

**WEYMOUTH TOWNSHIP MUNICIPAL
UTILITIES AUTHORITY
(A component unit of the Township of Weymouth)**

REPORT OF AUDIT

FOR THE YEARS ENDED

DECEMBER 31, 2011 AND 2010

WEYMOUTH TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

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1535 HAVEN AVENUE • PO BOX 538
OCEAN CITY, NJ • 08226-0538
PHONE 609.399.6333 • FAX 609.399.3710



1409 CANTILLON BLVD. • PO BOX 548
MAYS LANDING, NJ 08330
PHONE 609.625.0999 • FAX 609.625.2421

Independent Auditor's Report

The Chairman and Members of the
Weymouth Township Municipal Utilities Authority
County of Atlantic, New Jersey

We have audited the accompanying financial statements of the business-type activities of the Weymouth Township Municipal Utilities Authority in the County of Atlantic, State of New Jersey, as of and for the year ended December 31, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Weymouth Township Municipal Utilities Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements for the year ended December 31, 2010 were audited by other auditors whose report dated March 1, 2011 expressed an unqualified opinion on the respective financial statements of the business-type activities.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. 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 respective financial position of the business-type activities of the Weymouth Township Municipal Utilities Authority, in the County of Atlantic, State of New Jersey, as of December 31, 2011 and the respective changes in financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2012 on our consideration of the Weymouth Township Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Very truly yours,

Robert E. Swartz

Certified Public Accountant
Registered Municipal Accountant
No. 319

Ford, Scott & Associates, L.L.C.

FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

March 2, 2012

REQUIRED SUPPLEMENTARY INFORMATION

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Weymouth Township Municipal Utilities Authority annual financial report presents management's analysis of the Authority's financial condition and activities for the year. This information should be read in conjunction with the financial statements.

Financial Highlights

Management believes the Authority's financial condition is strong. The Authority is well within the more stringent financial policies and guidelines set by the Board. The following are key financial highlights:

- Total assets at year-end were \$728,023 and exceeded liabilities in the amount of \$376,842 (i.e. net assets). Of the \$103,138 classified as unrestricted, the total amount was available to support short-term operations. Total assets decreased approximately \$43,000. Total Net Assets decreased approximately \$43,000.
- Operating revenues were \$143,649. This represents a decrease of approximately \$4,100 compared to 2010.
- Operating expense decreased approximately \$4,000 over amounts charged in 2010 due to decrease in water and sewer treatment costs.
- The operating deficit for the year was \$20,543. Net assets at the beginning of the year were \$409,151 and were \$376,842 at the end of 2011. Net assets decreased by \$32,309 due to operating expenses exceeding the amount collected for rents.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplemental information. The MD&A represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's capital plan, budget bond resolutions and other management tools were used for this analysis.

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

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

While the statement of net assets provides information about the nature and amount of resources and obligations at year-end, the *statement of revenues, expenses, and changes in net assets* presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the Authority's recovery of its costs.

The *statement of cash flows* 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 required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. *Supplementary information* comparing the budget to actual expenses, as well as important debt coverage data, is provided.

Summary of the Organization and Business

The Authority was created to construct and operate a wastewater system to serve the municipality of the Township of Weymouth, New Jersey. The Authority is a component unit of the Township of Weymouth.

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

The Authority has no taxing power. Operational and maintenance costs are funded from customer fees and charges. The acquisition and construction of capital assets are funded mainly by Federal and State grants and loans and customer revenues.

Financial Analysis

The following condensed financial statements and other selected information serve as the key financial data and indicators for management, monitoring and planning. Comments regarding budget-to-actual variances and year-to-year variances are included in each section by the name of the statement or account.

Condensed Financial Statements

The following is a summary of the Authority's Net Assets as of December 31, 2011, 2010 and 2009:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
ASSETS			
Capital Assets:			
Producing Assets	\$ 527,956	507,343	\$ 534,940
Current Assets	200,067	264,019	292,082
 Total Assets	 <u>728,023</u>	 <u>771,362</u>	 <u>827,022</u>
 LIABILITIES			
Current Liabilities	56,877	48,020	51,232
Long Term Liabilities	294,304	314,191	333,292
 Total Liabilities	 <u>351,181</u>	 <u>362,211</u>	 <u>384,524</u>
 NET ASSETS			
Invested in capital assets, net of related debt	211,453	171,849	180,835
Designated for future maintenance	62,251	62,251	62,251
Unrestricted	103,138	175,051	199,412
 Total Net Assets	 <u>\$ 376,842</u>	 <u>409,151</u>	 <u>442,498</u>

