
Contribution made	<u>130,137</u>	<u>102,616</u>
Net OPEB obligation at December 31, 2009	<u>\$309,007</u>	<u>\$391,122</u>

The Authority's OPEB cost, the percentage of annual OPEB cost contributed to the plan and the OPEB obligation for 2009 and 2010 is as follows:

	<u>Year</u>	
	<u>2010</u>	<u>2009</u>
Annual OPEB cost	\$439,144	\$493,738
Percentage of annual OPEB cost contributed	29.63%	20.78%
Net OPEB obligation	\$309,007	\$391,122

At December 31, 2010, the date of the most recent actuarial valuation, the plan had an unfunded liability of \$7,381,851 which is being accrued over 30 years. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actuarial results are compared with post expectations and new estimates are made about the future.

TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 6 – POST EMPLOYMENT RETIREMENT MEDICAL BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of costs. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in accrued liabilities and the actuarial values of assets consistent with long-term perspective of the calculations.

In December 31, 2010, actuarial valuation, the Entry Age Actuarial Cost Method and the Level Percentage of Payroll Amortization Method were used in accordance with GASB 45. The actuarial assumption included a 1% investment rate of return which is a blended rate of the expected long term investment returns on plan assets, and an annual healthcare cost trend rate of 5%. The unfunded Actuarial Accrued Liability of \$7,381,851 is being amortized over 30 years.

NOTE 7 - FAIR VALUE MEASUREMENTS AND DISCLOSURES

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. *Fair Value Measurements and Disclosures* also establish a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 Inputs – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Inputs – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash value methodologies or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 7 - FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

The fair value of the Corporation's cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and note payable approximate the carrying amounts of such instruments due to their short maturity.

NOTE 8 - LITIGATION

The Township of Middletown Sewerage Authority (TOMSA), is party to a contract with the Atlantic Highlands Highlands Regional Sewerage Authority ("AHHRSA") pursuant to which TOMSA accepts sewerage from the AHHRSA for treatment at TOMSA's treatment plant. AHHRSA has challenged the manner in which TOMSA has charged fees for the provision of the treatment services under the terms of the contract. On December 27, 2007, AHHRSA filed a request for arbitration, pursuant to the contract, seeking \$800,000.00 in damages for sums it alleges it has been overcharged by TOMSA for the period 2001 through 2010. TOMSA has initially filed a counterclaim alleging that AHHRSA owed TOMSA over \$600,000.00 for sums it refused to pay for sewerage services and capital contributions under the contract. On October 27, 2010, TOMSA filed an amended counterclaim alleging that AHHRSA owed TOMSA in excess of \$2,126,188. The arbitration process has been ongoing with the parties engaged in discovery. TOMSA has vigorously pursued its claim and defended against AHHRSA's claims. The parties have commenced settlement negotiations.

NOTE 9 - SUBSEQUENT EVENTS

Subsequent events were assessed through April 7, 2011, the date the financial statements were released.

TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY

STATEMENT OF CHANGES IN UNRESTRICTED CASH AND CASH EQUIVALENTS
For the Year Ending December 31, 2010

	<u>Operating Account</u>	<u>Connection Fee Account</u>	<u>Total</u>
Cash and cash equivalents January 1, 2010	\$ 140,658	\$ 17,646	\$ 158,304
Cash Receipts			
Connection fees		364,838	364,838
Interest on investments	575	269	844
Interfund transfers	<u>6,995,926</u>	<u>(300,000)</u>	<u>6,695,926</u>
Total cash and cash equivalents available	7,137,159	82,753	7,219,912
Cash Disbursements			
Operations	<u>6,952,378</u>	_____	<u>6,952,378</u>
Total cash disbursements	<u>6,952,378</u>	_____	<u>6,952,378</u>
Cash and cash equivalents December 31, 2010	<u>\$ 184,781</u>	<u>\$ 82,753</u>	<u>\$ 267,534</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY

STATEMENT OF CHANGES IN RESTRICTED CASH AND CASH EQUIVALENTS
For the Year Ending December 31, 2010

