

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of East Windsor)

Financial Statements
and
Supplementary Information

November 30, 2011 and 2010

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY

(A Component Unit of the Township of East Windsor)
Table of Contents

November 30, 2011 and 2010

	<u>Page Number</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
FINANCIAL STATEMENTS	
STATEMENTS OF NET ASSETS.....	8-9
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS.....	10
STATEMENTS OF CASH FLOWS.....	11
NOTES TO FINANCIAL STATEMENTS.....	12-24
SUPPLEMENTARY INFORMATION	
BUDGETARY COMPARISON SCHEDULE.....	25-26
SCHEDULE OF WATER AND SEWER REVENUE BONDS.....	27-31
ROSTER OF OFFICIALS.....	32

INDEPENDENT AUDITORS' REPORT

To the Honorable Board Members of
East Windsor Municipal Utilities Authority

We have audited the accompanying financial statements of East Windsor Municipal Utilities Authority, a component unit of the Township of East Windsor, as of and for the years ended November 30, 2011 and 2010. These financial statements are the responsibility of East Windsor Municipal Utilities Authority's (the "Authority") management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

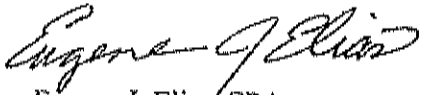
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of November 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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.

- AN INDEPENDENTLY OWNED MEMBER,
McGLADREY ALLIANCE
- AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
- NEW JERSEY SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
- NEW YORK SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
- PENNSYLVANIA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
- AICPA'S PRIVATE COMPANIES PRACTICE
SECTION
- AICPA'S CENTER FOR AUDIT QUALITY
- REGISTERED WITH THE PCAOB

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The supplementary information is presented for the purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Eugene J. Elias, CPA
Registered Municipal Accountant
License No. 505

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

May 3, 2012

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual 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 Authority's financial statements.

Financial Highlights

The Authority's net assets of \$56,935,132 decreased by \$699,774 or (1.2)% over November 30, 2010. Total operating revenues for the year ended November 30, 2011, increased by \$549,392 or 8.48% and the total operating expenses increased by \$338,855 or 4.99% when compared to the amounts for the year ended November 30, 2010.

This resulted in an operating loss of \$107,127 for the year ended November 30, 2011, compared to an operating loss of \$317,664 for the year ended November 30, 2010. When non-operating revenues (expenses) for the years ended November 30, 2011 and 2010 of \$(788,887) and \$860,238 respectively, are taken into consideration, the Authority ended the year November 30, 2011, with a decrease in net assets of \$699,774 and November 30, 2010, with an increase in net assets of \$542,574.

Income from user charges decreased by \$90,506 or (1.5)% compared to fiscal year ended November 30, 2010.

Income from new connections increased by \$572,021 or 612.0% compared to fiscal year ended November 30, 2010.

Employee wages and benefits, materials and supplies, repairs and maintenance, utilities and other expenses increased by \$329,638, while contracted services and insurance expense decreased by \$311,763. Depreciation expense increased by \$320,980, resulting from the addition of \$24,054,065 in depreciable fixed assets from construction in progress. The overall increase in total operating expenses in 2011 was \$338,855 or 5.0%.

The Authority's outstanding debt at November 30, 2011, was \$28,593,942, a decrease of \$1,961,498 when compared to November 30, 2010.

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 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. 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 basis. The statement presents the Authority's assets and liabilities, with the difference reported as net assets. Net asset increases and decreases over time, is one indicator of improving or deteriorating financial position of the Authority.

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of Annual Financial Report (Continued)

The statement of revenues, expenses and changes in net assets presents the results of the business activities over the fiscal year and information as to how net assets changed during the fiscal 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 information about the Authority's ability to recover its costs through user fees and other charges.

The statement of cash flows presents changes in cash and cash equivalents resulting from operating activities, investing, capital and non-capital activities. The statement presents cash receipts and disbursements without consideration of the earnings event. This statement shows what sources provided cash, what cash was used for and what the change in cash balance was for the reporting period.

The notes to the financial statements provide required disclosures and other information essential to a complete understanding of information provided in the financial statements. The notes contain information about the Authority's accounting policies, significant account balances and changes, risk management, obligations, commitments, contingencies and subsequent events.

Financial Analysis of the Authority

The following tables and other information are provided as key financial data used by management for monitoring and planning purposes.

Net Assets -- Table 1 summarizes the changes in net assets between November 30, 2011 and 2010:

Table 1 <u>Condensed Summary of Statement of Net Assets</u>			
Years Ended November 30,	<u>2011</u>	<u>2010</u>	<u>Increase/ (Decrease)</u>
Assets			
Current Assets - Unrestricted	\$ 11,333,887	\$ 11,668,383	\$ (334,496)
Restricted Assets	10,969,997	14,488,325	(3,518,328)
Capital Assets (Net of Depreciation)	64,775,255	64,334,341	440,914
Other Assets	<u>778,808</u>	<u>824,275</u>	<u>(45,467)</u>
Total Assets	<u>\$ 87,857,947</u>	<u>\$ 91,315,324</u>	<u>\$ (3,457,377)</u>
Liabilities			
Current Liabilities			
Payable from			
Unrestricted Current Assets	\$ 587,143	\$ 454,475	\$ 132,668
Restricted Assets	2,774,191	3,614,451	(840,260)
Non-Current Liabilities	<u>27,561,481</u>	<u>29,611,493</u>	<u>(2,050,012)</u>
Total Liabilities	<u>\$ 30,922,815</u>	<u>\$ 33,680,419</u>	<u>\$ (2,757,604)</u>
Net Assets			
Invested in Capital Fixed Assets, Net of			
Related Bonds Payable	\$ 44,621,459	\$ 45,315,072	\$ (693,613)
Restricted For			
Capital Improvements	2,561,790	2,359,577	202,213
Future Debt Service	-	856,348	(856,348)
Unrestricted	<u>9,751,883</u>	<u>9,103,909</u>	<u>647,974</u>
Total Net Assets	<u>\$ 56,935,132</u>	<u>\$ 57,634,906</u>	<u>\$ (699,774)</u>

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Authority (Continued)

As previously noted, net assets may over time serve as a useful measure of an entity's financial position. In the Authority's case, assets exceeded liabilities by \$56,935,132 at November 30, 2011, a decrease of \$699,774 for the fiscal year ended November 30, 2011.

The largest portion of the Authority's net assets (\$44,621,459 or 78.4% at November 30, 2011) is reflected in its investment in capital assets, as shown on Table 1. These assets are used by the Authority to pump, treat and deliver potable water and for the collection and treatment of wastewater and thus are not available for future spending.

Net assets decreased by \$699,774 and unrestricted net assets increased by \$647,974 in 2011.

Operating Activities

Table 2 summarizes the changes in revenues, expenses and net assets between fiscal years November 30, 2011 and 2010.