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The following is the summary of the changes in Net Assets for the years ended December 31, 2011, 2010 and 2009:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues:			
Water and Sewer Rental	\$ 143,649	\$ 147,740	145,183
Other income	-	-	3,857
Total Operating Revenue	<u>143,649</u>	<u>147,740</u>	<u>149,040</u>
Expenses:			
Cost of Providing Service	101,881	101,365	86,434
General and Administrative	34,714	39,683	40,314
Depreciation	27,597	27,597	27,597
Total Operating Expenses	<u>164,192</u>	<u>168,645</u>	<u>154,345</u>
Operating Income/(Loss)	(20,543)	(20,905)	(5,305)
Non-operating revenue/(expense) net	<u>(11,766)</u>	<u>(12,442)</u>	<u>(10,274)</u>
Increase/(Decrease) In Net Assets	<u>\$ (32,309)</u>	<u>(33,347)</u>	<u>(15,579)</u>

General Trends and Significant Events

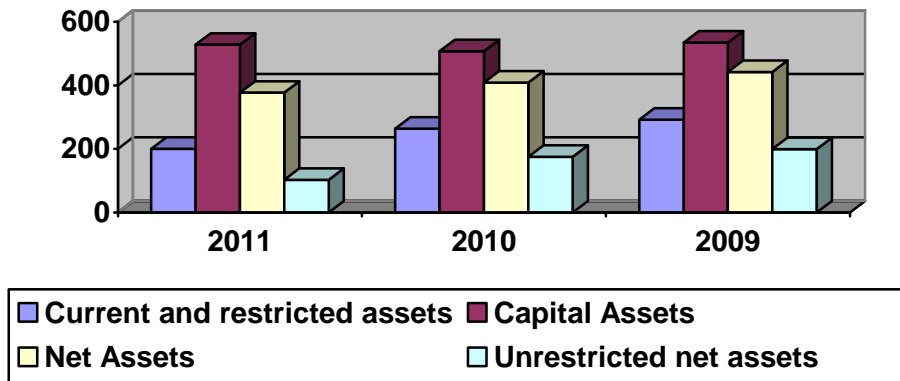
During the fiscal year ended December 31, 2011 the Authority maintained both residential and commercial customer accounts.

The Authority continues to maintain and improve the lines each year. The Authority is currently negotiating financing to replace a significant portion of the water and sewer system. The rate structure is reviewed annually to ensure revenues are sufficient to meet the costs of maintaining the system.

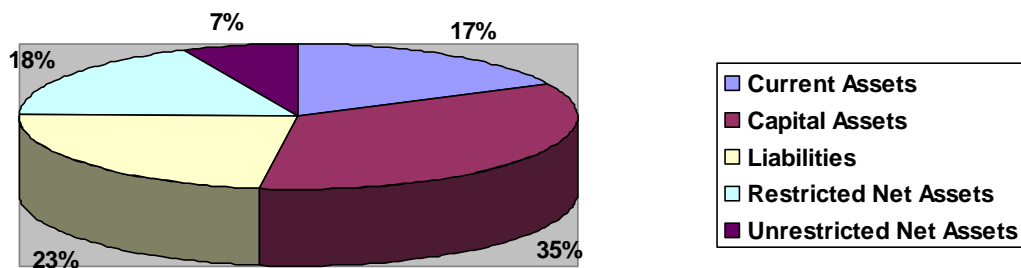
Financial Condition

The Authority's financial condition remained strong at year-end with adequate liquid assets, reliable systems to meet demand and a reasonable level of unrestricted net assets. The current financial condition and operating and expansion plans to meet anticipated customer needs are well balanced and under control. The following charts summarize the statement of net assets at December 31, 2011, 2010 and 2009.

Assets and Net Assets in thousands



FY 2011 Balance Sheet



Total assets decreased compared to the prior year. This is primarily related to the current year depreciation expense.

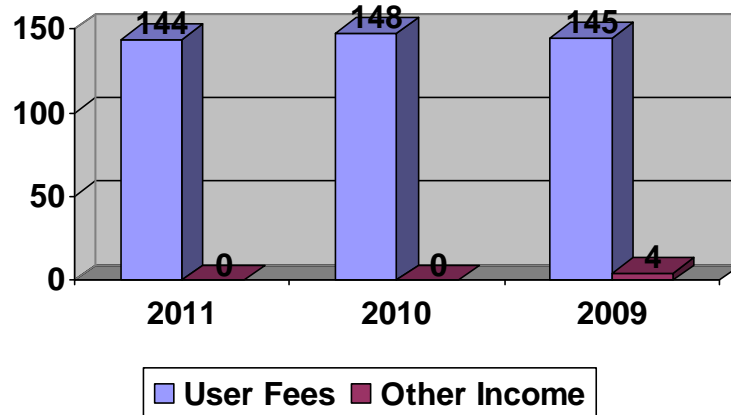
Investment in capital assets decreased when compared to the prior year as a result of depreciation expense charged in the current year. Unrestricted net assets and restricted net assets decreased approximately \$72,000 as a result of increased treatment costs and construction in progress for the force main project.

