

THE LANDIS SEWERAGE AUTHORITY
AUDIT REPORT
YEARS ENDED DECEMBER 31, 2011 AND 2010



Romano, Hearing, Testa & Knorr
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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TABLE OF CONTENTS

	PAGE
Independent Auditors' Report on Financial Statements and Supplementary Information	1. & 2
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3. & 4.
Required Supplementary Information: Management's Discussion and Analysis	5. - 9.
<u>EXHIBIT</u>	
BASIC FINANCIAL STATEMENTS:	
A Comparative Balance Sheets	10. & 11.
B Comparative Statements of Revenues, Expenses and Changes in Net Assets	12.
C Comparative Statements of Cash Flows	13. & 14.
Notes to Financial Statements	15. - 28.
<u>SCHEDULE</u>	
SUPPLEMENTARY INFORMATION:	
1 Schedule of Revenues, Expenses and Changes in Net Assets - Invested in Capital Assets Net of Related Debt, Restricted and Unrestricted	29.
2 Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments - Unrestricted Accounts	30.
3 Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments - Restricted Accounts (All Accounts)	31.
3A Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments - Restricted Accounts (Accounts Required by Series 1993 Bond Resolution)	32.

THE LANDIS SEWERAGE AUTHORITY

AUDIT REPORT

YEARS ENDED DECEMBER 31, 2011 AND 2010

TABLE OF CONTENTS

<u>SCHEDULE</u>		PAGE
3B	Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments - Restricted Accounts (Other Accounts)	33.
4	Schedule of Revenues and Costs Funded by Revenues Compared to Budget – Budgetary Basis	34. & 35.
5	Schedule of Term Bonds Payable	36.
	Roster of Officials	37.
	Findings and Recommendations	38.
	Status of Prior Year Findings and Recommendations	39.

INDEPENDENT AUDITORS' REPORT

Chairman and Commissioners of
The Landis Sewerage Authority
Vineland, New Jersey

We have audited the accompanying financial statements of The Landis Sewerage Authority as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Landis Sewerage Authority as of December 31, 2011 and 2010, and the respective changes in financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2012 on our consideration of The Landis Sewerage Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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's discussion and analysis, as listed 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 considered 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 opinions on the financial statements that collectively comprise The Landis Sewerage Authority's financial statements as a whole. The information included in the supplementary schedules is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary schedules are the responsibility of management and were derived from and relate 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 statement 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 taken as a whole.

ROMANO, HEARING, TESTA & KNORR

A handwritten signature in cursive script that reads "Dominic J. Romano".

Dominic J. Romano, CPA
Registered Municipal Accountant

May 21, 2012

**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***

Chairman and Commissioners of
The Landis Sewerage Authority
Vineland, New Jersey

We have audited the financial statements of The Landis Sewerage Authority, as of and for the year ended December 31, 2011, and have issued our report thereon dated May 21, 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.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the The Landis Sewerage Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with 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*.

We noted certain matters that we reported to management of The Landis Sewerage Authority in a separate letter dated May 21, 2012.

This report is intended solely for the information and use of management and Commissioners of The Landis Sewerage Authority, others within the entity, and the State of New Jersey Division of Local Government Services and is not intended to be, and should not be, used by anyone other than these specified parties.

ROMANO, HEARING, TESTA & KNORR

A handwritten signature in cursive script that reads "Dominic J. Romano".

Dominic J. Romano, CPA
Registered Municipal Accountant

May 21, 2012

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of The Landis Sewerage Authority's (the Authority) annual financial report presents the analysis of the Authority's overall financial position and results of operation for the year that ended on December 31, 2011. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Authority's Net Capital Assets total \$58.66 million, which is a \$1.54 million or 2.56% decrease from 2010.

- The Authority's Total Assets are \$70.47 million, which is a \$1.79 million or 2.47% decrease from 2010.
- During the year, the Authority's operating revenues were \$9.14 million, which is a \$.02 million or .19% increase from 2010 and operating expenses were \$9.68 million, which is a \$.20 million or 2.03% decrease from 2010.
- The Authority's Net Assets decreased by \$.353 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority is a single enterprise fund. The Authority's Audit Report includes the required Basic Financial Statements, as described below, the Notes to Financial Statements, required supplementary information, which consists of this Management Discussion and Analysis and finally, supplementary information.

REQUIRED FINANCIAL STATEMENTS

The financial statements report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities.

The *Balance Sheet* includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Net Assets*. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its wastewater treatment user fees and other charges. This statement also measures the Authority's profitability and credit worthiness. The other required financial statement is the *Statement of Cash Flows*. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities, and provides answers to such questions as "where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period?"

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

One of the most important questions asked about the Authority's finances is "Is the Authority, as a whole, better off or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Authority's activities in a way that will help answer this question. These two statements report the net assets of the Authority, and changes in them. You can think of the Authority's net assets – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

The analysis below focuses on the Authority's net assets (Table 1) and changes in net assets (Table 2) during the year.

Table 1
Net Assets
(Dollars in Thousands)

	2011	2010	2009	2011 - 2010		2010 - 2009	
				Increase (Decrease) \$	%	Increase \$	Decrease %
Current Assets	\$ 2,235	\$ 2,181	\$ 1,960	\$ 54	2.48	\$ 221	11.28
Noncurrent Assets	<u>68,235</u>	<u>70,076</u>	<u>72,118</u>	<u>(1,841)</u>	(2.63)	<u>(2,042)</u>	(2.83)
Total Assets	<u>\$ 70,470</u>	<u>\$ 72,257</u>	<u>\$ 74,078</u>	<u>\$ (1,787)</u>	(2.47)	<u>\$ (1,821)</u>	(2.46)
Current Liabilities	\$ 464	\$ 465	\$ 442	\$ (1)	(.22)	\$ 23	5.20
Current Liabilities Payable							
From Restricted Areas	5,488	6,086	6,187	(598)	(9.83)	(101)	(1.63)
Long-Term Liabilities	<u>7,384</u>	<u>8,219</u>	<u>9,458</u>	<u>(835)</u>	(10.16)	<u>(1,239)</u>	(13.10)
Total Liabilities	<u>\$ 13,336</u>	<u>\$ 14,770</u>	<u>\$ 16,087</u>	<u>\$ (1,434)</u>	(9.71)	<u>\$ (1,317)</u>	(8.19)
Invested in Capital Assets							
Net of Related Debt	\$ 52,635	\$ 52,918	\$ 53,019	\$ (283)	(.53)	\$ (101)	(.19)
Restricted Net Assets							
Debt Service	607	751	790	(144)	(19.17)	(39)	(4.94)
Construction	533	1,103	1,625	(570)	(51.68)	(522)	(32.12)
Operating	1,315	1,266	1,297	49	3.87	(31)	(2.38)
Unrestricted	<u>2,044</u>	<u>1,449</u>	<u>1,260</u>	<u>595</u>	41.06	<u>189</u>	15.00
Total Net Assets	<u>\$ 57,134</u>	<u>\$ 57,487</u>	<u>\$ 57,991</u>	<u>\$ (353)</u>	(.61)	<u>\$ (504)</u>	(.87)