Table 2
Condensed Summary of Statement of Revenues, Expenses and Changes in Net Assets

Years ended November 30,	2011	2010	Increase/ Decrease
<u>Revenues</u>			
Operating Revenues:			
User Charges	\$ 6,076,920	\$ 6,167,426	\$ (90,506)
Connection Fees	665,481	93,460	572,021
Other	285,774	217,897	67,877
Total Operating Revenues	<u>7,028,175</u>	<u>6,478,783</u>	<u>549,392</u>
Non-Operating Revenues:			
Interest Income	90,655	105,515	(14,860)
Capital Contributions - Developers	196,240	-	196,240
Federal Grant	-	878,440	(878,440)
Total Non-Operating Revenues	<u>286,895</u>	<u>983,955</u>	<u>(697,060)</u>
Total Revenues	<u>7,315,070</u>	<u>7,462,738</u>	<u>(147,668)</u>
<u>Expenses</u>			
Operating Expenses:			
Cost of Providing Services	4,197,748	4,247,811	(50,063)
General and Administrative	819,323	751,386	67,937
Depreciation	2,118,231	1,797,250	320,981
Total Operating Expenses	<u>7,135,302</u>	<u>6,796,447</u>	<u>338,855</u>
Non-Operating Expenses:			
Interest Expenses	401,415	-	401,415
Amortization of Debt Issue Costs	45,465	-	45,465
Arbitrage Rebate Adjustment	-	123,718	(123,718)
Loss from Abandonment of Property, Plant and Equipment	432,662	-	432,662
Total Non-Operating Expenses	<u>879,542</u>	<u>123,717</u>	<u>755,825</u>
Total Expenses	<u>8,014,844</u>	<u>6,920,164</u>	<u>1,094,680</u>
Change in Net Assets	(699,774)	542,574	(1,242,348)
Total Net Assets, Beginning of Year	<u>57,634,906</u>	<u>57,092,332</u>	<u>542,574</u>
Total Net Assets, End of Year	<u>\$ 56,935,132</u>	<u>\$ 57,634,906</u>	<u>\$ (699,774)</u>

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Activities (Continued)

The summary of revenues, expenses and changes in net assets provides information as to the nature and source of changes in financial position. Table 2 shows that total revenues in 2011, decreased by \$147,668 or (2.0)% and total expenses increased by \$1,094,680 or 15.8% over 2010.

The items which were responsible for the major changes in net assets for the year ended November 30, 2011, included:

User charges decreased \$90,506 or (1.5)% when compared to 2010.

Contributions of cash and capital assets from developers increased by \$196,240 when compared to 2010.

Connection fees charge to new customers increased by \$572,021 or 612.1% when compared to 2010.

Operating expenses increased \$338,855. There was an increase of 5.0% in total operating expenses for the year ended November 30, 2011.

Federal grant decrease was \$878,440 for the year ended November 30, 2011.

Due to the capital improvement programs made to the water and wastewater systems during the period from 2009 through 2011, the Authority recorded a loss of \$432,662 from property, plant and equipment abandoned during the year ended November 30, 2011.

Capital Assets and Debt Administration

Capital Assets

Table 3 summarizes the changes in capital assets at November 30, 2011 and 2010.

Years ended November 30,	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Land, Land Rights and Improvements	\$ 4,878,447	\$ 3,723,456	\$ 1,154,991
Buildings	17,749,678	8,721,018	9,028,660
Machinery and Equipment	72,035,710	59,996,659	12,039,051
Construction in Progress	<u>3,806,696</u>	<u>24,868,955</u>	<u>(21,062,259)</u>
	98,470,531	97,310,088	1,160,443
Less: Accumulated Depreciation	<u>33,695,276</u>	<u>32,975,747</u>	<u>719,529</u>
Total Capital Assets, Net of Depreciation	<u>\$ 64,775,255</u>	<u>\$ 64,334,341</u>	<u>\$ 440,914</u>

At November 30, 2011, the Authority's gross investment in capital assets was \$98,470,531, an increase of \$1,160,443 when compared to the \$97,310,088 at November 30, 2010.

Debt Outstanding

The Authority's bonded debt was \$28,593,942 at November 30, 2011, a decrease of \$1,961,498 when compared to the \$30,555,440 at November 30, 2010. Interest on these bonds is paid semi-annually with interest rates ranging from 2.8% to 5.5%. Principal payments on the outstanding debt are due annually with final maturity on August 1, 2029. Additional information on the Authority's long-term debt can be found in Note F in the financial statements.

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

Next Year's Budget and User Rates

The Authority adopted a \$5,435,453 2012 operating and maintenance budget, an increase of \$239,698 or 4.8%, compared to 2011. Total user fees are budgeted to increase \$28,100 or 1.1% in 2012.

The Authority's user rates for water and wastewater will remain the same for the fiscal year November 30, 2012.

The Authority adopted a six year capital program with their 2012 budget. The capital program includes future projects totaling \$22,184,000. The six year capital program anticipates the use of \$3,284,000 in unrestricted net assets to provide funding for anticipated projects.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any question about this report or need any additional information, contact the Authority at 7 Wiltshire Drive, East Windsor, New Jersey 08520, or by telephone at 609-443-6000.

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

STATEMENTS OF NET ASSETS

	<u>November 30,</u>	
	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Current Assets - Unrestricted		
Cash and cash equivalents	\$ 2,754,185.04	\$ 3,240,524.18
Investments	7,139,575.48	7,062,606.47
User charges receivable, net of allowance for doubtful accounts of \$0 in 2011 and 2010	1,261,627.34	1,283,568.04
Other receivables	147,356.38	40,835.99
Interest receivable	31,142.64	40,848.66
Restricted Assets		
Cash and cash equivalents	746,869.12	2,077,948.22
Funds held by trustee	-	168,195.96
Total current assets	<u>12,080,756.00</u>	<u>13,914,527.52</u>
Non Current Restricted Assets		
Cash and cash equivalents	4,003,118.17	2,359,577.39
Funds held by Trustee	6,220,009.37	9,882,603.81
Total non current restricted assets	<u>10,223,127.54</u>	<u>12,242,181.20</u>
Capital Assets		
Land and land improvements	4,878,446.59	3,723,456.34
Buildings	17,749,678.05	8,721,018.18
Machinery and equipment	72,035,710.46	59,996,658.64
Construction in progress	3,806,695.79	24,868,955.16
	<u>98,470,530.89</u>	<u>97,310,088.32</u>
Less: Accumulated depreciation	33,695,276.36	32,975,747.18
Capital assets, net	<u>64,775,254.53</u>	<u>64,334,341.14</u>
Other assets		
Unamortized debt issue costs	<u>778,809.09</u>	<u>824,274.47</u>
Total assets	<u>\$ 87,857,947.16</u>	<u>\$ 91,315,324.33</u>

