

COLLIER TOWNSHIP MUNICIPAL AUTHORITY
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

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Independent Auditor's Report

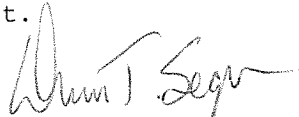
To the Board of Directors
Collier Township Municipal Authority
2418 Hilltop Road
Presto, PA 15142

I have audited the accompanying statements of net assets of Collier Township Municipal Authority as of December 31, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Collier Township Municipal Authority as of December 31, 2011 and 2010, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 1 through 4, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. The Statement of Revenues and Expenses - Actual and Budget on pages 15 through 16 is not a required part of the basic financial statements and is not supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures to both, which consisted principally of inquiries of management regarding the methods and measurements and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.



Donn T. Seger
Certified Public Accountant

Pittsburgh, Pennsylvania
August 2, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Collier Township Municipal Authority's financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2011. Please read it in conjunction with the Authority's financial statements, which begin on page 5.

USING THIS ANNUAL REPORT

This annual report consists of enterprise fund financial statements, which under Governmental Accounting Standards Board (GASB) 34, is the requirement for special-purpose governments engaged only in business-type activities.

THE AUTHORITY AS A WHOLE

Our analysis below focuses on the equity (Table 1) and changes in retained earnings (Table 2) of the Authority.

**Table 1
Net Assets**

	2011	2010
Current Assets	\$ 1,422,695.98	\$ 1,499,131.21
Non Current Assets	15,930,075.85	15,214,374.11
Total Assets	17,352,771.83	16,713,505.32
Current Liabilities	393,148.10	547,907.43
Total Liabilities	393,148.10	547,907.43
Net Investment in Capital Assets	15,854,531.10	15,214,374.11
Net Assets Restricted by Board	429,116.44	408,682.32
Net Assets Unrestricted	675,976.19	542,541.46
Total Net Assets	16,959,623.73	16,165,597.89
Total Liabilities & Net Assets	\$ 17,352,771.83	\$ 16,713,505.32

The Authority's total net assets increased from \$16,165,597.89 to \$16,959,623.73 or 4.91%.

**Table 2
Changes in Net Assets**

	2011	2010
Revenues		
Charges for Services	\$ 1,806,733.61	\$ 1,803,282.38
Other Operating Revenues	239,126.96	404,655.55
Other Non-Operating Revenues	4,885.69	6,492.02
Total Revenues	2,050,746.26	2,214,429.95
Expenses		
Operating Expenses-Sanitation	1,998,035.42	1,795,033.56
Total Expenses	1,998,035.42	1,795,033.56
Income/(Loss) Before Contributions and Extraordinary Items	52,710.84	419,396.39
Capital Contributions	741,315.00	323,017.00
Change in Net Assets	\$ 794,025.84	\$ 742,413.39

Business-type Activities

The Authority for the year ended 2011, is showing a 7.92% decrease of operating revenues over 2010. The operating expenses for the year ended 2011 reflect a 11.31% increase over 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the Authority had \$15,892,830.65 invested (net of depreciation) in fixed capital assets, including the sanitary sewer system and various office and field equipment (See table 3 below) and an additional \$37,245.20 in other capital assets (net of amortization). This amount represents an increase (including additions and deductions) of \$715,701.74 or 4.70% over last year.

Table 3
Fixed Capital Assets at Year-End
(Net of Depreciation)

	2011	2010
Sanitary Sewer System	\$ 15,109,640.46	\$ 14,106,769.87
Office Equipment	-	-
	<hr/>	<hr/>
	15,109,640.46	14,106,769.87
Construction in Progress	783,190.19	1,060,085.24
Total Capital Assets	<hr/> 15,892,830.65	<hr/> 15,166,855.11

Debt

The Authority had no bonds or notes outstanding at year-end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Under the Pennsylvania Municipal Authorities Act the Authorities Engineers, NIRA Consulting Engineers, Inc. prepares a budget and presents the budget to the Authority Board of Directors for approval. The approved 2012 budget reflects an increase in the usage rate and service charge as shown below. The budget estimates 50 new customers being added to the system, a 1.74% increase.