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

(Dollars in Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	2011 - 2010		2010 - 2009	
				Increase (Decrease) \$	%	Increase \$	Decrease %
Operating Revenues							
User Charges & Fees	\$ 9,002	\$ 9,020	\$ 8,641	\$ (18)	(.20)	\$ 379	4.39
Other Operating	133	98	103	35	35.7	(5)	(4.85)
Nonoperating Revenues	<u>683</u>	<u>622</u>	<u>584</u>	<u>61</u>	9.81	<u>38</u>	6.51
Total Revenues	<u>\$ 9,818</u>	<u>\$ 9,740</u>	<u>\$ 9,328</u>	<u>\$ 78</u>	.80	<u>\$ 412</u>	4.42
Operating Expenses							
Cost of Providing Services	5,814	6,057	5,914	(243)	(4.01)	143	2.42
Administrative and General	1,786	1,736	1,759	50	2.89	(23)	(1.31)
Depreciation	2,080	2,088	2,069	(8)	(.38)	19	.91
Non Operating Expense							
Interest and Amortization	584	673	751	(89)	(13.22)	(79)	(10.52)
Other	<u>0</u>	<u>(1)</u>	<u>50</u>	<u>1</u>	100.00	<u>(49)</u>	<u>(98.0)</u>
Total Expenses	<u>\$ 10,264</u>	<u>\$ 10,553</u>	<u>\$ 10,543</u>	<u>\$ (289)</u>	(2.74)	<u>\$ 10</u>	.09
Loss Before Capital							
Contributions	(446)	(813)	\$ (1,215)	\$ 367	45.14	402	33.09
Capital Contributions	<u>93</u>	<u>309</u>	<u>309</u>	<u>(216)</u>	69.90	<u>0</u>	0
Change in Net Assets	(353)	(504)	\$ (906)	151	29.96	402	44.37
Beginning Net Assets	<u>57,487</u>	<u>57,991</u>	<u>58,897</u>	<u>(504)</u>	.87	<u>(906)</u>	(1.54)
Ending Net Assets	<u>\$ 57,134</u>	<u>\$ 57,487</u>	<u>\$ 57,991</u>	<u>\$ (353)</u>	.61	<u>\$ (504)</u>	.87

REVENUES

The Authority's total revenues are approximately \$9.82 million for the year ended December 31, 2011. User Charges & Fees were \$9.0 million accounting for 92% of total revenue. Operating expenses include cost of providing services, which totaled \$5.81 million and administrative and general of \$1.77 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 2011 the Authority had \$58.66 million invested in a broad range of capital assets. More detailed information about capital assets can be found in Note 5 to the financial statements. Total depreciation expense for the year was \$2.08 million.

The following tables summarize the Authority's capital assets, net of accumulated depreciation, and changes therein, for the year ended December 31, 2011.

Table 3
Capital Assets, Net of Accumulated Depreciation
(Dollars in Thousands)

	2011	2010	2009	2011 - 2010		2010 - 2009	
				Increase (Decrease) \$	%	Increase \$	Decrease %
Land	\$ 1,932	\$ 1,929	\$ 1,927	\$ 3	.16	\$ 2	.10
Treatment Plant and Pumping Stations	30,553	31,768	33,022	(1,215)	(3.82)	(1,254)	(3.80)
Mains & Accessories	23,123	23,400	23,373	(277)	(1.18)	27	.12
Machinery & Equipment	3,025	3,041	3,137	(16)	(.53)	(96)	(3.06)
Office Furniture & Fixtures	20	28	23	(8)	(28.6)	5	22
Construction in Progress	8	35	27	(27)	(77.14)	8	30
	<u>\$ 58,661</u>	<u>\$ 60,201</u>	<u>\$ 61,509</u>	<u>\$ (1,540)</u>	<u>(2.56)</u>	<u>\$ (1,308)</u>	<u>(2.13)</u>

This year's additions (in thousands) include:

Treatment Plant and Pumping Stations	\$ 109
Mains & Accessories	176
Machinery and Equipment	314
Construction in Progress	211
Office Furniture & Fixtures	0

The Authority's FY 2012 capital budget plans for investing another \$1.577 million in capital projects, including the following (in thousands):

Collection System.....	\$.....87
Truck, Vehicles.....	123
Pump Stations.....	186
Communication/Safety.....	7
Plant & Process Equipment.....	963
Office Equipment.....	9
Lab Equipment.....	21
Farm Equipment.....	181
 TOTAL	 \$ <u>1,577</u>

The Authority plans on funding those capital projects using a combination of existing cash and year 2012 revenue.

Debt Administration

At December 31, 2011, the outstanding balance of the Series 1993 Bonds consists of Term Bonds in the amount of \$8,200,000 that mature in various amounts through the year 2019 with interest rates of 5.65%. The Authority also has accrued compensated absences in the amount of \$325,460. More detailed information about long-term liabilities can be found in Note 6 to the financial statements.

NEXT YEAR'S BUDGETS AND RATES

The 2012 adopted budget includes the rate increase the Authority put into effect August 1, 2011.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Authority's customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Authority's Executive Director at The Landis Sewerage Authority, 1776 South Mill Road, Vineland, NJ.

BASIC FINANCIAL STATEMENTS

**THE LANDIS SEWERAGE AUTHORITY
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2011 AND 2010**

	2011	2010
ASSETS		
CURRENT ASSETS - UNRESTRICTED:		
Cash and Cash Equivalents	\$ 593,769	\$ 601,880
Accounts Receivable (Less Allowance of \$202,533 and \$191,558)	1,110,986	1,142,448
Other Receivables	18,181	5,731
Due from Restricted Assets	112,072	110,042
Prepaid Expenses	154,138	155,478
Inventory	245,715	165,067
	2,234,861	2,180,646
Total Current Assets - Unrestricted		
NONCURRENT ASSETS:		
Restricted:		
Accounts Required by the Authority's		
Bond Resolution:		
Cash and Cash Equivalents	5,026,870	5,687,861
Investments	4,275,783	3,894,619
Interest Receivable	50,551	57,679
Other Accounts:		
Cash and Cash Equivalents	161,441	163,852
	9,514,645	9,804,011
Total Restricted Assets		
Capital Assets, Net	58,661,474	60,200,378
Unamortized Debt Issue Costs	58,870	72,039
	68,234,989	70,076,428
Total Noncurrent Assets		
TOTAL ASSETS	\$ 70,469,850	\$ 72,257,074

See Accompanying Notes to Financial Statements

**THE LANDIS SEWERAGE AUTHORITY
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2011 AND 2010**

	2011	2010
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:		
Accounts Payable - Operations	\$ 215,780	\$ 230,946
Accrued Liabilities	247,819	234,069
Sewer Rent Overpayments	113	113
	463,712	465,128
Total Current Liabilities Payable From Unrestricted Assets		
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Accounts Payable - Construction	4,201	15,105
Contracts Payable - Construction		15,937
Retainage Payable - Construction	7,461	8,741
Deferred Revenue	4,196,618	4,334,432
Due to Unrestricted Assets	112,072	110,042
Revenue Bonds Payable - Current Portion	900,000	1,300,000
Accrued Interest Payable - Bonds	20,309	51,469
Escrow - 1989 Sewer Bond	1,440	1,437
Escrow - Developers	141,649	144,063
Due to Developers	104,451	104,451
	5,488,201	6,085,677
Total Current Liabilities Payable From Restricted Assets		
LONG-TERM LIABILITIES:		
Revenue Bonds Payable - Non-Current Portion	7,058,821	7,899,903
Accrued Compensated Absences	325,460	319,307
	7,384,281	8,219,210
Total Long-Term Liabilities		
Total Liabilities	13,336,194	14,770,015
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	52,634,984	52,917,855
Restricted:		
Debt Service	607,395	751,469
Construction	532,538	1,102,940
Operating	1,314,840	1,266,340
Unrestricted	2,043,899	1,448,455
	57,133,656	57,487,059
Total Net Assets		
TOTAL LIABILITIES AND NET ASSETS	\$ 70,469,850	\$ 72,257,074