Accounts receivable remained relatively consistent with the prior year. This is the result of the MUA’s oversight in ensuring that customer accounts are paid in a timely manner throughout the year.

Results of Operations

Operating Revenues: Revenues from operations fall into two general categories: rental fees and other. The following chart depicts revenues for the current and preceding years.

Operating Revenues (in thousands)

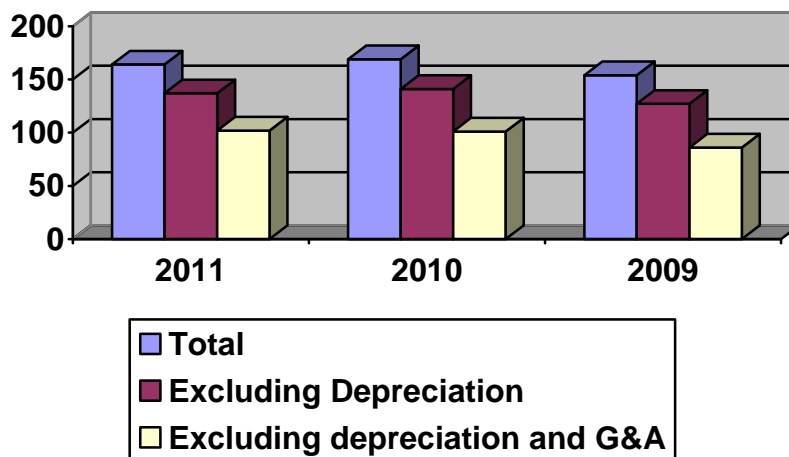


The rental fees decreased approximately \$4,000 due to decreased consumption and flow. The Authority recognized \$0, \$0, and \$0 in connection fee revenues during 2011, 2010, and 2009, respectively. Connection fees are reported as a component of non-operating income.

Expenses: Operating expense remained consistent in 2011 as compared to 2010.

Operating expenses, including and excluding depreciation, for 2011, 2010 and 2009 are graphed below:

Operating Expenses (in thousands)



The following table presents the composition of operating expenses by major classification of expense for 2011, 2010 and 2009:

	<u>2011</u>		<u>2010</u>		<u>2009</u>	
Salaries & Fringe	\$ 15,536	9.46%	20,776	12.32%	19,062	12.35%
Engineer	-	0.00%	875	0.52%	1,764	1.14%
Professional Services	6,000	3.65%	5,900	3.50%	5,700	3.69%
Utilities	3,744	2.28%	3,831	2.27%	4,034	2.61%
Water Service Costs	23,130	14.09%	19,006	11.27%	20,162	13.06%
Sewer Treatment Costs	78,753	47.96%	78,629	46.62%	62,238	40.32%
Other	9,432	5.74%	12,031	7.13%	13,788	8.93%
Depreciation	27,597	16.81%	27,597	16.36%	27,597	17.88%
Total	<u>\$ 164,192</u>	<u>100.00%</u>	<u>168,645</u>	<u>100.00%</u>	<u>154,345</u>	<u>100.00%</u>

Cash Flow Activity

The following table shows the Authority's ability to generate net operating cash. Net cash provided by operating activities is shown both in total dollars and as a percentage of operating revenues.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total operating revenues	\$ 143,649	147,740	145,183
Net cash provided by operations	\$ 15,027	5,412	27,278
Net operating cash as a % of operating revenue	10.46%	3.66%	18.79%

Capital Assets and Debt Administration

Capital assets, net of depreciation, increased approximately \$20,000 during 2011. This increase is due to current year depreciation expense and the addition of construction in progress. Refer to Note 7 for the detail of capital assets.

The Authority continued to pay off outstanding debt throughout 2011. As of the date of this report, all scheduled debt payments were made for 2011, 2010 and 2009. Refer to Note 3 for the detail of the Authority's outstanding debt.

Contacting the Authority's Management

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have any questions about this report or need additional financial information, contact the Chairman of the Weymouth Township Municipal Utilities Authority, PO Box 252, Mays Landing, NJ 08330.