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

STATEMENTS OF NET ASSETS

	<u>November 30,</u>	
	<u>2011</u>	<u>2010</u>
<u>LIABILITIES</u>		
Current liabilities payable from unrestricted current assets		
Accounts payable and accrued expenses	\$ 181,125.93	\$ 185,807.49
Accounts payable - Debt Issue Costs	4,392.26	4,392.26
Customer meter deposits	5,075.00	3,500.00
Deferred revenue - unearned	<u>396,550.00</u>	<u>260,775.00</u>
Total current liabilities	<u>587,143.19</u>	<u>454,474.75</u>
Current liabilities payable from restricted assets		
Loans Payable - New Jersey Environmental Infrastructure Trust	2,012,943.37	1,961,497.65
Accounts payable - construction	248,535.85	1,162,579.26
Accrued interest payable on revenue bonds	213,881.25	227,216.99
Escrow deposits - review fees	<u>298,830.74</u>	<u>263,157.12</u>
Total current liabilities payable from restricted assets	<u>2,774,191.21</u>	<u>3,614,451.02</u>
Total current liabilities	<u>3,361,334.40</u>	<u>4,068,925.77</u>
Long-term liabilities		
Accounts Payable - Debt Issue Costs	6,588.39	10,980.65
Loans payable - New Jersey Environmental Infrastructure Trust	26,580,998.98	28,593,942.35
Compensated absences payable	208,805.26	177,277.83
Premium on bonds	<u>765,088.33</u>	<u>829,292.21</u>
Total long-term liabilities	<u>27,561,480.96</u>	<u>29,611,493.04</u>
Total liabilities	<u>30,922,815.36</u>	<u>33,680,418.81</u>
<u>NET ASSETS</u>		
Net assets		
Invested in capital assets, net of related bonds payable	44,621,458.83	45,315,071.63
Restricted for capital improvements	2,561,789.98	2,359,577.39
Restricted for future debt service	-	856,347.95
Unrestricted	<u>9,751,882.99</u>	<u>9,103,908.55</u>
Total net assets	<u>\$ 56,935,131.80</u>	<u>\$ 57,634,905.52</u>

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended November 30.	
	2011	2010
Operating revenues		
User charges	\$ 6,076,919.90	\$ 6,167,617.73
Delinquent penalties	44,333.08	38,722.20
Connection fees	665,481.00	93,460.00
Laboratory fees	10,875.00	8,395.00
Other income	230,566.15	170,588.48
Total operating revenues	<u>7,028,175.13</u>	<u>6,478,783.41</u>
Operating expenses		
Salaries, wages and benefits	2,361,393.21	2,238,965.92
Contracted services	576,566.01	875,296.45
Other operating expenses	2,079,112.38	1,884,934.73
Depreciation	<u>2,118,230.73</u>	<u>1,797,250.32</u>
Total operating expenses	<u>7,135,302.33</u>	<u>6,796,447.42</u>
Operating loss	<u>(107,127.20)</u>	<u>(317,664.01)</u>
Non-operating revenues (expenses), net		
Interest income	90,655.17	105,515.39
Interest expense	(401,414.74)	-
Amortization of debt issue costs	(45,465.38)	-
Federal Grants	-	878,440.00
Arbitrage Rebate Adjustment	-	(123,717.71)
Loss from Abandonment of Property, Plant and Equipment	<u>(432,661.82)</u>	<u>-</u>
Total non-operating (expenses) revenues, net	<u>(788,886.77)</u>	<u>860,237.68</u>
(Decrease) Increase in net assets, before capital contributions	<u>(896,013.97)</u>	<u>542,573.67</u>
Capital contributions		
Developer impact fees	<u>196,240.25</u>	<u>-</u>
Total capital contributions	<u>196,240.25</u>	<u>-</u>
(Decrease) Increase in net assets	<u>(699,773.72)</u>	<u>542,573.67</u>
Net assets, beginning of year	<u>57,634,905.52</u>	<u>57,092,331.85</u>
Net assets, end of year	<u>\$ 56,935,131.80</u>	<u>\$ 57,634,905.52</u>

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF CASH FLOWS

	Year Ended November 30,	
	2011	2010
Cash flows from operating activities		
Receipts from customers	\$ 7,079,370.44	\$ 6,555,382.82
Payments to suppliers	(3,402,197.72)	(3,463,287.90)
Payments to employees	(1,588,028.01)	(1,573,704.03)
Customers meter deposits refunded	1,575.00	2,450.00
Net cash provided by operating activities	<u>2,090,719.71</u>	<u>1,520,840.89</u>
Cash flows from capital and related financing activities		
Proceeds from loans payable - NJEIT	-	889,220.00
Premium from loans payable - NJEIT	-	32,872.10
Funds held by Trustee	4,115,854.00	12,709,696.58
Purchase of property, plant and equipment	(4,448,686.06)	(15,500,387.37)
Principal payments on bonds	(1,961,497.65)	(1,620,000.00)
Contributed capital	196,240.25	-
Interest paid on bonds payable	(221,181.25)	(41,512.50)
Escrow deposits	35,673.62	75,932.30
Payment of debt issue costs	(4,392.26)	(23,001.56)
Federal Grants Received	-	878,440.00
Net cash used for capital and related financing activities	<u>(2,287,989.35)</u>	<u>(2,598,740.45)</u>
Cash flows from investing activities		
Purchase of investments	(8,078,194.66)	(9,652,980.55)
Proceeds from sale of investments	8,001,225.65	9,366,287.73
Interest income	100,361.19	98,668.44
Arbitrage Rebate Adjustment	-	(123,717.71)
Net cash provided by (used in) investing activities	<u>23,392.18</u>	<u>(311,742.09)</u>
Net decrease in cash and cash equivalents	(173,877.46)	(1,389,641.65)
Cash and cash equivalents, beginning of year	<u>7,678,049.79</u>	<u>9,067,691.44</u>
Cash and cash equivalents, end of year	<u>\$ 7,504,172.33</u>	<u>\$ 7,678,049.79</u>
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (107,127.20)	\$ (317,664.01)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	2,118,230.73	1,797,250.32
Decrease/(Increase) in user charges receivable	21,940.70	(99,251.61)
(Increase)/Decrease in other receivables	(106,520.39)	88,793.73
Increase in deferred revenues - unearned	135,775.00	210,775.00
Decrease in accounts payable	(4,681.56)	(117,901.71)
Increase/(Decrease) in compensated absences payables	31,527.43	(43,610.83)
Increase in customer meter deposits	1,575.00	2,450.00
Total adjustments	<u>2,197,846.91</u>	<u>1,838,504.90</u>
Net cash provided by operating activities	<u>\$ 2,090,719.71</u>	<u>\$ 1,520,840.89</u>

See notes to financial statements.

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

NOTES TO FINANCIAL STATEMENTS

A. DESCRIPTION OF ENTITY

The East Windsor Municipal Utilities Authority (the "Authority") was created in 1965 by an ordinance of the Township of East Windsor, (the "Township") Mercer County, New Jersey, and is a public body politic and corporate of the State of New Jersey organized and existing pursuant to the Municipal Utilities Authority Law, constituting Chapter 183 of the Laws of 1957, of the State of New Jersey, as amended and supplemented.

The purposes for which the Authority was created include the acquisition and/or construction of plants and distribution systems to provide an adequate supply of water and the acquisition and/or construction of sewer facilities incident to the collection and treatment of sewerage for the relief of waters from pollution.

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

The Governmental Accounting Standards Board Statement 14 requires that disclosure be made in the financial statements regarding the financial reporting entity of governmental units.

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the primary government is not accountable but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body, and either the primary government is able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The Authority is a component unit of the primary government, the Township of East Windsor. The board of the Authority is appointed by the Committee of the Township and under the agreement entered into by the Authority and the Township, the Township will provide for deficits resulting from failure or inability of the Authority to derive adequate revenues from operating the systems.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

The Authority's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board ("GASB") and other entities that promulgate accounting principles. Per GASB Statement 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, priority is established as to which source of accounting principles to utilize in determining proper accounting treatment. The hierarchy is as follows: GASB Statements and Interpretations; GASB Technical Bulletins; American Institute of Certified Public Accountants ("AICPA") Industry Audit and Accounting Guides and AICPA Statements of Position, if applicable, and cleared by GASB; AICPA Practice Bulletins, if applicable, and cleared by GASB; Implementation Guides published by the GASB; AICPA pronouncements that are not specially applicable to state and governmental entities; Financial Accounting Standards Board ("FASB")

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Accounting (Continued)

Statements and Interpretations; and Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee of Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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 statement of net assets. Net assets (*i.e.*, *total assets net of total liabilities*) are segregated into "invested in capital assets, net of related bonds payable;" "restricted for capital improvement, for future debt service," and "unrestricted" components. Water and Sewer revenues are recognized based on usage, and connection fees are recognized upon issuance of permits. Expenses are recorded when incurred.