Rates

As of January 1, 2012, Allegheny County Sanitary Authority (ALCOSAN), the Authority's sewage treatment provider, increased the basic service charge from \$8.48 to \$9.07 per quarter, or a 7% increase. ALCOSAN also increased the sanitary sewer usage rate from \$4.04 to \$4.32 per 1,000 gallons of water used, or a 7% increase. Because of this increase the Authority has elected to increase the basic service charge to its customers from \$3.00 to \$3.25 per month, or a 8.33% increase and sanitary sewer usage rates from \$8.40 to \$9.30 per 1,000 gallons of water used, or a 10.71% increase.

For 2013 and beyond it is expected, because of Federal and State environmental rules and regulations and the existing Consent Order requirements of the Allegheny County Health Department (ACHD) as well as Pennsylvania Department of Environmental Protection (PA DEP) that ALCOSAN will be required to substantially increase user rates, which the Authority will be required to pass on to its customers.

The Authority is and has been required to make substantial and costly Consent Order mandated system inspections, cleaning, camera inspection and other testing as well as line maintenance and repair. The Consent Order mandated expenditures will continue into the foreseeable future and will divert limited available funding from new sewer construction. It is expected that ALCOSAN rates will exceed annual inflation rates due to massive Consent Order construction that is expected to begin in the immediate future.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (Continued)

2012 Sewer Line Maintenance and System Repairs

In 2012, the Authority plans to continue the long standing practice of inspecting and making necessary repairs to its sanitary sewer system. To that extent, the Authority accepted a bid for 2011 miscellaneous manhole maintenance and repairs in the amount of \$96,402 to be completed in 2012.

Additional Projects Include:

Colecrest Area Improvements

The Authority applied for and was awarded a Council of Government (COG) grant to improve and upgrade older sewers in the Colecrest Area of the Township. Because of this grant a contract was awarded in 2011 for a total project cost of \$138,437. Main line sewer service to a number of existing homes will be improved with this project which will be completed in 2012.

Miscellaneous Repairs/Replacement Projects

In 2011, the Authority accepted a bid for the 2011 Miscellaneous Sanitary Sewer Repairs/Replacement Projects in the amount of \$257,755. These projects are scheduled to be completed in 2012.

St. Andrews Pump Station

In 2012, the Authority plans to upgrade the access drive and make site improvements at the St. Andrews Pump Station. This project is scheduled for construction in 2013.

Sanitary Sewer Improvement/Replacement

In 2012, the Authority is preparing plans for miscellaneous sanitary sewer improvements/replacement of certain sections of deteriorated sanitary sewers. This project is scheduled for construction in 2013 and is part of the Authority's ongoing maintenance program. A tentative schedule for future improvements and replacements includes the following:

- 2014: 880 lineal feet of 10" sanitary sewer replacements on Neeb Street in Kirwan Heights and 330 lineal feet of sanitary sewer replacement behind homes on Darlington Road in Cabbage Hill at a total estimated cost of \$286,000.
- 2015: 1,100 lineal feet of 8" sanitary sewer replacement on Prestley Street in Cabbage Hill at an estimated cost of \$327,000.
- 2016: 1,220 lineal feet of 8" sanitary sewer replacement on Colecrest Street and Darlington Road in Cabbage Hill at an estimated cost of \$300,000.
- 2017: 568 lineal feet of 8" sanitary sewer replacement on Landgraf Avenue in Kirwan heights, 290 lineal feet of sanitary sewer replacement on Collier Avenue and 205 lineal feet of 8" sanitary sewer replacement on Darlington Road in Cabbage Hill at a total estimated cost of \$285,000.
- 2018: 27 lineal feet of 8" sanitary sewer replacement on North Gray Avenue and 611 lineal feet of 12" and 8" sanitary sewer replacement on and adjacent to Steen Road in Kirwan Heights at a total estimated cost of \$260,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (Continued)

Sanitary Sewer Improvement/Replacement (Continued)

- 2019: 564 lineal feet of 12" and 8" sanitary sewer replacement on and along Thoms Run Road in Kirwan Heights, 212 lineal feet of 8" sanitary sewer replacement behind homes on Delfred Drive and 200 lineal feet of sanitary sewer replacement behind homes on Prestley Street in Cabbage Hill at a total estimated cost of \$217,000.

This schedule is dependent on several factors including, but not necessarily limited to, availability of Authority funds, State, County and Local road paving and reconstruction schedules, and grant application eligibility and approvals.