THE LANDIS SEWERAGE AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUE:		
User Charges and Fees	\$ 9,001,951	\$ 9,019,721
Other	133,097	98,057
	<u>9,135,048</u>	<u>9,117,778</u>
OPERATING EXPENSES:		
Cost of Providing Services	5,814,162	6,056,666
Administrative and General	1,785,980	1,736,240
Depreciation	2,079,749	2,087,605
	<u>9,679,891</u>	<u>9,880,511</u>
OPERATING LOSS	<u>(544,843)</u>	<u>(762,733)</u>
NON-OPERATING REVENUE (EXPENSES):		
Miscellaneous Income	2,224	6,926
Connection Fees	172,556	307,626
Interest Income	191,748	196,621
Interest Expense	(571,319)	(656,729)
Amortization of Debt Issue Costs	(13,169)	(16,290)
Realized Gain on Investments	7,822	
Loss on Disposal of Asset	-	(796)
Increase in Fair Value of Investments	308,342	112,421
	<u>98,204</u>	<u>(50,221)</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	<u>(446,639)</u>	<u>(812,954)</u>
CAPITAL CONTRIBUTIONS	<u>93,236</u>	<u>308,908</u>
CHANGE IN NET ASSETS	<u>(353,403)</u>	<u>(504,046)</u>
TOTAL NET ASSETS- BEGINNING	<u>57,487,059</u>	<u>57,991,105</u>
TOTAL NET ASSETS- ENDING	<u>\$ 57,133,656</u>	<u>\$ 57,487,059</u>

See Accompanying Notes to Financial Statements

**THE LANDIS SEWERAGE AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers and Users	\$ 8,981,167	\$ 8,989,852
Cash Payments to Suppliers for Goods and Services	(2,257,559)	(2,739,883)
Cash Payments for Employee Services	(5,390,938)	(5,094,558)
Other Receipts (Payments)	89,587	99,847
	<u>1,422,257</u>	<u>1,255,258</u>
Net Cash Provided by Operating Activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(512,732)	(520,768)
Connection Fees	98,400	133,635
Principal Paid on Bonds	(1,300,000)	(1,300,000)
Interest Paid on Bonds	(543,561)	(572,507)
Increase (Decrease) in Escrow Accounts	(2,652)	(5,264)
Capital Contributions	40,482	57,123
	<u>(2,220,063)</u>	<u>(2,207,781)</u>
Net Cash Used in Capital and Related Financing Activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(250,000)	(2,630,938)
Proceeds from Sale and Maturities of Investments	177,178	
Interest Received on Investments	199,115	150,466
	<u>126,293</u>	<u>(2,480,472)</u>
Net Cash Provided by (Used In) Investing Activities		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(671,513)	(3,432,995)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>6,453,593</u>	<u>9,886,588</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,782,080</u>	<u>\$ 6,453,593</u>

**THE LANDIS SEWERAGE AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Loss	\$ (544,843)	\$ (762,733)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	2,079,749	2,087,605
Miscellaneous Income	2,224	6,926
Increase (Decrease) in Cash Resulting From Changes in:		
Accounts Receivable	31,462	(83,097)
Other Receivables	(12,450)	(3,827)
Prepaid Expenses	1,340	(42,471)
Inventories	(80,648)	(15,713)
Accounts Payable - Operations	(15,166)	(49,412)
Accrued Liabilities	13,750	73,096
Due to Developers		(1,000)
Deferred Revenue - User Charges and Fees	(59,314)	52,918
Accrued Compensated Absences	6,153	(7,034)
Total Adjustments	<u>1,967,100</u>	<u>2,017,991</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,422,257</u></u>	<u><u>\$ 1,255,258</u></u>

NOTES TO THE FINANCIAL STATEMENTS

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

NOTE 1 GENERAL

The Landis Sewerage Authority, a public body corporate and politic organized and existing under the laws of the State of New Jersey, owns and operates certain sewerage collection, transmission, treatment and disposal facilities and is presently responsible for providing sanitary sewerage service to the City of Vineland and to neighboring areas. The Authority bills and collects its revenue from the users of the system.

The Authority was established on July 15, 1946, by an ordinance of the Township Committee of the former Landis Township, now part of the City of Vineland pursuant to the Act. The Authority has been in continuous existence since it was established.

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 following is a summary of the more significant accounting policies:

A. Financial Reporting Entity

The commissioners of the Authority are appointed by the City Council of the City of Vineland and therefore, the Authority is a related organization of the City as defined by Governmental Accounting Standards Board Statement No. 14, but not a component unit of the City. The Authority does not have any component units for which it is accountable.

B. Basis of Presentation

The accounts of the Authority are an enterprise fund. An enterprise fund is a Proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (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 the change in net assets is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The accompanying financial statements are reported using the “economic resources measurement focus,” and the “accrual basis of accounting.” Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Authority are user charges and fees for sewerage treatment. The Authority also recognizes income from the sale of crops raised in its farm operations and lab testing fees as operating revenue. Operating expenses include cost of providing services, administrative and general expenses, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. The budget must be introduced by the governing body at least 60 days prior to end of the current fiscal year, and adopted no later than the beginning of the Authority’s fiscal year. The budget is adopted on the accrual basis of accounting with provision for cash payments for bond principal. Depreciation and amortization expense are not included as budget appropriations. The Authority may make budget transfers and amendments at any time, which must be approved by resolution of the Authority and by the State of New Jersey Division of Local Government Services if the legal level line items are affected. Detailed line item transfers not affecting the legal level line items may be made by management at any time. There are no statutory provisions that budgetary line items not be over-expended.

E. Grants

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

Grants externally restricted for non-operating purposes are recorded as capital contributions.

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Accounts Receivable

The Authority has provided for doubtful accounts by the allowance method. The allowance for doubtful accounts is based upon management's estimate of potentially uncollectible accounts.

G. Capital Assets

Capital assets, which consist of property, plant and equipment, are stated at cost which includes direct construction costs and other expenditures related to construction.

Capital assets are defined by the Authority as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year.

System construction costs are charged to construction in progress until such time as given segments of the system are completed and put into operation. Construction in progress is stated at cost, which includes interest expense incurred during construction. The Authority reduces the capitalized project costs by the amount of interest earned from the investment of project funds and amortization of the premium received in connection with the issuance of debt; which has the effect of reducing the cost of borrowing.

Plant and equipment is depreciated using the straight line method over the following estimated useful lives:

Treatment plant and pumping stations	40 years
Sewer mains, improvements and accessories	75 years
Machinery and equipment	5 - 15 years
Office furniture	5 - 10 years
Vehicles	5 years

H. Restricted and Unrestricted Accounts

In accordance with the 1993 Bond Resolution, the Authority has established the following cash and investment accounts for the deposit, in the priority of the order listed, of all revenue received by the Authority:

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted if any</u>
Revenue Fund	All revenue received by the Authority	As of the first business day of each month, transfers to the various accounts described below.