Cash Equivalents and Deposits

Cash and cash equivalents, for purposes of the statement of cash flows, include restricted and unrestricted cash on hand or on deposit, certificates of deposit, and investments with an original maturity of 90 days or less.

Restricted Assets

Restricted assets represent cash and cash equivalents, investments and interest receivable maintained in accordance with bond resolutions, loan agreements and other resolutions and formal actions of the Authority or by agreement for the purpose of funding certain debt service payments, capital improvements and extensions to the utility systems.

Receivables

Customer receivables represent user fees earned, but not yet collected. User charges receivable as of November 30, 2011 and 2010, were \$1,261,627.34 and \$1,283,568.04, respectively.

Allowance for Doubtful Accounts

Management considers all user charges receivable to be fully collectible; thus no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds Held by Trustee

The net proceeds from the series 2009 subordinated revenue bonds, received on November 6, 2008, and the Series 2010 subordinated revenue bonds, received March 10, 2010, were placed with the Bank of New York. These funds are being held by the trustee and are being released to the Authority upon requisitions for the payment of expenditures and capitalized interest on the projects for which the loans were authorized.

Developer Contributions

Developer contributions are recorded in the period received. Developer financed construction is recorded in the period in which applicable costs are incurred.

Capital Assets

Property, Plant and Equipment are stated at cost, which includes direct costs and other expenditures related to their acquisition.

System construction costs are charged to construction in progress until such time as given segments of the system are completed and put in operation.

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

Building and Improvements	10-75 Years
Land Improvements	5-40 Years
Machinery and Equipment	
Water and Sewer Mains and Interceptors	5-75 Years
Water Wells and Pump Stations	5-50 Years
Other Equipment	5-40 Years
Office Furniture and Equipment	5-15 Years
Vehicles	5-10 Years

The Authority capitalizes any of the above with a cost over \$5,000.

Unamortized Debt Issue Costs

Costs related to the issuance of bonds have been capitalized as deferred debt issue costs, and are being amortized over the life of the respective bond issues using the straight-line method. Accumulated amortization as of November 30, 2011 and 2010, was \$45,465.38 and \$0, respectively.

Bond Premium

Bond premium is amortized on a pro-rata basis as principal payments are made, which approximates the effective interest method. Bond premium as of November 30, 2011 and 2010, was \$765,088.33 and \$829,292.21, respectively.

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 estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates (Continued)

date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgets

Budgets, which are required by State statute, are adopted in accordance with regulations promulgated by the Department of Community Affairs ("DCA"). An annual appropriated budget is adopted for the operations of the Authority, subject to approval by the DCA. A capital program adopted by the Authority is management's six year plan for financing the estimated cost of additions or replacement of major fixed assets used in the Authority's operations.

Interest Expense

The Authority capitalizes the net interest cost of restricted tax-exempt borrowings during the construction/acquisition period of certain qualifying assets. The amount of interest expense is reduced by interest earned on the investment of the borrowed funds. For the years ended November 30, 2011 and 2010, \$1,854,463.71 and \$1,716,152.49, respectively, of net interest was capitalized and is included in construction in progress.

Compensated Absences Payable

The Authority allows employees to earn vacation time based on the employee's length of service and hours worked during the preceding year. No more than five unused vacation days may be carried forward to the following calendar year.

Unused sick leave may be carried forward into subsequent calendar years. Upon retirement, accumulated sick leave may be converted to a cash payment at a rate of not more than 50% of the employee's current hourly salary up to a maximum of \$15,000. If the employee leaves for reason other than retirement, unused sick pay is forfeited.

The Authority has accrued unpaid vacation time and sick time of \$42,042.52 and \$166,762.74, respectively, as of November 30, 2011 and \$22,274.56 and \$155,003.27, respectively, as of November 30, 2010.

Deferred Revenue Unearned

Revenues received by the Authority for permits before the earnings process has been completed are recorded as deferred revenue. Deferred revenue unearned as of November 30, 2011 and 2010, was \$396,550 and \$260,775, respectively.

Net Assets

Restricted Net Assets are those items of equity which are unavailable for expense or are legally restricted as to use. Presently, the Authority has restrictions which are required by the bond resolutions. These are for future debt service and capital improvements.

C. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost. U.S. Treasury and agency obligations and certificates of deposit with maturities of 90 days or less when purchased are stated at cost. All other investments are stated at fair value.

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

NOTES TO FINANCIAL STATEMENTS

C. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Deposits

New Jersey statutes require that authorities deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation or by any other agency of the United States that insures deposits made in public depositories. Authorities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depositor insurance limits as follows:

The market value of the collateral must equal five percent of the average daily balance of public funds; and

If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

The carrying amount of the Authority's cash and cash equivalents and investments as of November 30, 2011, which consisted mainly of certificate of deposits, money market accounts and U.S. obligations, was \$14,643,747.81. Of the balance, \$3,900,252.66 was covered by Federal Depository Insurance, and \$10,743,495.15 was covered by a collateral pool maintained by the banks, as required by New Jersey statutes.

Investments

N.J.S.A. 40A:5-15.1 provides that public funds may be invested in the following types of securities when authorized by resolution adopted by a majority vote of all its members:

- a. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America.
- b. Government Money Market Mutual Funds.
- c. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an Act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- d. Bonds or other obligations of the Township, or bonds or other obligations of the school districts of which the Township is a part or within which the school district is located.

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

NOTES TO FINANCIAL STATEMENTS

C. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

- e. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, that are approved by the New Jersey Department of Treasury, Division of Investments.
- f. Local Government Investment Pools.
- g. Deposits with the State of New Jersey Cash Management Fund established pursuant to Section 1 of P.L. 1977, C. 281 (C.52:18A:90.4).
- h. Agreements for the repurchase of fully collateralized securities if certain requirements apply.

N.J.S.A.52:18A-90.4 provides that the Director of the Division of Investments may, subject to the approval of the State Investments Council and the State Treasurer, establish, maintain and operate a common trust fund to be known as the State of New Jersey Cash Management Fund in which may be deposited the surplus public moneys of the state, its counties, municipalities and school districts and the agencies or authorities created by any of these entities. This fund shall be considered a legal depositor for public moneys.

Certificates of deposit with original maturities in excess of 90 days are included in investments.