	Construction Fund	Capital Fund	Developers' Escrow	General Fund	Revenue Account	Total
Cash and Cash Equivalents January 1, 2010	\$8,411,027	\$ 47,092	\$ 73,047	\$3,051,306	\$1,204,624	\$12,787,096
Cash Receipts						
User charges and other					9,306,398	9,306,398
Developers' escrow received			5,000			5,000
Interest on investments	142,066	839	152	30,899	2,409	176,365
Received from construction fund		8,553,092				8,553,092
Interfund transfers		<u>2,100,237</u>		<u>(28,598)</u>	<u>(8,767,565)</u>	<u>(6,695,926)</u>
Total Cash and Cash Equivalents Available	8,553,093	10,701,260	78,199	3,053,607	1,745,866	24,132,025
Cash Disbursements						
Developer's escrow refund			12,228		(108,304)	12,228
Operations		273,696				165,392
WWTP project		8,553,092				8,553,092
Other capital expenditures		1,103,337				1,103,337
Bond principal payment		515,537			119,799	635,336
Interest paid on bonds		194,712			194,712	389,424
Admin fee on bonds		11,389			11,392	22,781
Transfer to capital fund	8,553,092					8,553,092
Total Cash Disbursements	<u>8,553,092</u>	<u>10,651,763</u>	<u>12,228</u>		<u>217,599</u>	<u>19,434,682</u>
Cash and Cash Equivalents at December 31, 2010	\$ 1	\$ 49,497	\$ 65,971	\$3,053,607	\$1,528,267	\$ 4,697,343

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY

STATEMENT OF REVENUE AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET

For the Year Ended December 31, 2010

	Amended Budget Revenue/ Costs	Actual Revenue/ Costs
Sewer Billing Income		
Sewer rental income	\$8,585,600	\$9,010,432
Connection fees	615,900	364,838
Other	40,000	70,554
Total Operating Income	<u>9,241,500</u>	<u>9,445,824</u>
Operating Expenses		
Salaries		
Administrative	368,744	369,603
Treatment plant	1,727,830	1,778,218
Collection system	297,324	282,598
Total Salaries	<u>2,393,898</u>	<u>2,430,419</u>
Administration		
Insurance	56,811	56,409
Auditing	27,150	27,150
Legal	70,000	56,949
Trustee fees	2,000	2,000
Engineering	18,000	20,872
Pension	164,000	164,074
Hospitalization/dental	680,000	617,634
Payroll taxes	187,391	188,856
Training	5,000	5,108
Safety	2,000	427
Travel/memberships	15,000	12,755
Recording secretary	1,800	1,800
Advertising	2,500	933
Miscellaneous	2,000	5,564
Postage	29,000	24,840
Telephone	45,000	50,897
Office supplies	8,000	7,460
Janitorial	4,000	4,277
Administrative maintenance	10,000	5,078
Printing	5,500	5,550
Total Administrative	<u>1,335,152</u>	<u>1,258,633</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY

STATEMENT OF REVENUE AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET (CONTINUED)

For the Year Ended December 31, 2010

	Amended Budget Revenue/ Costs	Actual Revenue/ Costs
Treatment Plant		
Electric	800,000	769,217
Gas	50,000	43,648
Water	20,000	17,645
Fuel vehicles	30,000	35,249
Chemicals	218,000	193,688
Sludge disposal/testing	576,850	514,885
Plant equipment maintenance	24,000	15,636
Vehicle maintenance	17,000	14,743
Uniforms	15,000	14,446
Insurance	<u>103,819</u>	<u>103,254</u>
Total Treatment Plant	<u>1,854,669</u>	<u>1,722,411</u>
Collection System		
Maintenance supplies	2,000	
Equipment maintenance	8,000	875
Chemicals	<u>2,000</u>	
Total Collection System	<u>12,000</u>	<u>875</u>
Monmouth County Outfall	805,000	777,453
Plant maintenance	270,000	585,118
Post retirement medical expense net of payments of \$130,137 included under Hospitalization/Dental		309,007
Township of Middletown Appropriation	<u>365,302</u>	<u>365,302</u>
Total Operating Expense	<u>7,036,021</u>	<u>7,449,218</u>
Net Operating Revenue	2,205,479	1,996,606
Add: Interest on investments	<u>100,000</u>	<u>177,037</u>
Net Operating Revenue Before Debt Service and Reserves	<u>2,305,479</u>	<u>2,173,643</u>
Less: Debt Service Payments		
Interest expense	389,425	389,425
Principal maturities	<u>635,336</u>	<u>635,336</u>
Total Debt service	<u>1,024,761</u>	<u>1,024,761</u>
Excess Revenues Over Costs		
Funded by Operating Revenues	<u>\$1,280,718</u>	<u>\$1,148,882</u>

The accompanying notes are an integral part of these financial statements.