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FINANCIAL SECTION

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WEYMOUTH TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Weymouth)
STATEMENT OF NET ASSETS
as of December 31,

	2011	2010
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 199,805	264,019
Accounts Receivable	262	
Total Current Assets	200,067	264,019
Capital Assets:		
Construction in Progress	48,210	-
Capital Assets, net of depreciation	479,746	507,343
Total Property, Plant and Equipment	527,956	507,343
TOTAL ASSETS	\$ 728,023	771,362

See Accompanying Notes to Financial Statements

WEYMOUTH TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Weymouth)
STATEMENT OF NET ASSETS
as of December 31,

	2011	2010
LIABILITIES AND FUND EQUITY		
Current Liabilities:		
Current Portion of Long Term Debt	\$ 22,199	21,303
Accrued Interest	3,729	4,003
Accounts Payable	6,000	-
Due to Hamilton Township Municipal Utilities Authority	24,367	22,023
Payroll Taxes & Pension Payable	582	691
Total Current Liabilities	56,877	48,020
Long Term Liabilities:		
Note Payable - long term portion	204,000	217,000
Bonds Payable - long term portion	90,304	97,191
Total Long Term Liabilities	294,304	314,191
TOTAL LIABILITIES	351,181	362,211
Net Assets:		
Investment in capital assets, net of related debt	211,453	171,849
Designated:		
Operations and Maintenance	40,176	40,176
Renewal and Replacement	22,075	22,075
Unrestricted	103,138	175,051
TOTAL NET ASSETS	376,842	409,151
TOTAL LIABILITIES AND NET ASSETS	\$ 728,023	771,362

See Accompanying Notes to Financial Statements

WEYMOUTH TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Weymouth)
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31,

	<u>2011</u>	<u>2010</u>
Operating Revenues:		
Water and Sewer Rental	\$ 143,649	147,740
Other Income	-	-
	<u>143,649</u>	<u>147,740</u>
Total Operating Revenues	<u>143,649</u>	<u>147,740</u>
Operating Expenses:		
Administrative and General	34,714	39,683
Cost of Providing Services	101,881	101,365
Depreciation	27,597	27,597
	<u>164,192</u>	<u>168,645</u>
Total Operating Expenses	<u>164,192</u>	<u>168,645</u>
Operating Income/(Loss)	<u>(20,543)</u>	<u>(20,905)</u>
Nonoperating Revenue (Expense):		
Interest Income	1,168	550
Interest Expense	<u>(12,934)</u>	<u>(12,992)</u>
	<u>(11,766)</u>	<u>(12,442)</u>
Total Non-Operating Revenue/(Expense)	<u>(11,766)</u>	<u>(12,442)</u>
(Decrease) in Net Assets	<u>(32,309)</u>	<u>(33,347)</u>
Net Assets at beginning of year	<u>409,151</u>	<u>442,498</u>
Net Assets at end of year	<u>\$ 376,842</u>	<u>409,151</u>

WEYMOUTH TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Weymouth)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31,

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 143,387	149,824
Cash paid to suppliers and employees	(128,360)	(144,412)
	<u>15,027</u>	<u>5,412</u>
Cash Flows from Investing Activities:		
Additions to Capital Assets	(48,210)	-
Interest earned on investments	1,168	550
	<u>(47,042)</u>	<u>550</u>
Cash Flows from Capital and Related Financing Activities:		
Principal payment on bonds	(18,991)	(18,611)
Interest paid on bonds	(13,208)	(13,330)
	<u>(32,199)</u>	<u>(31,941)</u>
(Decrease) in cash and cash equivalents	(64,214)	(25,979)
Cash and cash equivalents at beginning of year	<u>264,019</u>	<u>289,998</u>
Cash and cash equivalents at end of year	<u>\$ 199,805</u>	<u>264,019</u>
<u>Reconciliation to the Balance Sheet</u>		
Unrestricted Cash	\$ <u>199,805</u>	<u>264,019</u>
	<u>\$ 199,805</u>	<u>264,019</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating Loss	\$ (20,543)	(20,905)
Adjustments:		
Depreciation	27,597	27,597
Change in Assets and Liabilities:		
(Increase)/Decrease in Accounts Receivable	(262)	2,084
Increase/(Decrease) in Accounts Payable	8,344	(3,361)
(Decrease) in Accrued Payroll Taxes	(109)	(3)
Net cash provided by operating activities	<u>\$ 15,027</u>	<u>5,412</u>

See Accompanying Notes to Financial Statements

WEYMOUTH TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
A COMPONENT UNIT OF THE TOWNSHIP OF WEYMOUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

Note 1: Organization

The Weymouth Township Municipal Utilities Authority was created to construct and operate a wastewater collection and treatment system to serve the municipality of Weymouth Township. The Hamilton Township Municipal Utilities Authority bills and collects the revenue from users of the system on behalf of the Weymouth Township Municipal Utilities Authority. The Authority is a component unit of the Township of Weymouth.

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

Note 2: Summary of Significant Accounting Policies

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 applies all Governmental Accounting Standard Board (GASB) pronouncements as well as Financial Accounting Standards Boards (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Reporting Entity

The Authority's financial statements include the accounts of all authority operations. The Authority, as a component unit of the Township of Weymouth, is financially accountable to the Township. The primary criterion for including activities within the Authority's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is a fiscal dependency by the organization on the Authority

Based on the aforementioned criteria, the Authority has no component units.