The Authority's investments carried at fair value as of November 30, 2011, were:

Investment Type	Fair Value	Years	
		Less Than 1	1-5
Certificate of Deposits	\$ 7,139,575	\$ -	\$ 7,139,575
Total Investments	\$ 7,139,575	\$ -	\$ 7,139,575

Bank	Carrying Amount
Fulton Bank	\$ 4,656,797
Wells Fargo	142,241
Bank of New York	2,704,910
Cash on Hand	225
Total cash and cash equivalents	\$ 7,504,173
Total cash and cash equivalents and investments	\$ 14,643,748

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

NOTES TO FINANCIAL STATEMENTS

C. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

The Authority's investments carried at fair value as of November 30, 2010, were:

Investment Type	Fair Value	Years	
		Less Than 1	1-5
Certificate of Deposits	\$ 7,062,606	\$ -	\$ 7,062,606
Total Investments	\$ 7,062,606	\$ -	\$ 7,062,606

Bank	Carrying Amount
The Bank	\$ 3,981,031
Wachovia	245,917
Bank of New York	3,450,877
Cash on Hand	225
Total cash and cash equivalents	\$ 7,678,050

Total cash and cash equivalents and investments	\$ 14,740,656
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Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure; however, investments are matched with anticipated cash flows to minimize interest rate risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority limits its credit risk by investing in direct obligations of the United States government, its agencies or instrumentalities secured by the full faith and credit of the government of the United States. U.S. government securities carry an underlying rating of AAA by Standard and Poor's and AAA by Moody's Investors Service. The Authority has no policy on credit risk however, investments are primarily securities guaranteed by the U.S. Government, or Government Unit Deposit Protection Act ("GUDPA").

Concentration of Credit Risk: The Authority places no limit on the amount that may be invested in any one issuer. Approximately 67% of the Authority's investments are in certificates of deposit, obligations of the United States or its agencies or instrumentalities.

D. ACCOUNTS ESTABLISHED BY 1988 BOND RESOLUTIONS

In accordance with the 1988 Bond Resolution, the Authority had established certain restricted cash and investment accounts.

The bonds related to this bond resolution were paid off during the November 30, 2010, fiscal year and the accounts closed.

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)
NOTES TO FINANCIAL STATEMENTS

E. PROPERTY, PLANT AND EQUIPMENT

Activity in the fixed assets was as follows:

	Balance 12/1/2010	Additions	(Deletions)	Balance 11/30/2011
Land and land improvements	\$ 3,723,456.34	\$ 1,154,990.25	\$ -	\$ 4,878,446.59
Buildings and improvements	8,721,018.18	9,120,816.87	92,157.00	17,749,678.05
Machinery and equipment	59,996,658.64	13,778,258.19	1,739,206.37	72,035,710.46
Construction in progress	<u>24,868,955.16</u>	<u>2,832,798.34</u>	<u>23,895,057.71</u>	<u>3,806,695.79</u>
	97,310,088.32	26,886,863.65	25,726,421.08	98,470,530.89
Less accumulated depreciation	<u>(32,975,747.18)</u>	<u>(2,118,230.73)</u>	<u>1,398,701.55</u>	<u>(33,695,276.36)</u>
	<u>\$ 64,334,341.14</u>	<u>\$ 24,768,632.92</u>	<u>\$ 24,327,719.53</u>	<u>\$ 64,775,254.53</u>

	Balance 12/1/2009	Additions	(Deletions)	Balance 11/30/2010
Land and land improvements	\$ 3,723,456.34	\$ -	\$ -	\$ 3,723,456.34
Buildings and improvements	8,721,018.18	-	-	8,721,018.18
Machinery and equipment	59,679,883.23	316,775.41	-	59,996,658.64
Construction in progress	<u>10,133,242.26</u>	<u>14,735,712.90</u>	<u>-</u>	<u>24,868,955.16</u>
	82,257,600.01	15,052,488.31	-	97,310,088.32
Less accumulated depreciation	<u>(31,178,496.86)</u>	<u>(1,797,250.32)</u>	<u>-</u>	<u>(32,975,747.18)</u>
	<u>\$ 51,079,103.15</u>	<u>\$ 13,255,237.99</u>	<u>\$ -</u>	<u>\$ 64,334,341.14</u>

Due to the capital improvements program made to the water and wastewater systems during the period from 2009 through 2011, the Authority recorded a loss of \$432,662 from property, plant and equipment abandoned during the year ended November 30, 2011.

F. LONG TERM DEBT

The Authority issues revenue bonds to provide funds for the acquisition and construction of capital facilities.

Revenue bonds currently outstanding are as follows:

November 30,	
2011	2010

Series 2009 Subordinated Revenue Bonds -- On November 6, 2008, loan agreements were executed between the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection and the New Jersey Environmental Infrastructure Trust whereby commitments were made for the Authority to have loans not to exceed \$29,666,220.00. The loan agreements contain provisions for repayment during the years 2011 through 2023. Provision has been made for the capitalization of interest for the first twenty-two (22) months of all bonds issued. The interest rate for the New Jersey Environmental Trust portion of the loans (\$16,980,000.00) ranges between 5.0% and 5.50%, no interest is paid on the Fund portion of the loans (\$12,686,220.00).

\$ 27,735,408.77 \$ 29,666,220.00

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

NOTES TO FINANCIAL STATEMENTS

F. LONG TERM DEBT (CONTINUED)

	<u>November 30,</u>	
	<u>2011</u>	<u>2010</u>
Series 2010 Subordinated Revenue Bonds – On March 10, 2010, loan agreements were executed between the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection and the New Jersey Environmental Infrastructure Trust whereby commitments were made for the Authority to have loans not to exceed \$889,220.00. In addition to the loan amounts, the Authority was awarded \$878,440.00 in a Federal Stimulus Grant under the American Recovery and Reinvestment Act of 2009. The funds will be used for improvements and upgrade to the Millstone Road Water Pollution Control Facility. The loan agreements contain provisions for repayment during the years 2011 through 2029. Provision has been made for the capitalization of interest for the first twenty-two (22) months of all bonds issued. The interest rate for the New Jersey Environmental Trust portion of the loans (\$450,000.00) ranges between 3.00% to 5.0%, no interest is paid on the Fund portion of the loans (\$439,220.00).		
	858,533.58	889,220.35
	28,593,942.35	30,555,440.35
	2,012,943.37	1,961,498.00
Less: current portion		
Long term debt	<u>\$ 26,580,998.98</u>	<u>\$ 28,593,942.35</u>

A summary of maximum annual Debt Service for principal and interest for bonded debt issued and outstanding at November 30, 2011, is provided below (maximum debt service shall be reduced by allocable interest income credits from the various funds established in accordance with the New Jersey Wastewater Treatment Trust resolution):

<u>Year Ending</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
November 30, 2012	\$ 2,868,468.37	\$ 2,012,943.37	\$ 855,525.00
November 30, 2013	2,875,373.48	2,070,598.48	804,775.00
November 30, 2014	2,883,069.79	2,131,794.79	751,275.00
November 30, 2015	2,881,307.35	2,186,532.35	694,775.00
November 30, 2016	2,875,336.14	2,239,811.14	635,525.00
November 30, 2017-2021	14,365,870.34	12,195,970.34	2,169,900.00
November 30, 2022-2026	5,907,902.75	5,590,702.72	317,200.03
November 30, 2027-2029	173,389.13	165,589.16	7,799.97
	<u>\$ 34,830,717.35</u>	<u>\$ 28,593,942.35</u>	<u>\$ 6,236,775.00</u>

A summary of the activity in the Authority's principal portion of its debt is as follows:

	<u>Balance</u> <u>November 30,</u> <u>2010</u>	<u>Bonds</u> <u>Issued</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>November 30,</u> <u>2011</u>
Series 2009 Subordinated Revenue Bonds	\$ 29,666,220.00	\$ -	\$ 1,930,811.23	\$ 27,735,408.77
Series 2010 Subordinated Revenue Bonds	889,220.00	-	30,686.42	858,533.58
	<u>\$ 30,555,440.00</u>	<u>\$ -</u>	<u>\$ 1,961,497.65</u>	<u>\$ 28,593,942.35</u>

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

NOTES TO FINANCIAL STATEMENTS

F. LONG TERM DEBT (CONTINUED)

	Balance November 30, 2009	Bonds Issued	Principal Payments	Balance November 30, 2010
Series 1993 Revenue Bonds	\$ 1,620,000.00	\$ -	\$ 1,620,000.00	\$ -
Series 2009 Subordinated Revenue Bonds	29,666,220.00	-	-	29,666,220.00
Series 2010 Subordinated Revenue Bonds	-	889,220.00	-	889,220.00
	<u>\$ 31,286,220.00</u>	<u>\$ 889,220.00</u>	<u>\$ 1,620,000.00</u>	<u>\$ 30,555,440.00</u>

G. CONSTRUCTION COMMITMENTS

The Authority has active construction projects as of November 30, 2011. The projects include construction improvements to water and waste water treatment and delivery systems.

Project	Completed to Date	Remaining Commitment
Improvements and upgrades to Wastewater Treatment Plant	\$ 13,088,581	\$ 165,334
Improvement and Upgrades to Water Treatment and Delivery System	<u>9,424,399</u>	<u>161,625</u>
	<u>\$ 22,512,980</u>	<u>\$ 326,959</u>

H. PENSION PLAN

Description of Plans:

All eligible employees of the Authority are covered by the Public Employees' Retirement System which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (the "Division"). The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees' Retirement System.

The following is a brief description of the above mentioned plan as taken from the June 30, 2011, comprehensive annual financial report of the State of New Jersey:

"Public Employees' Retirement System ("PERS") - established in January 1955, under the provisions of N.J.S.A.43:15A to provide coverage, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits."

The State established and administers a Supplemental Annuity Collective Trust Fund ("SACT") which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

NOTES TO FINANCIAL STATEMENTS

H. PENSION PLAN (CONTINUED)

The cost of living increase for PERS is funded directly by the respective system and is considered in the annual actuarial calculation of the required State contribution for the system.

According to State law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Significant Legislation:

Chapter 108, P.L. 2003, effective July 1, 2003, provided that the State Treasurer shall reduce the normal and accrued liability contributions payable by employers other than the State, excluding the contribution payable from the benefit enhancement fund, to a percentage of the amount certified annually by the retirement system, which for PERS will be as follows: for payments due in the State fiscal year ended June 30, 2005, 20 percent; for payments due in the State fiscal year ended June 30, 2006, not more than 40 percent; for payments due in the State fiscal year ended June 30, 2007, not more than 60 percent; for payment due in the State fiscal year ended June 30, 2008, not more than 80 percent, and 100% of the amounts due in 2009 and subsequent years.

Chapter 78, P.L. 2011, pension reform, reduces the rate from 11.72% to 11.14%. This is due to the elimination of cost-of-living adjustments (COLA).

Contribution Requirements:

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The various pension funds provide for employee contributions based on percentages ranging from 3.00 percent to 8.50 percent of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits.

During the year ended June 30, 2011, for PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension costs differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997.

Three-Year Trend Information for PERS

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of Covered Payroll</u>
6/30/11	\$ 159,887.00	11.460%
6/30/10	124,743.00	8.423%
6/30/09	111,359.00	7.716%

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

NOTES TO FINANCIAL STATEMENTS

I. SERVICE CONTRACTS WITH EAST WINDSOR

In accordance with terms of the Service Contract dated June 1, 1965, as amended, between the Authority and the Township of East Windsor, the Township will pay service charges to the Authority of a sum equal to the excess (if any) of all expenditures of the water/sewer fund of the Authority over water/sewer fund receipts of the Authority for any fiscal year.

No amounts have been accrued or paid by the Township to the Authority under the terms of the service contract through the fiscal year ended November 30, 2011.

J. DEVELOPERS' AGREEMENTS (WATER AND SEWER FACILITIES TRUST ACCOUNT)

The Authority has negotiated Capacity Allocation and Developer's On-Tract and Off-Tract Agreements and an Agreement for Payment in Lieu of Construction of a Satellite Treatment Plant with various developers. The Authority will receive a total of \$13,312,997.23 of cash and construction in kind, with respect to these agreements. As of November 30, 2011 and 2010, the Authority had received \$10,247,279 and \$10,051,039, respectively, in cash and construction in kind. These funds are restricted for capital improvements. Cash restricted for capital improvements at November 30, 2011 and 2010, is \$2,561,790 and \$2,359,578, respectively.

K. RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all such risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There was no reduction in commercial coverage during the year.

L. ARBITRAGE REBATE

At November 30, 2011 and 2010, the Authority had no amounts due to the federal government for arbitrage, under Internal Revenue Code Section 148. Arbitrage results from investing the gross proceeds of a bond issue directly or indirectly into investments that are higher in yield than the interest rate paid on the bonds issued. The Authority made its first payment of arbitrage to the federal government, in the amount of \$161,195.24 on January 13, 1998, following the fifth anniversary of the sale of the bonds. The second five year payment was made on December 30, 2003, in the amount of \$150,457.19. At the end of the third five year anniversary (November 15, 2009) the Authority filed an application for a refund of a portion of the rebate previously paid in the amount of \$77,544.11. On November 4, 2010, the Authority filed an amended application for a refund in the total amount of \$123,717.71 for the period ending December 1, 2009. The Authority recently received notice from the Internal Revenue Service that the claim for refund has been denied. The amount of \$123,717.71 has been reported in these financial statements as arbitrage rebate adjustment. Future payments will be made, if required, at the end of each five year anniversary while proceeds from the issue remain outstanding.

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

NOTES TO FINANCIAL STATEMENTS

M. SUBSEQUENT EVENTS

Management has evaluated subsequent events that occurred after the statement of net assets date but before May 3, 2012, the date the financial statement were available to be issued. No items were determined by management to require disclosure.

N. LITIGATION

The Authority is a defendant in a matter under litigation. In the opinion of the Authority's management, this matter will not have a material adverse effect on the financial position of the Authority in the event of unfavorable or adverse outcome.