Ridge Road, Baldwin Road, McMichael Road Line

The proposed construction of a new watershed sewer line from the Centennial Point pump station to serve the watershed encompassed by Baldwin Road, Ridge Road and McMichael Road has been indefinitely postponed. Substantial public resistance and refusal to grant required right-of-ways would greatly increase the project costs, in addition to the low density of area, has made the project economically unfeasible.

The various property owners' refusal to grant right-of-ways, including threats of litigation to stop the project, necessitated this indefinite hold. The resisting property owners will, at some point in the future, be faced with malfunctioning septic systems, costly individual lot repairs and possible substantial diminution in their property values, but they continue to block the project.

Future New Construction

Due to project substantial ALCOSAN rate increases and the extremely low density of the remaining areas of Collier Township that do not have sewer service, it is unlikely that the Municipal Authority will be able to undertake any new major new line construction in the immediate future. Grant money is becoming unobtainable and property assessments, property owner/developer contributions and tap-in fees for new construction are also rendering the projects economically unfeasible.

Anticipated Future Obligations

It is anticipated that much, if not all, of the Authority revenue in the foreseeable future will be expended on Consent Order mandated requirements, leaving little funding available for new construction without a substantial long-term rate increase on all existing customers.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens and taxpayers of Collier Township as well as our customers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact: Collier Township Municipal Authority, 2418 Hilltop Road, Presto, PA 15142.

COLLIER TOWNSHIP MUNICIPAL AUTHORITY
STATEMENTS OF NET ASSETS
DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
CURRENT ASSETS		
Petty Cash	\$ 75.00	\$ 75.00
Cash and Cash Equivalents	1,092,475.73	1,176,019.78
Investments	200,000.00	200,000.00
Accounts Receivable-Trade (Net of Allowance for Doubtful Accounts)	120,302.56	118,774.65
Accounts Receivable-Other	3,527.68	-
Interest Receivable	1,068.86	2,054.08
Prepaid Expenses	5,246.15	2,207.70
TOTAL CURRENT ASSETS	<u>1,422,695.98</u>	<u>1,499,131.21</u>
NON CURRENT ASSETS		
Property, Plant and Equipment (Net of Depreciation)	15,892,830.65	15,166,855.11
Software (Net of Amortization)	550.00	1,650.00
Deferred Capital Fee (Net of Amortization)	36,695.20	45,869.00
TOTAL NON CURRENT ASSETS	<u>15,930,075.85</u>	<u>15,214,374.11</u>
TOTAL ASSETS	<u>\$ 17,352,771.83</u>	<u>\$ 16,713,505.32</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable-Trade	\$ 317,541.62	\$ 445,855.75
Construction Contracts Payable	75,544.75	101,964.44
Payroll Taxes Accrued and Withheld	61.73	87.24
TOTAL CURRENT LIABILITIES	<u>393,148.10</u>	<u>547,907.43</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	15,854,531.10	15,112,409.67
Restricted by Board for Emergency Repairs	429,116.44	408,682.32
Unrestricted	675,976.19	644,505.90
TOTAL NET ASSETS	<u>16,959,623.73</u>	<u>16,165,597.89</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,352,771.83</u>	<u>\$ 16,713,505.32</u>

The accompanying notes to financial statements are an integral part of this statement.