The Authority, as a component unit, issues separate financial statements from the Township.

WEYMOUTH TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
A COMPONENT UNIT OF THE TOWNSHIP OF WEYMOUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

Basis of Financial Statements

The Authority has adopted GASB No. 34 through 52 and GASB 55 through 59, and related interpretations issued through December 31, 2011. GASB Statement No. 34 and subsequent Statements and Interpretations required certain other changes in terminology, format and content, as well as inclusion of the management's discussion and analysis supplementary information.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

Budgets and Budgetary Accounting

An annual operating budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures in accordance with NJSA 40A:5A. The budget is then submitted and approved by State of New Jersey Division of Local Government Services. The operating budget adopted annually covers the general fund activity only. The current operating budget details the Authority's plans to earn and expend funds for charges incurred for the operation, maintenance, certain interest and general functions, and other charges for the fiscal year.

WEYMOUTH TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
A COMPONENT UNIT OF THE TOWNSHIP OF WEYMOUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

Risks of Loss

The Authority purchases commercial insurance policies on an annual basis to handle risks of loss associated with property, auto, liability, workers compensation, flood damage, and employee crime coverage. Any potential liability of the Authority with respect to loss claims would be equal to the deductibles associated with the policies and an event, which may exceed policy coverage limits.

Cash and Cash Equivalents

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 cost. All other investments are stated at fair value.

For the purpose of determining cash equivalents the Authority considers all investments with an original maturity of three months or less as cash equivalents

The Authority has by board resolution established a capital budget account. The Authority presently has the following accounts:

- Revenue – Serves as a depository for all monies collected
- General – Serves as an expenditure account, necessary amounts are transferred from the Revenue account
- Operating Reserve – As designated by the Authority for needed purposes

Plant and Equipment

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Plant and equipment in service and construction in progress are recorded at cost, if purchased or constructed and is depreciated.

Maintenance and repairs, which do not significantly extend the value of life of plant and equipment, are expensed as incurred.

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

Water systems	40 years
Water/Sewer Lines	40 years
Pump Stations	40 years

WEYMOUTH TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
A COMPONENT UNIT OF THE TOWNSHIP OF WEYMOUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

Inventories of Supplies

The cost of inventories of supplies are recorded as expenditures at the time the individual items are purchased.

Revenues and Rate Structure

Revenues from services are recognized on the accrual basis as earned. Services are supplied to customers under a rate structure designed to produce revenues sufficient to provide for operating and maintenance costs, capital outlay, reserves and debt service coverage.

Net Assets

Net assets comprise the various net earnings from operating and non-operating revenues and expenses. Net assets are classified in the following components: invested in capital assets, net of related liabilities; restricted for future maintenance and replacement; and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net assets for future maintenance and replacement consists of net assets for which constraints are placed by self-imposed legal mandates. Unrestricted net assets consist of all other net assets not included in the above categories.

Long-term Obligations

Long-term debt is recognized as a liability of the Authority. A current liability is recorded for principal due within twelve months of the balance sheet date.

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WEYMOUTH TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
A COMPONENT UNIT OF THE TOWNSHIP OF WEYMOUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

Note 3: Long Term Debt

	<u>Dec. 31, 2010</u>	<u>Issued</u>	<u>Retired</u>	<u>Dec. 31, 2011</u>	Amounts Due within <u>One year</u>
1973 Issue	\$ 5,322	-	(2,202)	3,120	3,120
1983 Issue	102,172	-	(5,789)	96,383	6,079
2008 issue	<u>228,000</u>	<u>-</u>	<u>(11,000)</u>	<u>217,000</u>	<u>13,000</u>
Total	<u>335,494</u>	<u>-</u>	<u>(18,991)</u>	<u>316,503</u>	<u>22,199</u>

Revenue Bonds Payable

The Authority is obligated to the United States Department of Agriculture – Rural Development for two outstanding loans. Both loans are payable in annual installments with interest at 5% per annum. The 1973 issue of \$42,000 matures in December 2012 - the balance remaining as of December 31, 2011 was \$3,120. The 1983 issue of \$183,800 matures in August 2023 - the balance remaining as of December 31, 2011 was \$96,383. The Authority has not been paying the debt payments in accordance with the amortization schedule established when the bonds were issued. The payment on the 1973 issue was not made in accordance with the amortization schedule.