SUPPLEMENTARY INFORMATION

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED NOVEMBER 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED NOVEMBER 30, 2010

	2011 Water		2011 Sewer		2011 Combined		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Operating Revenues								
Retained earnings appropriated	\$ 1,725,086.00	\$ 1,725,086.00	\$ 66,102.00	\$ 66,102.00	\$ 1,791,188.00	\$ 1,791,188.00	\$ 1,451,235.00	\$ 1,451,235.00
User charges	2,021,500.00	2,039,418.60	4,172,200.00	4,037,501.30	6,193,700.00	6,076,919.90	6,167,617.73	6,167,617.73
Delinquent penalties	15,000.00	15,516.57	20,000.00	28,816.51	35,000.00	44,333.08	38,722.20	38,722.20
Connection fees	138,450.00	132,329.00	397,600.00	533,152.00	536,050.00	665,481.00	93,460.00	93,460.00
Laboratory fees	-	-	7,300.00	10,875.00	7,300.00	10,875.00	8,395.00	8,395.00
Interest income	37,500.00	31,729.30	50,000.00	58,925.87	87,500.00	90,655.17	105,515.39	105,515.39
Other income	73,500.00	116,562.07	73,500.00	114,004.08	147,000.00	230,566.15	170,588.48	170,588.48
Total revenues	4,011,036.00	4,060,641.54	4,786,702.00	4,849,376.76	8,797,738.00	8,910,018.30	8,035,533.80	8,035,533.80
Operating expenses								
Costs of providing services								
Labor	487,920.00	486,742.79	783,525.00	765,003.57	1,271,445.00	1,251,746.36	1,206,109.57	1,206,109.57
Employee benefits	246,600.00	240,712.50	394,600.00	341,692.31	641,200.00	582,404.81	565,904.76	565,904.76
Materials and supplies	111,700.00	134,935.89	319,150.00	331,554.07	430,850.00	466,489.96	460,463.72	460,463.72
Repairs and maintenance	98,600.00	204,635.31	147,000.00	203,087.97	245,600.00	407,723.28	243,806.38	243,806.38
Contracted services	44,750.00	28,086.07	528,200.00	349,239.91	572,950.00	377,325.98	667,922.43	667,922.43
Utilities	425,300.00	430,952.34	565,000.00	491,855.60	990,300.00	922,807.94	916,720.69	916,720.69
Insurance	53,300.00	42,202.26	88,500.00	70,147.00	141,800.00	112,349.26	126,389.17	126,389.17
Other	39,750.00	42,896.79	37,500.00	34,003.94	77,250.00	76,900.73	60,494.41	60,494.41
Total cost of providing services	1,507,920.00	1,611,163.95	2,863,475.00	2,586,584.37	4,371,395.00	4,197,748.32	4,217,811.13	4,217,811.13
Administrative and general expenses								
Labor	171,530.00	184,667.85	171,530.00	184,667.85	343,060.00	369,335.70	323,837.23	323,837.23
Employee benefits	86,500.00	78,953.17	86,500.00	78,953.17	173,000.00	157,906.34	143,114.36	143,114.36
Materials and supplies	4,600.00	8,470.97	4,600.00	8,470.98	9,200.00	16,941.95	9,031.87	9,031.87
Contracted services	109,575.00	99,620.02	109,575.00	99,620.01	219,150.00	199,240.03	207,374.02	207,374.02
Utilities	10,650.00	10,932.33	10,650.00	10,932.33	21,300.00	21,864.66	19,790.38	19,790.38
Insurance	10,625.00	10,165.54	10,625.00	10,165.54	21,250.00	20,331.08	19,324.21	19,324.21
Other	18,700.00	16,851.76	18,700.00	16,851.76	37,400.00	33,703.52	28,913.90	28,913.90
Total administrative and general expenses	412,180.00	409,661.64	412,180.00	409,661.64	824,360.00	819,323.28	751,385.97	751,385.97

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY

(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED NOVEMBER 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED NOVEMBER 30, 2010 (CONTINUED)

	2011 Water		2011 Sewer		2011 Combined		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Combined	Actual
Interest expense	\$ 442,142.00	\$ 217,820.92	\$ 382,342.00	\$ 183,593.82	\$ 824,484.00	\$ 401,414.74	\$ -	\$ -
Other costs funded by revenues								
Principal maturity	1,107,794.00	1,107,793.75	853,705.00	853,703.90	1,961,499.00	1,961,497.65	1,620,000.00	1,620,000.00
Capital outlay	541,000.00	197,128.90	275,000.00	158,065.15	816,000.00	355,194.05	206,411.80	206,411.80
Total costs funded by revenues	4,011,036.00	3,543,569.16	4,786,702.00	4,191,608.88	8,797,738.00	7,735,178.04	6,825,608.90	6,825,608.90
Add: excess revenues over/(under) costs	-	517,072.38	-	657,767.88	-	1,174,840.26	1,209,924.90	1,209,924.90
	\$ 4,011,036.00	\$ 4,060,641.54	\$ 4,786,702.00	\$ 4,849,376.76	\$ 8,797,738.00	\$ 8,910,018.30	\$ 8,035,533.80	\$ 8,035,533.80
Reconciliation to net income								
Excess from above-budgetary basis						\$ 1,174,840.26	\$ 1,209,924.90	\$ 1,209,924.90
Adjustments to budgetary basis						(2,118,230.73)	(1,797,250.32)	(1,797,250.32)
Depreciation expense						(45,465.38)	-	-
Amortization of debt issue costs						-	878,440.00	878,440.00
Federal Grants						355,194.05	206,411.80	206,411.80
Capital Outlay						1,961,497.65	1,620,000.00	1,620,000.00
Debt service - principal						196,240.25	-	-
Developer contributions						-	(123,717.71)	(123,717.71)
Arbitrage rebate adjustment						(432,661.82)	-	-
Loss from abandonment of property, plant and equipment						(1,791,188.00)	(1,451,235.00)	(1,451,235.00)
Retained earnings appropriated						\$ (699,773.72)	\$ 542,573.67	\$ 542,573.67
(Decrease) Increase in net assets								

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

SCHEDULE OF WATER AND SEWER REVENUE BONDS - NOVEMBER 30, 2011

	Date of Issues	Amount of Original Issue	Interest Rates	Maturity		Balance November 30, 2010	Issued December 1, 2010 to November 30, 2011	Paid December 1, 2010 to November 30, 2011	Balance November 30, 2011
				Dates	Amount				
New Jersey Environmental Infrastructure Trust, Series 2009A-Clean Water Fund Loan	11/6/2009	\$ 7,715,000		8/1/2012	\$ 455,000.00				
				8/1/2013	480,000.00				
				8/1/2014	505,000.00				
				8/1/2015	530,000.00				
				8/1/2016	555,000.00				
				8/1/2017	580,000.00				
				8/1/2018	610,000.00				
				8/1/2019	640,000.00				
				8/1/2020	675,000.00				
				8/1/2021	710,000.00				
				8/1/2022	750,000.00				
				8/2/2023	790,000.00				
						\$ 7,715,000.00	\$ -	\$ 435,000.00	\$ 7,280,000.00
New Jersey Environmental Infrastructure Trust, Series 2009A-Clean Water Fund Loan	11/6/2009	5,036,636.00	None	2/1/2012	88,135.21				
				8/1/2012	299,070.97				
				2/1/2013	82,861.82				
				8/1/2013	305,387.46				
				2/1/2014	77,298.68				
				8/1/2014	311,414.19				
				2/1/2015	71,445.79				
				8/1/2015	317,351.18				
				2/1/2016	65,303.16				
				8/1/2016	322,598.42				
				2/1/2017	58,870.77				
				8/1/2017	327,755.92				
				2/1/2018	52,148.65				
				8/1/2018	334,911.64				
				2/1/2019	45,078.82				