**COLLIER TOWNSHIP MUNICIPAL AUTHORITY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
OPERATING REVENUES		
Sewer Charges	\$ 1,806,733.61	\$ 1,803,282.38
Penalties	4,361.90	4,227.74
Reimbursement-Alcosan	6,112.40	5,744.20
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	1,817,207.91	1,813,254.32
OPERATING EXPENSES		
Advertising	2,240.50	-
Bad Debts	3,390.09	3,267.10
Billing and Collection	24,759.39	25,283.32
Contracted Services-Administrative	2,395.55	2,254.45
Contracted Services-Dye Testing	200.00	-
Dues and Subscriptions	1,900.00	217.47
Employee Benefits	15,667.44	14,878.72
Inspection Fees	14,495.75	11,439.75
Insurance	7,536.55	8,508.87
Investment Fees	2,072.74	1,825.61
Maintenance of Sewer System	260,083.57	133,200.12
Miscellaneous Expense	1,943.45	1,308.67
Office Expenses	20,183.36	22,745.43
Office Salaries	58,977.94	54,533.31
Operating Engineering Fees	200,650.11	202,564.94
Operating Legal Fees	42,773.01	27,259.04
Payroll Taxes	5,319.32	5,096.53
Power for Pump Station	3,906.60	3,717.77
Sewer Treatment Charges	941,845.44	930,824.16
Telephone	3,063.89	2,998.48
Travel Expense	110.67	135.12
	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	1,613,515.37	1,452,058.86
ADMINISTRATIVE EXPENSES		
Board Members	5,000.00	6,000.00
Legal	2,400.00	2,400.00
Engineering	2,400.00	2,400.00
Accounting	6,433.75	6,789.00
	<hr/>	<hr/>
TOTAL ADMINISTRATIVE EXPENSES	16,233.75	17,589.00
AMORTIZATION AND DEPRECIATION		
Amortization-Software	1,100.00	1,100.00
Amortization-Deferred Capital Fee	9,173.80	9,173.80
Depreciation-Property, Plant and Equipment	358,012.50	315,111.90
	<hr/>	<hr/>
TOTAL AMORTIZATION AND DEPRECIATION	368,286.30	325,385.70
TOTAL OPERATING, ADMINISTRATIVE, AMORTIZATION AND DEPRECIATION EXPENSE	1,998,035.42	1,795,033.56
OPERATING INCOME/(LOSS) BEFORE OTHER REVENUES/(EXPENSES)	(180,827.51)	18,220.76

The accompanying notes to financial statements are an integral part of this statement.

COLLIER TOWNSHIP MUNICIPAL AUTHORITY
 STATEMENTS OF REVENUES, EXPENSES
 AND CHANGES IN NET ASSETS
 YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
OTHER REVENUES/(EXPENSES)		
Collection of Bad Debt Accounts	6,675.39	5,149.28
Lien/Certification Letters	6,575.00	6,420.00
Miscellaneous	1,253.03	591.92
Assessment/Connection/Tap-In Fees	214,149.24	382,522.41
	<hr/>	<hr/>
TOTAL OTHER REVENUES/(EXPENSES)	228,652.66	394,683.61
	<hr/>	<hr/>
OPERATING INCOME/(LOSS)	47,825.15	412,904.37
	<hr/>	<hr/>
NON OPERATING REVENUES/(EXPENSES)		
Dividend and Interest Revenue-Operating	4,885.69	6,492.02
	<hr/>	<hr/>
TOTAL NON OPERATING REVENUES/ (EXPENSES)	4,885.69	6,492.02
	<hr/>	<hr/>
INCOME BEFORE CONTRIBUTIONS AND EXTRAORDINARY ITEMS	52,710.84	419,396.39
	<hr/>	<hr/>
CONTRIBUTIONS		
Capital Contributions	741,315.00	323,017.00
	<hr/>	<hr/>
CHANGE IN NET ASSETS	794,025.84	742,413.39
	<hr/>	<hr/>
NET ASSETS AT BEGINNING OF YEAR	16,165,597.89	15,423,184.50
	<hr/>	<hr/>
NET ASSETS AT END OF YEAR	<u>\$ 16,959,623.73</u>	<u>\$ 16,165,597.89</u>

The accompanying notes to financial statements are an integral part of this statement.