Principal and interest requirements until maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	9,199	5,016	14,215
2013	6,383	4,515	10,898
2014	6,702	4,196	10,898
2015	7,037	3,861	10,898
2016	7,389	3,509	10,898
2017-2021	42,870	11,620	54,490
2022-2023	19,923	1,497	21,420
	<u>\$ 99,503</u>	<u>34,214</u>	<u>133,717</u>

WEYMOUTH TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
A COMPONENT UNIT OF THE TOWNSHIP OF WEYMOUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

Note Payable

The Authority is obligated to Sun National Bank for a promissory note issued March 15, 2008. The note is payable in annual installments with interest ranging from 3% to 5% per annum. The note matures in September 2023 - the balance remaining as of December 31, 2011 was \$217,000.

Principal and interest requirements until maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	13,000	9,665	22,665
2013	15,000	9,178	24,178
2014	16,000	8,578	24,578
2015	16,000	7,938	23,938
2016	17,000	7,258	24,258
2017-2021	96,000	24,710	120,710
2022-2023	44,000	3,300	47,300
	<u>\$ 217,000</u>	<u>70,627</u>	<u>287,627</u>

Note 4: Pension Plan

Description of Plans

Substantially all of the Authority's employees are covered by the Public Employees' Retirement System cost-sharing multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the report can be accessed on the internet at http://www.state.nj.us/treasury/pensions/annrpts_archive.htm.

WEYMOUTH TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
A COMPONENT UNIT OF THE TOWNSHIP OF WEYMOUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

Public Employees' Retirement System

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provide for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 10.7% of covered payroll. The Authority's contributions to PERS for the years ending December 31, 2011, 2010 and 2009 were \$1,613, \$1,613 and \$622 respectively, equal to the required contributions for each year.

Note 5: 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 - The Authority maintains commercial insurance coverage for property and liability. There has been no significant decrease in insurance coverage and there have been no claims in excess of the coverage.

Note 6: Cash and Cash Equivalents and Investments

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2011 and 2010, \$0 of the Authority's respective bank balances of \$204,472 and \$267,432 were exposed to custodial credit risk.

WEYMOUTH TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
A COMPONENT UNIT OF THE TOWNSHIP OF WEYMOUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

Note 7: Fixed Assets

A summary of changes in fixed assets for the year ended December 31, 2011 is as follows:

	<u>Balance January 1</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance December 31</u>
Construction In Progress	-	48,210	-	48,210
Water System & Improvements	<u>\$ 908,807</u>	-	-	<u>908,807</u>
	908,807	48,210	-	957,017
Accumulated Depreciation	<u>(401,464)</u>	<u>(27,597)</u>	-	<u>(429,061)</u>
Net Fixed Assets	<u><u>507,343</u></u>	<u><u>20,613</u></u>	<u><u>-</u></u>	<u><u>527,956</u></u>

Note 8: Net Assets Appropriated

Of the \$103,138 unreserved net assets balance at December 31, 2011, \$20,932 has been appropriated and also included as anticipated revenue for the budgetary year ending December 31, 2012; and the unreserved and undesignated fund balance is \$82,206.

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WEYMOUTH TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
A COMPONENT UNIT OF THE TOWNSHIP OF WEYMOUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

Note 9: Net Assets

Net assets present the difference between assets and liabilities. The net asset amounts were as follows:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Invested in capital assets, net of related liabilities		
Net plant and equipment in service	\$ 527,956	507,343
Deductions:		
Debt	(316,503)	(335,494)
	<u>211,453</u>	<u>171,849</u>
Restricted for future operations and maintenance		
Renewal and Replacement	22,075	22,075
Restricted cash and equivalents	<u>40,176</u>	<u>40,176</u>
Unrestricted	<u>103,138</u>	<u>175,051</u>
Total net assets	<u>\$ 376,842</u>	<u>409,151</u>

Note 10: Subsequent Events

The Authority has evaluated subsequent events through March 2, 2012, the date which the financial statements were available to be issued. The Authority has discussed a possible rate increase for the 2012 budget of \$2 per quarter for water and \$8 per quarter for sewer. No other subsequent events were noted for disclosure.

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SUPPLEMENTARY INFORMATION

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

The Chairman and Members of the
Weymouth Township Municipal Utilities Authority
County of Atlantic, New Jersey

We have audited the financial statements of the business-type activities of the Weymouth Township Municipal Utilities Authority in the County of Atlantic, State of New Jersey, as of and for the year ended December 31, 2011, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division")

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Weymouth Township Municipal Utilities Authority's internal control over financial reporting as a basis for designing our audit procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purposes described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies in the accompanying schedule of findings and responses to be a material weakness: 11-1 and 11-2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Weymouth Township Municipal Utilities Authority's of the County of Atlantic, State of New Jersey's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with 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* or the requirements of the Division of Local Government Services.

We noted certain matters that we reported to management of the Weymouth Township Municipal Utilities Authority in a separate letter dated March 2, 2012.

The Weymouth Township Municipal Utilities Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

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

Very truly yours,

Robert E. Swartz

Certified Public Accountant
Registered Municipal Accountant
No. 319

Ford, Scott & Associates, L.L.C

FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

March 2, 2012

WEYMOUTH TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES

11-1.