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Restricted and Unrestricted Accounts

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted if any</u>
Operating Fund	An amount equal to the amount necessary to provide for the payment of operating expenses for a two month period.	Payment of operating expenses.
Bond Service Fund	An amount equal to a daily accrual of interest and principal based upon a computation detailed in the resolution.	Principal and interest on the bonds.
Sinking Fund	An amount equal to all prior Sinking Fund installments then due and unpaid plus an accrual based upon a computation detailed in the resolution.	Purchase or redemption of certain term bonds in the manner described in the resolution.
Bond Reserve Fund	An amount equal to the greatest sum of maturing principal and interest on all bonds outstanding which will become due and payable during the then current or any future Bond year.	Transfers to meet minimum levels required in the Bond Service Fund. Any excess shall be transferred to the General Fund by the Trustee.
Renewal and Replacement	The amount which is reasonably necessary as a reserve for expenses for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals.	Transfers to the Bond Service Fund, Sinking Fund or Bond Reserve Fund if needed to meet the minimum required balances in those accounts. Funds also may be used for reasonable and necessary expenses with respect to the system for major repairs, replacements or maintenance items of a type not recurring annually or at shorter intervals.

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Restricted and Unrestricted Accounts (Continued)

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted if any</u>
General Fund	Any amounts in excess of minimum requirements in the above accounts.	Transfers into the above funds if needed to meet the minimum required balances in those accounts. When certain additional requirements are met, the Trustee may pay to the Authority any amount in excess of the required amount, which will be free and clear of any lien or pledge created by the resolution.
Construction Fund	Any moneys received by the Authority from any source for payment of costs related to the construction, acquisition or restoration of the system.	Costs related to the construction, acquisition or restoration of the system.
Rebate Fund	Amounts subject to rebate to the United States Government pursuant to the provisions of the Internal Revenue Code.	Rebates of Arbitrage Earnings to the United States Government.

In addition to the above, the Authority has also established the following restricted accounts:

Engineer Developer Custodian Account and Developer Escrow Accounts for deposits by developers for costs to be incurred by the Authority on their behalf.

1989 Bond Escrow Surplus Account for transfers from the escrow agent of amounts deemed to be in excess of the amounts needed to refund the defeased bonds of the Authority.

I. Bond Discounts, Debt Issuance Costs and Deferred Amount on Refunding

Bond discounts, as well as debt issuance costs and deferred amount on refunding are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond discount and deferred amount on refunding. Debt issuance costs are reported as noncurrent assets and amortized over the term of the related debt.

THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Inventory

Inventory consists principally of chemicals and supplies used in the treatment process and are stated at cost determined on a first-in, first-out basis.

K. 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. Investments are stated at fair value.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to adopt a cash management plan and to deposit and/or invest its funds pursuant to that plan. The governing body of the Authority has adopted a cash management plan ("the plan") and, as required, approves the plan annually. The plan includes the designation of the public depositories to be utilized by the Authority to deposit public funds.

Eligible depositories are defined in section 1 of P.L. 1970, c.236 (C. 17.9-41) and are limited to banks or trust companies having their place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or with the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey governments and their component units.

N.J.S.A. 17:9-41 et. seq., which establishes the requirements for the security of deposits of governmental units, requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include state or federally chartered banks, savings banks or associations located in the State of New Jersey or state or federally chartered banks, savings banks or associations located in another state with a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least five percent (5%) of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

The cash management plan adopted by the Landis Sewerage Authority requires it to deposit funds in public depositories protected from loss under the provisions of GUDPA.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. The estimates and assumptions affect the amounts reported in the financial statements. The actual results may differ from these estimates.

THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Subsequent Events

Management has evaluated subsequent events through May 21, 2012, the date the financial statements were available for issue.

NOTE 3 CASH AND CASH EQUIVALENTS

At December 31, 2011 the carrying amount and bank balance of the Authority's time and demand deposits were \$1,075,077 and \$1,045,940, respectively. All of the time and demand deposits were covered by either federal deposit insurance or by the Governmental Unit Deposit Protection Act (GUDPA).

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. Although the Authority does not have a formal policy regarding custodial credit risk, as described in Note 1, N.J.S.A. 17:41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. As of December 31, 2011, all of the Authority's bank balance of \$1,045,940 was insured or collateralized.

At December 31, 2011 the Authority had \$4,413,415 invested in the New Jersey Cash Management Fund ("the Fund") which is not covered by either federal deposit insurance or by GUDPA. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above.

In addition to the bank deposits described above, the Authority also had \$293,588 invested in a government money market fund which is not covered by federal deposit insurance or by GUDPA, but which invests exclusively in general obligations issued by the U.S. Government and backed by its full faith and credit and which carries a credit rating of AAA.

NOTE 4 INVESTMENTS

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. All of the Authority's \$4,275,783 investments are held in the name of the counterparty, as trustee for the Authority, not in the name of the Authority.

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 policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

NOTE 4 INVESTMENTS (CONTINUED)

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. 40A:5-15.1 limits the investments that the Authority may purchase in order to limit the exposure of governmental units to credit risk. The Authority's Cash Management Plan also limits its investment choices to those permitted by N.J.S.A. 40A:5-15.1.

Concentration of Credit Risk – The Authority does not place a limit on the amount that may be invested in any one issuer.

As of December 31, 2011, the Authority had the following investments and maturities:

Investment	Rating	Percent of Concentration	Total Fair Value	Maturities (in Years)		
				Less than 1	1-5	6-10
Marlboro Township, NJ	Aa2	21%	\$ 911,618	\$	\$ 911,618	\$
NJ Sports & Exposition Authority	A2	6%	237,283			237,283
Cumberland County Improvement Authority, NJ	AA	26%	1,117,220			1,117,220
South Jersey Port Corporation, NJ	A1	24%	1,008,779			1,008,779
Marlboro Township, NJ	Aa2	10%	443,486			443,486
Morris County Improvement Authority, NJ	Aaa	8%	336,435			336,435
NJ State Higher Ed. Revenue Bonds	Aa2	5%	220,962			220,962
			<u>\$ 4,275,783</u>	<u>\$ -</u>	<u>\$ 911,618</u>	<u>\$ 3,364,165</u>

As of December 31, 2010, the Authority had the following investments and maturities:

Investment	Rating	Percent of Concentration	Total Fair Value	Maturities (in Years)		
				Less than 1	1-5	6-10
Marlboro Township, NJ	Aa2	22%	\$ 858,228	\$	\$ 858,228	\$
Cumberland County Improvement Authority, NJ	AA	26%	1,011,020			1,011,020
South Jersey Port Corporation, NJ	Aa3	24%	927,531			927,531
Marlboro Township, NJ	Aa2	10%	404,701			404,701
Morris County Improvement Authority, NJ	Aaa	8%	308,454			308,454
Student Loan Revenue Bonds	Aa2	5%	202,536			202,536
Cumberland County Improvement Authority, NJ	Baa1	5%	182,149			182,149
			<u>\$ 3,894,619</u>	<u>\$ -</u>	<u>\$ 858,228</u>	<u>\$ 3,036,391</u>

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

Capital asset activity for the year ended December 31, 2011 was as follows:

	<u>Balance January 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2011</u>
Non-Depreciable Capital Assets:				
Land	\$ 1,928,831	\$ 3,740	\$	\$ 1,932,571
Construction in Progress	<u>35,335</u>	<u>211,151</u>	<u>238,708</u>	<u>7,778</u>
Total Non-Depreciable Capital Assets	<u>1,964,166</u>	<u>214,891</u>	<u>238,708</u>	<u>1,940,349</u>
Depreciable Capital Assets:				
Treatment Plant and Pumping Stations	58,085,198	109,225		58,194,423
Mains and Accessories	32,029,204	176,093		32,205,297
Machinery and Equipment	12,113,385	314,470	76,175	12,351,680
Office Furniture and Fixtures	<u>445,147</u>	<u></u>	<u></u>	<u>445,147</u>
Total Depreciable Capital Assets	<u>102,672,934</u>	<u>599,788</u>	<u>76,175</u>	<u>103,196,547</u>
Less Accumulated Depreciation for:				
Treatment Plant and Pumping Stations	26,317,644	1,323,682		27,641,326
Mains and Accessories	8,629,204	452,473		9,081,677
Machinery and Equipment	9,072,603	295,663	41,050	9,327,216
Office Furniture and Fixtures	<u>417,271</u>	<u>7,932</u>	<u></u>	<u>425,203</u>
Total Accumulated Depreciation	<u>44,436,722</u>	<u>2,079,750</u>	<u>41,050</u>	<u>46,475,422</u>
Depreciable Capital Assets, Net	<u>58,236,212</u>	<u>(1,479,962)</u>	<u>35,125</u>	<u>56,721,125</u>
Total Capital Assets, Net	<u>\$ 60,200,378</u>	<u>(\$ 1,265,071)</u>	<u>\$ 273,833</u>	<u>\$ 58,661,474</u>

NOTE 6 LONG-TERM LIABILITIES

A. Bond Payable

In April 1993, the Authority issued its Sewer Revenue Bonds (Refunding Series 1993), in the principal amount of \$22,940,000. The proceeds derived from the issuance and sale of the Bonds were used to (a) advance refund the Authority's Sewer Revenue Bonds (Series 1976) then outstanding in the aggregate principal amount of \$5,200,000 and the Authority's second lien Sewer Revenue Bonds (Series 1989), then outstanding in the aggregate principal amount of \$15,855,000, (b) make a deposit into the Bond Reserve Fund established under the Resolution and (c) pay the premium for the municipal bond insurance policy and the costs and expenses incidental to the authorization, issuance and delivery of the Bonds. The outstanding balance of the Series 1993 Bonds consists of \$4,100,000 of Short-Term Auction Rate Securities – Series 1993B, and \$4,100,000 of Complimentary Auction Rate Securities – Series 1993C, which are term bonds with a maturity date of September 19, 2019, bearing interest at a combined or linked coupon rate of 5.65% per annum. The term bonds are subject to mandatory redemption beginning October 1, 2009 in annual amounts ranging from \$900,000 to \$1,300,000.

THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

B. Compensated Absences

Current policy allows employees who retire from the Authority via PERS to be reimbursed for fifty percent (50%) of accrued sick leave up to a maximum of \$10,000, calculated at the then current rate. Employees may carry vacation time into the subsequent year; however, the time must be used within the first 90 days of the subsequent year.

The following is a summary of changes in long-term liabilities for the year ended December 31, 2011:

<u>Type of Debt</u>	<u>Balance January 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2011</u>	<u>Amounts Due Within One Year</u>
Bonds Payable:					
Term Bonds	\$ 9,500,000	\$	\$ 1,300,000	\$ 8,200,000	\$ 900,000
Less:					
Unamortized Original Discount	(11,657)		(2,288)	(9,369)	
Unamortized Deferred Amount on Refunding	(288,440)		(56,630)	(231,810)	
Total Bonds Payable	9,199,903		1,241,082	7,958,821	900,000
Accrued Compensated Absences	319,307	6,153		325,460	
Total Long-Term Liabilities	<u>\$ 9,519,210</u>	<u>\$ 6,153</u>	<u>\$ 1,241,082</u>	<u>\$ 8,284,281</u>	<u>\$ 900,000</u>

The annual debt service requirements to maturity, including principal and interest, for term bonds payable as of December 31, 2011 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 900,000	\$ 488,686	\$ 1,388,686
2013	900,000	395,500	1,295,500
2014	900,000	381,414	1,281,414
2015	1,000,000	297,979	1,297,979
2016	1,000,000	268,182	1,268,182
2017-2019	3,500,000	391,166	3,891,166
Total	<u>\$ 8,200,000</u>	<u>\$ 2,222,927</u>	<u>\$ 10,422,927</u>

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

NOTE 7 DEFEASED BONDS PAYABLE

As discussed in Note 6, the proceeds of the Authority's Sewer Revenue Bonds (Refunding Series 1993) were used to advance refund the Authority's Series 1976 Sewer Revenue Bonds and Series 1989 Second Lien Sewer Revenue Bonds. Various allowable investments sufficient to satisfy scheduled debt service payments of principal and interest on these issues have been placed in restricted trusts with an escrow agent and, accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements.

The balance outstanding on defeased bonds as of December 31, 2011 is as follows:

<u>Bond Issue</u>	<u>Date Defeased</u>	<u>Date of Maturity</u>	<u>Balance December 31, 2011</u>
Series 1976 Sewer Revenue Bonds	April 1993	December 1, 2012	<u>\$ 120,000</u>

NOTE 8 COMMITMENTS AND CONTINGENCIES

Commitments:

As of December 31, 2011, the Authority has entered into various commitments for construction related professional services and construction contracts in the amount of \$9,850. Costs incurred to December 31, 2011 totaled \$7,628.

NOTE 9 PENSIONS

Substantially all of the Authority's employees participate in the Public Employees' Retirement System (the System) which is administered and/or regulated by the New Jersey Division of Pensions and Benefits. The System's Board of Trustees is primarily responsible for the administration of the System.

The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P. O. Box 295
Trenton, New Jersey 08625-0295

The State of New Jersey Public Employees' Retirement System is a cost-sharing multiple-employer contributory defined benefit plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The System's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the System is mandatory for substantially all full-time employees of the State of New Jersey 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 pension fund or local jurisdiction's pension fund. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

NOTE 9 PENSIONS (CONTINUED)

The System provides specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Through October 1, 2011, members contributed at a uniform rate of 5.5% of their annual covered salary. Effective October 1, 2011, pursuant to the provisions of Chapter 78, P.L. 2011, member contributions increased to 6.5% of the member's annual covered salary. A further increase, from 6.5% to 7.5%, is scheduled to be phased in equally each year (0.14% per year) beginning July 2012 until the 7.5% is reached in July 2018. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

The State of New Jersey's contribution also includes funding for the cost of medical premiums after retirement for qualified retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits are funded on a pay-as-you-go basis.

For 2011 the Authority had \$322,438 in annual pension cost or required contributions.