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

SCHEDULE OF WATER AND SEWER REVENUE BONDS - NOVEMBER 30, 2011

	Date of Issues	Amount of Original Issue	Interest Rates	Maturity		Balance November 30, 2010	Issued December 1, 2010 to November 30, 2011	Paid December 1, 2010 to November 30, 2011	Balance November 30, 2011
				Dates	Amount				
New Jersey Environmental Infrastructure Trust, Series 2009A-Clean Water Fund Loan (Continued)				8/1/2019	341,779.67				
				2/1/2020	37,290.42				
				8/1/2020	350,217.10				
				2/1/2021	28,684.94				
				8/1/2021	357,837.45				
				2/1/2022	19,663.25				
				8/1/2022	367,329.55				
				2/1/2023	10,071.60				
				8/1/2023	376,311.86				
						5,036,636.00	-	388,017.48	4,648,618.52
New Jersey Environmental Infrastructure Trust, Series 2009A-Drinking Water Trust Loans	11/6/2009	9,650,000.00	5.0%- 5.500%	8/1/2012	545,000.00				
				8/1/2013	575,000.00				
				8/1/2014	605,000.00				
				8/1/2015	635,000.00				
				8/1/2016	665,000.00				
				8/1/2017	700,000.00				
				8/1/2018	735,000.00				
				8/1/2019	770,000.00				
				8/1/2020	810,000.00				
				8/1/2021	855,000.00				
				8/1/2022	900,000.00				
				8/1/2023	950,000.00				
						9,265,000.00	-	520,000	8,745,000.00
New Jersey Environmental Infrastructure Trust, Series 2009A-Drinking Water Fund Loan	11/6/2009	7,649,584.00	None	2/1/2012	133,869.25				
				8/1/2012	453,338.31				
				2/1/2013	125,882.53				
				8/1/2013	462,937.84				
				2/1/2014	117,456.16				

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

SCHEDULE OF WATER AND SEWER REVENUE BONDS - NOVEMBER 30, 2011

	Date of Issues	Amount of Original Issue	Interest Rates	Maturity		Balance November 30, 2010	Issued December 1, 2010 to November 30, 2011	Paid December 1, 2010 to November 30, 2011	Balance November 30, 2011
				Dates	Amount				
New Jersey Environmental Infrastructure Trust, Series 2009A-Drinking Water Fund Loan (Continued)				8/1/2014	472,096.13				
				2/1/2015	108,590.17				
				8/1/2015	480,815.58				
				2/1/2016	90,284.53				
		7,649,584.00		8/1/2016	489,095.40				
				2/1/2017	89,539.26				
				8/1/2017	490,866.49				
				2/1/2018	79,281.08				
				8/1/2018	510,124.67				
				2/1/2019	68,509.99				
				8/1/2019	519,869.94				
				2/1/2020	56,661.79				
				8/1/2020	531,469.01				
				2/1/2021	43,604.59				
				8/1/2021	544,789.99				
				2/1/2022	29,821.99				
				8/1/2022	557,385.57				
				2/1/2023	15,313.99				
				8/1/2023	572,187.79				
					7,649,584.00	-	587,793.75	7,061,790.25	
New Jersey Environmental Infrastructure Trust, Series 2010A-CW ARRA Trust Loan	3/10/2010	450,000.00	5.0%- 5.0%	8/1/2012	15,000.00				
				8/1/2013	15,000.00				
				8/1/2014	20,000.00				
				8/1/2015	20,000.00				
				8/1/2016	20,000.00				
				8/1/2017	20,000.00				
				8/1/2018	20,000.00				
				8/1/2019	25,000.00				
				8/1/2020	25,000.00				
				8/1/2021	25,000.00				
				8/1/2022	25,000.00				
				8/1/2023	25,000.00				
				8/1/2024	25,000.00				
				8/1/2025	30,000.00				

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

SCHEDULE OF WATER AND SEWER REVENUE BONDS - NOVEMBER 30, 2011

	Date of Issues	Amount of Original Issue	Interest Rates	Maturity		Balance November 30, 2010	Issued December 1, 2010 to November 30, 2010	Paid December 1, 2010 to November 30, 2011	Balance November 30, 2011
				Dates	Amount				
New Jersey Environmental Infrastructure Trust, Series 2010A-CW ARRA Trust Loan (Continued)				8/1/2026	30,000.00				
				8/1/2027	30,000.00				
				8/1/2028	30,000.00				
				8/1/2029	35,000.00				
						<u>\$50,000</u>	<u>-</u>	<u>15,000</u>	<u>435,000.00</u>
New Jersey Environmental Infrastructure Trust, Series 2010A-CW ARRA Fund Loan	3/10/2010	439,220.00		8/1/2012	15,686.42				
				8/1/2013	15,686.42				
				8/1/2014	15,686.42				
				8/1/2015	15,686.42				
				8/1/2016	15,686.42				
				8/1/2017	15,686.42				
				8/1/2018	15,686.42				
				8/1/2019	15,686.42				
				8/1/2020	15,686.42				
				8/1/2021	15,686.42				
				8/1/2022	15,686.42				
				8/1/2023	15,686.42				
				8/1/2024	15,686.42				
				8/1/2025	15,686.42				
				8/1/2026	15,686.42				
				8/1/2027	15,686.42				
				8/1/2028	15,686.42				
				2/1/2012	7,843.21				
				2/1/2013	7,843.21				
				2/1/2014	7,843.21				
				2/1/2015	7,843.21				
				2/1/2016	7,843.21				
				2/1/2017	7,843.21				
				2/1/2018	7,843.21				
				2/1/2019	7,843.21				
				2/1/2020	7,843.21				
				2/1/2021	7,843.21				
				2/1/2022	7,843.21				
				2/1/2023	7,843.21				

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

SCHEDULE OF WATER AND SEWER REVENUE BONDS - NOVEMBER 30, 2011

	Date of Issues	Amount of Original Issue	Interest Rates	Maturities		Balance November 30, 2010	Issued December 1, 2010 to November 30, 2011	Paid December 1, 2010 to November 30, 2011	Balance November 30, 2011
				Dates	Amount				
New Jersey Environmental Infrastructure Trust, Series 2010A-CW ARRA Fund Loan (Continued)				2/1/2024	7,843.21				
				2/1/2025	7,843.21				
				2/1/2026	7,843.21				
				2/1/2027	7,843.21				
				2/1/2028	7,843.21				
				2/1/2029	7,843.21				
				8/1/2029	\$5,686.66				
						439,220.00	-	15,686.42	423,533.58
						<u>\$ 30,555,440.00</u>	<u>\$ -</u>	<u>\$ 1,961,497.65</u>	<u>\$ 28,593,942.35</u>

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

ROSTER OF OFFICIALS

At November 30, 2011

Authority Members

Linda L. Moore
Leonard J. Millner
Marc Platizky
Steven A. Kurs
Marc Lippman
William P. Lawler
Michael Shifman

Position

Chairperson
Vice Chairperson
Secretary
Treasurer
Assistant Secretary-Treasurer
Alternate Member #1
Alternate Member #2

Other Officials

Richard Brand
Appleton Fryer
Clark Wolverton
Carlin P. Lovejoy, Jr.
Edwin W. Schmierer,
 (Mason, Griffin & Pierson)
Hatch Mott MacDonald
Dolores Borosko
Ronald A. Ghrist
Maryann Hutchinson

Karen L. Dinardo

Executive Director
General Manager/Development
Superintendent-Wastewater
Superintendent-Water
Attorney

Consulting Engineers
Administrative Assistant
Chief Financial Officer
Purchasing Agent/Accounts
 Payable Clerk
Accounts Receivable Clerk