Criteria

The Authority must prepare complete and accurate financial statements and related disclosures which comply with the requirements of Generally Accepted Accounting Principles (GAAP).

Condition

The Authority does not have staff members who are sufficiently versed on financial reporting to prepare financial statements in accordance with GAAP.

Cause

The Authority does not have the financial resources to employ staff with the knowledge required to prepare financial statements in accordance with GAAP.

Effect

Those charged with governance are unable to monitor the financial condition of the Authority.

Recommendation

The Authority should continually work to improve on their financial reporting capabilities as is deemed reasonable after considering budgetary constraints.

Management Response

While the Authority understands the need to prepare financial statements in accordance with GAAP, it is currently beyond the Authority's financial resources to employ an individual with such capabilities.

11-2

Criteria

The Authority must prepare current, accurate financial information.

Condition

In order for the board to appropriately base their decisions, they must be provided with the most relevant information possible.

Cause

The Authority staff is not providing information to the board that is current and accurate.

Effect

Those charged with governance are unable to monitor the financial condition of the Authority.

Recommendation

The Authority should include the most current and relevant information to the board as possible. Only payments that have been approved should be included in the monthly profit and loss report.

Management Response

Management understands that the need for the most current and accurate information is pertinent to the effective operation of the authority and will improve on the reports supplied to the board.

STATUS OF PRIOR YEAR AUDIT FINDINGS

10-1.

Finding

The Authority does not have staff members who are sufficiently versed on financial reporting to prepare financial statements in accordance with GAAP.

Current Status

This finding was not cleared and is included as 2011 finding 11-1.

Management Response

While the Authority understands the need to prepare financial statements in accordance with GAAP, it is currently beyond the Authority's financial resources to employ an individual with such capabilities.

WEYMOUTH TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Weymouth)
SCHEDULE OF REVENUES AND APPROPRIATIONS COMPARED TO WATER BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011 <u>Budget</u>	2011 <u>Actual</u>	Variance Over/(Under) <u>Budget to Actual</u>
Revenues			
Water Rental	\$ 41,300	38,975	(2,325)
Interest Income		584	584
	<u>41,300</u>	<u>39,559</u>	<u>(1,741)</u>
Total Revenues	<u>41,300</u>	<u>39,559</u>	<u>(1,741)</u>
Operating Expenses:			
Administrative and General			
Salaries and Wages	10,650	7,088	3,562
Audit	3,000	3,000	-
Office Supplies and Expenses	250	250	-
Fringe Benefits	2,750	680	2,070
Other Insurance	1,850	1,874	(24)
Miscellaneous	3,600	4,465	(865)
Total General and Administrative	<u>22,100</u>	<u>17,357</u>	<u>4,743</u>
Cost of Providing Services			
Purchase of Water	19,200	23,130	(3,930)
	<u>19,200</u>	<u>23,130</u>	<u>(3,930)</u>
Total Costs of Providing Services	41,300	40,487	(813)
Deduct: Unreserved Net Assets Utilized			
Excess/(Deficit) of Revenues Over Expenditures	<u>-</u>	<u>(928)</u>	<u>(928)</u>

WEYMOUTH TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Weymouth)
SCHEDULE OF REVENUES AND APPROPRIATIONS COMPARED TO SEWER BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011 <u>Budget</u>	2011 <u>Actual</u>	Variance Over/(Under) <u>Budget to Actual</u>
Revenues			
Sewer Rental	\$ 104,880	104,674	(206)
Interest Income	-	584	584
	<u>104,880</u>	<u>105,258</u>	<u>378</u>
Total Revenues	<u>104,880</u>	<u>105,258</u>	<u>378</u>
Operating Expenses:			
Administrative and General			
Salaries and Wages	10,650	7,088	3,562
Audit	3,000	3,000	-
Office Supplies and Expenses	250	250	-
Fringe Benefits	2,750	680	2,070
Other Insurance	1,850	1,874	(24)
Miscellaneous	3,600	4,465	(865)
	<u>22,100</u>	<u>17,357</u>	<u>4,743</u>
Total General and Administrative	<u>22,100</u>	<u>17,357</u>	<u>4,743</u>
Cost of Providing Services			
Sewer Treatment Costs	100,000	78,751	21,249
	<u>100,000</u>	<u>78,751</u>	<u>21,249</u>
Interest Expense	15,315	12,934	2,381
Principal	19,101	18,991	110
	<u>156,516</u>	<u>128,033</u>	<u>28,483</u>
Total Costs Funded by Operating Revenue	<u>156,516</u>	<u>128,033</u>	<u>28,483</u>
Deduct: Unreserved Net Assets Utilized	<u>(51,636)</u>	<u>-</u>	<u>-</u>
Excess/(Deficit) of Revenues Over Expenditures	<u>-</u>	<u>(22,775)</u>	<u>28,861</u>