**COLLIER TOWNSHIP MUNICIPAL AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	2,034,830.17	2,194,956.12
Payments to Suppliers	(1,670,162.19)	(1,290,331.79)
Payments to Employees	(64,003.45)	(60,485.99)
Payments for Employee Benefits	(15,667.44)	(14,878.72)
Payments for Payroll Taxes	(5,319.32)	(5,197.76)
NET CASH FLOWS PROVIDED/(USED) BY OPERATING ACTIVITIES	279,677.77	824,061.86
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Property, Plant and Equipment	(369,092.73)	(772,825.59)
NET CASH FLOWS PROVIDED/(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(369,092.73)	(772,825.59)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase)/Decrease in Investments	-	594,000.00
Investment Earnings	5,870.91	7,170.38
NET CASH FLOWS PROVIDED/(USED) BY INVESTING ACTIVITIES	5,870.91	601,170.38
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(83,544.05)	652,406.65
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,176,094.78	523,688.13
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,092,550.73	\$ 1,176,094.78
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED (USED)/BY OPERATING ACTIVITIES		
Operating Income/(Loss)	\$ 47,825.15	\$ 412,904.37
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Cash Flows Reported in Other Categories:		
Amortization	10,273.80	10,273.80
Depreciation	358,012.50	315,111.90
Changes in Assets and Liabilities:		
Accounts Receivable-Trade	(1,527.91)	(3,970.51)
Accounts Receivable-Other	(3,527.68)	-
Prepaid Insurance	(3,038.45)	(359.13)
Accounts Payable-Trade	(128,314.13)	90,155.34
Payroll Taxes Accrued and Withheld	(25.51)	(53.91)
Net Cash Provided/(Used) by Operating Activities	\$ 279,677.77	\$ 824,061.86
Noncash investing, capital and financing activities:		
The Collier Township Municipal Authority accepted sewer lines constructed by private developers. The fair value of this donated property was	\$ 741,315.00	\$ 323,017.00

The accompanying notes to financial statements are an integral part of this statement.

COLLIER TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Nature of Activities

The Collier Township Municipal Authority was established in 1948 under the Municipal Authorities Act of 1945. In 1976 an amendment to the Authority was filed extending the Authority's life to 2026. The authority owns and operates the municipal public sanitary sewer system in Collier Township. It is managed by a five-member board of directors.

B. Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addresses in defining the government's reporting entity.

Collier Township Municipal Authority was established in 1948 and its life extended by amendment in 1976. The authority was created to provide sewer services within the Township, which could not be furnished to residents by the Township because of the limited borrowing power, which is controlled by the Pennsylvania legislature.

C. Basis of Accounting

The accrual basis of accounting is utilized by the Authority. Under this method, revenues are recognized when earned and expenses are recognized when the related liability is incurred.

COLLIER TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Investments in non-negotiable certificates of deposit are stated at cost.

E. Accounts Receivable - Trade

The Authority bills sewage, surcharge and garbage disposal customers monthly based on water usage. Customers who have natural spring wells are charged on a flat rate basis. Accounts considered uncollectible are written off as bad debts. These accounts are subsequently liened. Collection of liened accounts is shown as income when received.

F. Prepaid Expenses

This represents insurance premiums and other expenses that will benefit periods beyond December 31, 2011 and 2010.

G. Fixed Assets

All purchased and constructed fixed assets are valued at cost where historical records are available and at an estimated historical cost when no historical cost records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of buildings, equipment and vehicles is computed using the straight-line method.

Interest is capitalized on assets acquired with debt. The amount of interest to be capitalized is the interest incurred from the date of the borrowing until completion of the project.

COLLIER TOWNSHIP MUNICIPAL AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Deferred Capital Fee

This item represents a capital contribution made to Allegheny County Sanitary Authority in consideration for the rights and services provided by the Allegheny County Sanitary Authority in an agreement dated February 19, 1991 and for the benefits arising from the use of the sewage disposal system for the treatment and disposal of Collier Township sewage and waste.

The capital fee is amortized over twenty-five years beginning January 1, 1991.

2011

	Cost	Accumulated Amortization	Net Book Value
Deferred Capital Fee	\$ 229,345.00	\$ 192,649.80	\$ 36,695.20

2010

	Cost	Accumulated Amortization	Net Book Value
Deferred Capital Fee	\$ 229,345.00	\$ 183,476.00	\$ 45,869.00

I. Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

At year end 2011, the carrying amount of the Authority's deposits was \$1,084,427.09 and the bank balance was \$1,091,224.99. Of the bank balance, \$850,000.00 was covered by federal depository insurance. The Authority's deposits are categorized as (1) insured or collateralized with securities held by the entity or by its agent in the entity's name, or (3) uncollateralized.