Three Year Trend Information for PERS

<u>Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/11	\$ 322,438	100%	\$ -
12/31/10	282,255	100%	-
12/31/09	236,105	100%	-

NOTE 10 AMOUNTS REQUIRED BY BOND RESOLUTION

The following cash and investment accounts are required by the 1993 Bond Resolution:

	<u>Operating Fund</u>	<u>Bond Service Fund</u>	<u>Sinking Fund</u>	<u>Bond Reserve Fund</u>
Cash and Investments	\$ 1,341,232	\$ 44,427	\$ 300,929	\$ 3,159,457
Required Amount	<u>1,314,833</u>	<u>20,309</u>	<u>225,000</u>	<u>1,388,687</u>
Excess	<u>\$ 26,399</u>	<u>\$ 24,118</u>	<u>\$ 75,929</u>	<u>\$ 1,770,770</u>

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010**

NOTE 11 INTEREST EXPENSE

	<u>2011</u>	<u>2010</u>
Interest on Bonds	\$ 512,401	\$ 588,869
Amortization of Original Issue Discount	2,288	2,636
Amortization of Deferred Amount on Refunding	<u>56,630</u>	<u>65,224</u>
Total Interest Expense	<u>\$ 571,319</u>	<u>\$ 656,729</u>

NOTE 12 ACCOUNTS RECEIVABLE

Accounts receivable consists of user charges and fees due the Authority at December 31, 2011 as follows:

	<u>2011</u>	<u>2010</u>
Accounts Receivable	\$ 1,039,382	\$ 1,087,101
Municipal Liens Receivable	41,295	29,003
Interest Receivable on Delinquent Charges	232,056	217,883
Due from Bank	<u>786</u>	<u>19</u>
	1,313,519	1,334,006
Less: Allowance for Uncollectible Accounts Receivable	<u>(202,533)</u>	<u>(191,558)</u>
	<u>\$ 1,110,986</u>	<u>\$ 1,142,448</u>

NOTE 13 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. The Authority purchases commercial insurance for risks of loss. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 14 RESERVATION OF NET ASSETS

The Authority has restricted net assets for the following purposes in accordance with the requirements of its Bond Resolution.

	<u>2011</u>	<u>2010</u>
Debt Service	\$ 607,395	\$ 751,469
Construction	532,538	1,102,940
Operating	1,314,840	1,266,340

THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

NOTE 15 COMPLIANCE WITH THE AUTHORITY'S BOND RESOLUTION

Section 610 of the Authority's Series 1993 Bond Resolution requires that the Authority make, impose, charge and collect Revenues, as defined in the Resolution, in an amount which will be at least sufficient (a) to provide in each fiscal year an amount at least equal to the Operating Fund Requirement, (b) to provide in each fiscal year an amount which is equal to 110% of the Bond Service Requirement, (c) to provide in each fiscal year the amount, if any, which is needed so that the amount which is on deposit in the Bond Reserve Fund will equal the Bond Reserve Requirement, (d) to provide in each fiscal year the amount, if any, which is needed so that the amount which is on deposit in the Renewal and Replacement Fund will equal the System Reserve Requirement, (e) to provide for the payment of all other charges or liens which are related to the System whatsoever which are payable by the Authority out of such rents, fees and charges during such fiscal year, and (f) to provide in such fiscal year for payment of any additional amounts which are necessary to comply with the provisions of this Resolution and all other statutory and legal obligations of the Authority. Revenues for the year 2011, as defined in the Authority's Bond Resolution, were greater than the amount necessary to meet those provisions and therefore the Authority met the rate covenant contained in Section 610 of the Authority's Bond Resolution.

NOTE 16 LEASE AGREEMENT WITH RELATED ENTITY

On April 3, 2009, the Authority entered into a lease agreement with the City of Vineland ("City") to lease 15.87 acres of land owned by the Authority to the City, who then sublet the land to Conectiv Vineland Solar, LLC, for the purpose of constructing and operating a solar photovoltaic electric generating facility. The term of the lease shall end on the date the City's Power Purchase and Sale Agreement with Conectiv Vineland Solar, LLC ends, or such date the City and the Authority may agree upon. The maximum term shall not exceed thirty (30) years without written approval of the Authority. The Authority will receive a percentage of the City's savings from the solar energy delivered both on a monthly and annual basis during the term of the agreement. As described in Note 2A, the Authority is a related organization to the City of Vineland, but not a Component Unit of the City.

SUPPLEMENTARY INFORMATION

THE LANDIS SEWERAGE AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS-
INVESTED IN CAPITAL ASSETS NET OF RELATED DEBT, RESTRICTED AND UNRESTRICTED
YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE TOTALS FOR 2010

	INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	UNRESTRICTED	RESTRICTED			TOTAL	
		UNDESIGNATED	DEBT SERVICE	CONSTRUCTION	OPERATING	2011 (MEMO)	2010 (MEMO)
OPERATING REVENUE:							
User Charges and Fees	\$ -	\$ 9,001,951	\$ -	\$ -	\$ -	\$ 9,001,951	\$ 9,019,721
Other		133,097				133,097	98,057
		<u>9,135,048</u>				<u>9,135,048</u>	<u>9,117,778</u>
OPERATING EXPENSES:							
Cost of Providing Services		5,814,162				5,814,162	6,056,666
Administrative and General		1,785,980				1,785,980	1,736,240
Depreciation		2,079,749				2,079,749	2,087,605
		<u>9,679,891</u>				<u>9,679,891</u>	<u>9,880,511</u>
OPERATING LOSS		<u>(544,843)</u>				<u>(544,843)</u>	<u>(762,733)</u>
NON-OPERATING REVENUE (EXPENSES):							
Miscellaneous Income		2,224				2,224	6,926
Connection Fees		172,556				172,556	307,626
Interest Income		5,899	133,711	52,138		191,748	196,621
Interest Expense		(571,319)				(571,319)	(656,729)
Amortization of Debt Issue Costs		(13,169)				(13,169)	(16,290)
Loss on Disposal of Asset						-	(796)
Realized Gain on Investment		7,822				7,822	
Increase in Fair Value of Investments		308,342				308,342	112,421
		<u>(87,645)</u>	<u>133,711</u>	<u>52,138</u>		<u>98,204</u>	<u>(50,221)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS		<u>(632,488)</u>	<u>133,711</u>	<u>52,138</u>		<u>(446,639)</u>	<u>(812,954)</u>
CAPITAL CONTRIBUTIONS		93,236				93,236	308,908
TRANSFERS AND ADJUSTMENTS:							
Interest Income		185,849	(133,711)	(52,138)	-	-	-
Other Transfers	(282,871)	948,847	(144,074)	(570,402)	48,500	-	-
		<u>595,444</u>	<u>(144,074)</u>	<u>(570,402)</u>	<u>48,500</u>	<u>(353,403)</u>	<u>(504,046)</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(282,871)</u>	<u>595,444</u>	<u>(144,074)</u>	<u>(570,402)</u>	<u>48,500</u>	<u>(353,403)</u>	<u>(504,046)</u>
NET ASSETS - JANUARY 1,	<u>52,917,855</u>	<u>1,448,455</u>	<u>751,469</u>	<u>1,102,940</u>	<u>1,266,340</u>	<u>57,487,059</u>	<u>57,991,105</u>
NET ASSETS - DECEMBER 31,	<u>\$ 52,634,984</u>	<u>\$ 2,043,899</u>	<u>\$ 607,395</u>	<u>\$ 532,538</u>	<u>\$ 1,314,840</u>	<u>\$ 57,133,656</u>	<u>\$ 57,487,059</u>