WEYMOUTH TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Weymouth)
RECONCILIATION OF BUDGETARY EXCESS OF REVENUE TO THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS

Excess/(Deficit) of Revenues Over Expenditures - Water Budget	\$ (928)
Excess/(Deficit) of Revenues Over Expenditures - Sewer Budget	<u>(22,775)</u>
Subtotal	(23,703)
Add: Principal Payments included in Budgetary Expenses	18,991
Deduct: Depreciation Expense	<u>(27,597)</u>
Change in Net Assets	<u><u>\$ (32,309)</u></u>

WEYMOUTH TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Weymouth)
SCHEDULE OF BONDS PAYABLE
FOR THE YEAR ENDED DECEMBER 31,

<u>DESCRIPTION</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>INTEREST RATE</u>	<u>2010</u>	<u>PAID</u>	<u>2011</u>
1973 Issue	1973	42,000	5%	\$ 5,322	2,202	3,120
1983 Issue	1983	183,800	5%	102,172	5,789	96,383
				\$ <u>107,494</u>	<u>7,991</u>	<u>99,503</u>

Schedule of Bond Maturities			
<u>YEAR</u>	<u>1973 Issue Amount</u>	<u>1983 Issue Amount</u>	<u>Total</u>
2012	3,120	6,079	9,199
2013		6,383	6,383
2014		6,702	6,702
2015		7,037	7,037
2016		7,389	7,389
2017		7,758	7,758
2018		8,146	8,146
2019		8,554	8,554
2020		8,981	8,981
2021		9,430	9,430
2022		9,902	9,902
2023		10,022	10,022
Balance of unpaid principal at 12/31/11	<u>3,120</u>	<u>96,383</u>	<u>99,503</u>

**WEYMOUTH TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 (A component unit of the Township of Weymouth)
 SCHEDULE OF NOTES PAYABLE
 FOR THE YEAR ENDED DECEMBER 31,**

<u>DESCRIPTION</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>2010</u>	<u>Issued</u>	<u>Paid</u>	<u>2011</u>
2008 Note	2008	250,000	<u>228,000</u>	<u>-</u>	<u>11,000</u>	<u>217,000</u>
			<u>228,000</u>	<u>-</u>	<u>11,000</u>	<u>217,000</u>

Schedule of Note Maturity

<u>YEAR</u>	<u>Interest Rate</u>	<u>2008 Issue Amount</u>
-------------	--------------------------	------------------------------

2012	3.75%	13,000
2013	4.00%	15,000
2014	4.00%	16,000
2015	4.25%	16,000
2016	4.25%	17,000
2017	4.25%	18,000
2018	4.25%	18,000
2019	4.50%	19,000
2020	4.50%	20,000
2021	5.00%	21,000
2022	5.00%	22,000
2023	5.00%	22,000

Balance of unpaid principal at 12/31/11 217,000

WEYMOUTH TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Weymouth)
SCHEDULE OF FIXED ASSETS
FOR THE YEAR ENDED DECEMBER 31,

	<u>2011</u>	<u>2010</u>
Fixed Assets		
Construction in Progress	\$ 48,210	-
Pump Station	621,690	621,690
Water System	250,000	250,000
Water and Sewer System	32,207	32,207
Fencing	<u>4,910</u>	<u>4,910</u>
Total Fixed Assets	<u>957,017</u>	<u>908,807</u>
Accumulated Depreciation	<u>429,061</u>	<u>401,464</u>
Total Fixed Assets, net of Accumulated Depreciation	<u><u>\$527,956</u></u>	<u><u>507,343</u></u>

WEYMOUTH TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Weymouth)
SCHEDULE OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Net Assets - January 1, 2011	\$ 287,026	122,125	409,151
Budgetary Excess/(Deficit) of Revenue over Expenditures	(928)	(22,775)	(23,703)
Adjustment for:			
2011 Depreciation Expense	(6,250)	(21,347)	(27,597)
2011 Debt Payment - Principal	<u>-</u>	<u>18,991</u>	<u>18,991</u>
Net Assets - December 31, 2011	<u>\$ 279,848</u>	<u>96,994</u>	<u>376,842</u>
Analysis of Net Assets:			
Invested in Fixed Assets, Net of Related Debt	\$ -	163,243	163,243
Restricted for:			
Operations and Maintenance	40,176	-	40,176
Renewals and Replacements	22,075	-	22,075
Unrestricted	<u>217,597</u>	<u>(66,249)</u>	<u>151,348</u>
Net Assets - December 31, 2011	<u>\$ 279,848</u>	<u>96,994</u>	<u>376,842</u>