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

Board of Commissioners
Township of Middletown Sewerage Authority
Middletown, NJ 07748

We have audited the financial statements of the Township of Middletown Sewerage Authority as of and for the year ended December 31, 2010, and have issued our report thereon dated April 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township of Middletown Sewerage 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 Township of Middletown Sewerage Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Middletown Sewerage Authority's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above.

This report is intended solely for the information of the members of the Board, Management of the Township of Middletown Sewerage Authority and Trustee Banks, and for filing with the Division of Local Government services, Department of Community Affairs, State of New Jersey and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Meyler & Company, LLC
Meyler & Company, LLC

April 7, 2011

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
NEW JERSEY CIRCULAR 04-04-OMB

Board of Commissioners
Township of Middletown Sewerage Authority
Middletown, NJ 07748

Compliance

We have audited the compliance of the Township of Middletown Sewerage Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State of New Jersey's State Grant Compliance Supplement* that are applicable to each of its major state programs for the year ended December 31, 2010. The Township of Middletown Sewerage Authority's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United State of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *State of New Jersey Circular Letter 04-04-OMB*. Those standards, OMB Circular A-133 and Circular Letter 04-04-OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Township of Middletown Sewerage Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Township of Middletown Sewerage Authority's compliance with those requirements.

Compliance (Continued)

In our opinion, The Township of Middletown Sewerage Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended December 31, 2010.

Internal Control Over Compliance

The management of the Township of Middletown Sewerage Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered The Township of Middletown Sewerage Authority's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect or correct noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the members of the Board, Management of the Township of Middletown Sewerage Authority and Trustee Banks, and for filing with the Division of Local Government Services, Department of Community Affairs, State of New Jersey and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Meyler & Company, LLC

April 7, 2011

TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended December 31, 2010

<u>State and Local Grantor/Program Title</u>	<u>State Grant Number</u>	<u>Program or Award Amount</u>	<u>Grant Period</u>	<u>Current Year's Expenditures</u>	<u>Total Expenditures</u>
New Jersey Environmental Infrastructure Trust Trust Loan 2008 A	Trust Loan 2008 A	\$15,256,214	11/06/08-11/30/10	\$8,553,092	\$15,256,214

TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 DECEMBER 31, 2010

SECTION I SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified
 Internal control over financial reporting:

Material weakness(es) identified? yes no
 Significant deficiencies identified? yes none reported

Noncompliance material to financial statement noted? yes no

STATE AWARDS

Internal control over major programs:
 Material weakness(es) identified? yes no
 Significant deficiencies identified? yes none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)? yes no

Identification of major programs:

<u>State Award Number</u>	<u>Name of State Program</u>
Trust Loan 2008A	New Jersey Environmental Infrastructure Trust

Dollar threshold used to distinguish between Type A and Type B programs: \$500,000.00

Auditee qualified as low risk auditee: yes no

TOWNSHIP OF MIDDLETOWN SEWERAGE AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2010 (CONTINUED)

SECTION II FINANCIAL STATEMENT FINDINGS

None

SECTION III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

ROSTER OF OFFICIALS

<u>Authority Members</u>	<u>Position</u>	<u>Term Expires</u>	<u>Amount of Surety Bond</u>
Chantal N. Bouw	Chairperson	February 1, 2013	\$50,000
James L. Hinckley	Vice Chairperson	February 1, 2014	50,000
Joan Smith	Treasurer/Secretary	February 1, 2013	50,000
Charles W. Rogers III		February 1, 2012	50,000
Thomas Stokes		February 1, 2013	50,000

Alternate Members

Emil F. Wrede		February 1, 2016	50,000
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All Other

Office Staff			50,000
Plant Employees			50,000

Surety Company

New Jersey Utility Authorities Joint Insurance Fund
Trenton, New Jersey