**THE LANDIS SEWERAGE AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED ACCOUNTS
YEAR ENDED DECEMBER 31, 2011**

	<u>PAYROLL ACCOUNT</u>	<u>REVOLVING ACCOUNT</u>	<u>HEALTH- CARE ACCOUNT</u>	<u>EMERGENCY</u>	<u>TOTAL</u>
CASH AND INVESTMENTS - JANUARY 1,	\$ 13,937	\$ 92,794	\$ 1,784	\$ 493,365	\$ 601,880
CASH RECEIPTS:					
Interest on Investments	106	397	8	974	1,485
Transfers - Unrestricted Accounts			16,149		16,149
Transfers from Restricted Accounts	1,811,464	5,890,228			7,701,692
Total Cash and Investments Available	<u>1,825,507</u>	<u>5,983,419</u>	<u>17,941</u>	<u>494,339</u>	<u>8,321,206</u>
CASH DISBURSEMENTS:					
Operations	1,816,270	5,892,988	16,149		7,725,407
Capital Outlays Purchased from Operations		2,030			2,030
Total Cash Disbursements	<u>1,816,270</u>	<u>5,895,018</u>	<u>16,149</u>	<u>-</u>	<u>7,727,437</u>
CASH AND INVESTMENTS - DECEMBER 31,	<u>\$ 9,237</u>	<u>\$ 88,401</u>	<u>\$ 1,792</u>	<u>\$ 494,339</u>	<u>\$ 593,769</u>
BALANCE COMPRISED OF:					
Cash:					
Non Interest Bearing	\$ 9,237	\$ 400	\$ 1,792	\$ 494,339	\$ 505,768
Interest Bearing	9,237	88,001	1,792	494,339	593,369
	<u>\$ 9,237</u>	<u>\$ 88,401</u>	<u>\$ 1,792</u>	<u>\$ 494,339</u>	<u>\$ 593,769</u>

THE LANDIS SEWERAGE AUTHORITY
 SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
 AND CHANGES IN CASH AND INVESTMENTS
 RESTRICTED ACCOUNTS - (ALL ACCOUNTS)
 YEAR ENDED DECEMBER 31, 2011

	SERIES 1993 (SCHEDULE 3A)	OTHER ACCOUNTS (SCHEDULE 3B)	TOTAL
CASH AND INVESTMENTS - JANUARY 1,	\$ 9,495,977	\$ 163,852	\$ 9,659,829
CASH RECEIPTS:			
User Charges and Fees	8,825,886		8,825,886
Connection and Lateral Fees	94,800		94,800
Interest on Investments	197,389	241	197,630
Miscellaneous Receipts	41,195		41,195
Delinquent Fees Received	155,281		155,281
Hay Sales	121,992		121,992
Escrow Deposits - Developers		1,000	1,000
Capital Contributions	93,236		93,236
Total Cash and Investments Available	<u>19,025,756</u>	<u>165,093</u>	<u>19,190,849</u>
CASH DISBURSEMENTS:			
Debt Service Payments	1,843,561		1,843,561
Construction Costs	572,695		572,695
Charges Against Escrow		3,652	3,652
Transfers to Unrestricted Accounts	7,701,692		7,701,692
Total Cash Disbursed	<u>10,117,948</u>	<u>3,652</u>	<u>10,121,600</u>
CASH AND INVESTMENTS - DECEMBER 31,	<u>\$ 8,907,808</u>	<u>\$ 161,441</u>	<u>\$ 9,069,249</u>
BALANCE COMPRISED OF:			
Cash:			
Interest Bearing	\$ 5,026,870	\$ 161,441	\$ 5,188,311
Investments	3,880,938		3,880,938
Total	<u>\$ 8,907,808</u>	<u>\$ 161,441</u>	<u>\$ 9,069,249</u>

THE LANDIS SEWERAGE AUTHORITY
 SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
 AND CHANGES IN CASH AND INVESTMENTS
 RESTRICTED ACCOUNTS
 (ACCOUNTS REQUIRED BY SERIES 1993 BOND RESOLUTION)
 YEAR ENDED DECEMBER 31, 2011

	REVENUE	BOND SERVICE	RESERVE	SINKING FUND	CONSTRUCTION	OPERATING	GENERAL	REBATE	TOTAL
CASH AND INVESTMENTS - JANUARY 1,	\$ 2,163,881	\$ 54,514	\$ 2,898,889	\$ 434,671	\$ 1,922,444	\$ 1,880,402	\$ 131,153	\$ 10,023	\$ 9,495,977
CASH RECEIPTS:									
User Charges and Fees	8,825,886								8,825,886
Connection and Lateral Fees	94,800								94,800
Interest on Investments	2,070	24	140,803	693	52,138	1,508	142	11	197,389
Miscellaneous Receipts	29,049		7,822		4,324				41,195
Transfers - Restricted Accounts	(8,593,831)	533,449	(165,683)	1,165,564	(513)	7,161,014	(100,000)		-
Delinquent Fees Received	155,281								155,281
Hay Sales	121,992								121,992
Capital Contributions	93,236								93,236
Total Cash and Investments Available	<u>2,892,364</u>	<u>587,987</u>	<u>2,881,831</u>	<u>1,600,928</u>	<u>1,978,393</u>	<u>9,042,924</u>	<u>31,295</u>	<u>10,034</u>	<u>19,025,756</u>
CASH DISBURSEMENTS:									
Debt Service Payments		543,561		1,300,000					1,843,561
Construction Costs					572,695				572,695
Transfers to Unrestricted Accounts	-					7,701,692			7,701,692
Total Cash Disbursed	<u>-</u>	<u>543,561</u>	<u>-</u>	<u>1,300,000</u>	<u>572,695</u>	<u>7,701,692</u>	<u>-</u>	<u>-</u>	<u>10,117,948</u>
CASH AND INVESTMENTS - DECEMBER 31,	<u>\$ 2,892,364</u>	<u>\$ 44,426</u>	<u>\$ 2,881,831</u>	<u>\$ 300,928</u>	<u>\$ 1,405,698</u>	<u>\$ 1,341,232</u>	<u>\$ 31,295</u>	<u>\$ 10,034</u>	<u>\$ 8,907,808</u>
BALANCE COMPRISED OF:									
Cash:									
Interest Bearing Investments	\$ 2,892,364	\$ 44,426	\$ 893	\$ 300,928	\$ 405,698	\$ 1,341,232	\$ 31,295	\$ 10,034	\$ 5,026,870
			2,880,938		1,000,000				3,880,938
Total	<u>\$ 2,892,364</u>	<u>\$ 44,426</u>	<u>\$ 2,881,831</u>	<u>\$ 300,928</u>	<u>\$ 1,405,698</u>	<u>\$ 1,341,232</u>	<u>\$ 31,295</u>	<u>\$ 10,034</u>	<u>\$ 8,907,808</u>

THE LANDIS SEWERAGE AUTHORITY
 SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
 AND CHANGES IN CASH AND INVESTMENTS
 RESTRICTED ACCOUNTS
 (OTHER ACCOUNTS)
 YEAR ENDED DECEMBER 31, 2011

	DEVELOPER ESCROW	1989 BOND ESCROW SURPLUS	TOTAL
CASH AND INVESTMENTS - JANUARY 1,	\$ 162,404	\$ 1,448	\$ 163,852
CASH RECEIPTS:			
Interest Received	238	3	241
Escrow Deposits - Developers	1,000		1,000
Total Cash and Investments Available	<u>163,642</u>	<u>1,451</u>	<u>165,093</u>
CASH DISBURSEMENTS:			
Charges Against Escrow	3,652		3,652
Total Cash Disbursed	<u>3,652</u>	<u>-</u>	<u>3,652</u>
CASH AND INVESTMENTS - DECEMBER 31,	<u>\$ 159,990</u>	<u>\$ 1,451</u>	<u>\$ 161,441</u>
BALANCE COMPRISED OF:			
Cash:			
Interest Bearing	<u>\$ 159,990</u>	<u>\$ 1,451</u>	<u>\$ 161,441</u>

THE LANDIS SEWERAGE AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2011

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010

	2011 BUDGET	2011 ACTUAL	2010 ACTUAL
REVENUE:			
Net Assets Appropriated	\$ -	\$ -	\$ 85,556
User Charges and Fees	9,120,000	9,001,951	9,019,721
Connection and Lateral Fees	50,000	172,556	307,626
Other	145,000	135,321	104,983
Interest Income	335,000	191,748	196,621
Total Operating Revenue	<u>9,650,000</u>	<u>9,501,576</u>	<u>9,714,507</u>
EXPENSES:			
Costs of Providing Services:			
Salaries - Supervision	943,000	931,986	988,561
Salaries and Wages	1,646,000	1,623,365	1,664,961
Employee Benefits	1,282,700	1,343,641	1,219,053
Payroll Taxes	208,700	205,370	209,195
Utilities and Telephone	1,098,000	1,108,533	1,177,332
Miscellaneous Materials and Supplies	150,000	86,532	110,799
Repairs and Maintenance	130,000	65,908	160,531
Laboratory Testing	22,000	21,224	21,988
Grit and Grease Disposal	24,000	24,021	28,538
Mobile Equipment Expense	123,000	113,662	106,356
Chemicals	213,000	177,124	218,654
Industrial Pretreatment	22,000	16,259	18,429
Farm Supplies, Maintenance and Utilities	135,000	96,537	132,269
	<u>5,997,400</u>	<u>5,814,162</u>	<u>6,056,666</u>
Administrative and General Expenses:			
Salaries and Wages	815,000	831,366	786,396
Employee Benefits	434,500	409,551	405,737
Payroll Taxes	65,600	60,543	61,836
Professional Services	166,500	181,005	167,818
Insurance	135,000	129,458	131,833
Travel	5,500	1,950	6,697
Public Relations	1,000	419	300
City of Vineland - Health Department	4,000	4,000	4,000
City of Vineland - Tax Office	4,000	6,000	8,000
Permit Fees	33,000	29,542	31,502
Miscellaneous Expense	46,500	41,208	45,581
Office Expenses	71,500	71,873	67,879
Chairman's Expenses	6,000	4,090	3,685
Bad Debt Expense		10,975	10,976
Reimbursement to Cumberland County	23,000		
Household Hazardous Waste Clean-Up Day	4,000	4,000	4,000
	<u>1,815,100</u>	<u>1,785,980</u>	<u>1,736,240</u>
Interest Expense	461,000	512,401	588,869
OTHER COSTS FUNDED BY OPERATING REVENUE:			
Principal Maturities	1,300,000	1,300,000	1,300,000
Capital Outlays	76,500	2,030	32,732
	<u>1,376,500</u>	<u>1,302,030</u>	<u>1,332,732</u>
TOTAL COSTS FUNDED BY OPERATING REVENUE	<u>9,650,000</u>	<u>9,414,573</u>	<u>9,714,507</u>

THE LANDIS SEWERAGE AUTHORITY
 SCHEDULE OF REVENUES AND COSTS FUNDED BY
 REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
 YEAR ENDED DECEMBER 31, 2011
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010

	2011 BUDGET	2011 ACTUAL	2010 ACTUAL
REVENUES OVER COSTS FUNDED BY REVENUES	\$ -	87,003	-
Reconciliation of Budgetary Basis to Change in Net Assets:			
Adjustments to Budgetary Basis:			
Principal Maturities		1,300,000	1,300,000
Capital Outlays		2,030	32,732
Depreciation		(2,079,749)	(2,087,605)
Amortization of Debt Issue Costs		(13,169)	(16,290)
Amortization Charged to Interest Expense		(58,918)	(67,860)
Realized Gain on Investments		7,822	
Increase in Fair Value of Investments		308,342	112,421
Loss on Disposition of Assets		-	(796)
Net Assets Appropriated Reflected as Revenue on Budgetary Schedule		-	(85,556)
Capital Contributions		93,236	308,908
CHANGE IN NET ASSETS PER EXHIBIT B		\$ (353,403)	\$ (504,046)

**THE LANDIS SEWERAGE AUTHORITY
SCHEDULE OF TERM BONDS PAYABLE
DECEMBER 31, 2011**

DESCRIPTION	ORIGINAL ISSUE	DATE OF ISSUE	MATURITIES		INTEREST RATE	BALANCE JANUARY 1, 2011	ISSUED 2011	PRINCIPAL PAID 2011	BALANCE DECEMBER 31, 2011	
			DATE	AMOUNT						
Short Term Auction Rate Securities-Series 1993-B	(2)	\$ 6,500,000	4/1/93	9/19/2019	\$ 6,500,000	VARIOUS (1)	\$ 4,750,000	\$ 650,000	\$ 4,100,000	
Complimentary Auction Rate Securities-Series 1993-C	(2)	6,500,000	4/1/93	9/19/2019	6,500,000	VARIOUS (1)	4,750,000	650,000	4,100,000	
							<u>\$ 9,500,000</u>	<u>\$ -</u>	<u>\$ 1,300,000</u>	<u>\$ 8,200,000</u>

- (1) The combined rate or Linked Coupon Rate is 5.65% which is the rate the Authority pays, even though the rates for each of these Securities can change at each Auction Date.
- (2) The Short Term Auction Rate Securities and the Complimentary Auction Rate Securities are subject to mandatory redemption through October 1, 2019 at 100% of the principal amounts established as follows:

Year	Principal Amount of Short Term Auction Rate Securities	Principal Amount of Complimentary Auction Rate Securities
2012	\$ 450,000	\$ 450,000
2013	450,000	450,000
2014	450,000	450,000
2015	500,000	500,000
2016	500,000	500,000
2017	550,000	550,000
2018	600,000	600,000
2019	600,000	600,000
	<u>\$ 4,100,000</u>	<u>\$ 4,100,000</u>

**THE LANDIS SEWERAGE AUTHORITY
ROSTER OF OFFICIALS**

<u>Authority Members</u>	<u>Position</u>	<u>Amount of Surety Bond</u>
Joseph J. Reuben III	Chairman	\$ 10,000
Peter Galetto, Sr.	Vice Chairman	\$ 10,000
G. Steven Errickson	Treasurer	\$ 10,000
Francis A. Gana	Secretary	\$ 10,000
Jose Silva	Assistant Secretary; Assistant Treasurer	\$ 10,000

Other Officials

A. Steven Fabietti	Solicitor	
Dennis W. Palmer	Executive Director/Chief Engineer	\$ 10,000
David R. Kotok	Financial Advisor	

Surety Companies

Selective Insurance Company of America

**THE LANDIS SEWERAGE AUTHORITY
FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2011**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* or with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None Noted

**THE LANDIS SEWERAGE AUTHORITY
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2011**

Finding No. 2010-1

Condition:

Revenues for the year 2010, as defined in the Authority's Bond Resolution, were less than the amount necessary to meet the rate covenant contained in Section 610 of the Authority's Bond Resolution.

Status:

The Authority has met the rate covenant contained in Section 610 of the Authority's Bond Resolution in 2011.