Deposits Categorized by Level of Risk Are:

Bank Balance	Category 1	Category 3	Carrying Amount
\$ 1,091,224.99	\$ 850,000.00	\$ 241,224.99	\$ 1,084,427.09

COLLIER TOWNSHIP MUNICIPAL AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2011 AND 2010

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

	2011	2010
Undesignated Deposits		
Citizens Municipal Checking with Interest	\$ 484,427.09	\$ 571,132.07
(B) FirstPlace Bank Certificate of Deposit (Due 03-12-12 at .500%)	200,000.00	-
(B) Onewest Bank Certificate of Deposit (Due 03-12-12 at .500%)	200,000.00	-
(A) Republic First Bank Certificate of Deposit (Due 10-15-12 at .700%)	200,000.00	-
(B) Orrstown Bank Certificate of Deposit (Due 2/9/11 at .550%)		248,000.00
(A) Tristate Bank Certificate of Deposit (Due 6/13/11 at 1.390%)		200,000.00
	<u>\$ 1,084,427.09</u>	<u>\$ 1,035,817.36</u>

(A) These deposits are shown as Investments on the Statements of Net Assets and Cash Flows.

(B) These deposits are shown as Cash Equivalents on the Statements of Net Assets and Cash Flows.

Investments

The Authority's investments are classified (NC) not categorized, not subject to credit risk classification.

2011

	Carrying Value	Market Value
(B) (NC) Pennsylvania Liquid Government Investment Trust	\$ 207,901.10	\$ 207,901.10

2010

	Carrying Value	Market Value
(B) (NC) Pennsylvania Liquid Government Investment Trust	\$ 356,887.71	\$ 356,887.71

(B) These are shown as Cash Equivalents on the Statements of Net Assets and Cash Flows.

**COLLIER TOWNSHIP MUNICIPAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

NOTE 3 - FIXED ASSETS

The following is a summary of fixed assets at December 31, 2011 and 2010.

2011

Description	Cost	Accumulated Depreciation	Net Book Value
Sewer System	\$ 20,289,008.98	\$ 5,179,368.52	\$ 15,109,640.46
Field Equipment	17,314.55	17,314.55	-
Office Equipment	20,922.95	20,922.95	-
Construction in Progress	783,190.19	-	783,190.19
	<u>\$ 21,110,436.67</u>	<u>\$ 5,217,606.02</u>	<u>\$ 15,892,830.65</u>

2010

Description	Cost	Accumulated Depreciation	Net Book Value
Sewer System	\$ 18,928,125.89	\$ 4,821,356.02	\$ 14,106,769.87
Field Equipment	17,314.55	17,314.55	-
Office Equipment	20,922.95	20,922.95	-
Construction in Progress	1,060,085.24	-	1,060,085.24
	<u>\$ 20,026,448.63</u>	<u>\$ 4,859,593.52</u>	<u>\$ 15,166,855.11</u>

The estimated useful lives used to compute depreciation are as follows:

Sewer System	60 Years
Field Equipment	5 Years
Office Equipment	5-10 Years

NOTE 4 - LIENED ASSESSMENT CHARGES

Liened assessment charges are not included in the balance sheet due to the inability to determine when they would be collectable.

NOTE 5 - SIGNIFICANT CONCENTRATION OF CREDIT RISK

The Authority maintains its cash and cash equivalent holdings within a few financial institutions. This concentration of cash within a few accounts and the maintenance of substantial balances in each preclude the Authority from availing itself of complete federal deposit insurance coverage on all of its cash and cash equivalents. The Commonwealth of Pennsylvania under Act 72 requires banks to establish collateral pools for all municipal accounts over federal depository insurance limits.

NOTE 6 - SUBSEQUENT EVENTS

Subsequent events occurring after December 31, 2011, the date of the most recent balance sheet, have been evaluated for possible adjustment to or disclosure in the financial statements through August 9, 2012, the date the financial statements were issued.

COLLIER TOWNSHIP MUNICIPAL AUTHORITY
STATEMENT OF REVENUES AND EXPENSES - ACTUAL AND BUDGET
YEAR ENDED DECEMBER 31, 2011

	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
OPERATING REVENUES			
Sewer Charges	\$ 1,806,733.61	\$ 1,911,420.00	(104,686.39)
Penalties	4,361.90	3,500.00	861.90
Reimbursement-Alcosan	6,112.40	6,900.00	(787.60)
TOTAL OPERATING REVENUES	<u>1,817,207.91</u>	<u>1,921,820.00</u>	<u>(104,612.09)</u>
OPERATING EXPENSES			
Advertising	2,240.50	7,500.00	5,259.50
Bad Debts	3,390.09	4,000.00	609.91
Billing and Collection	24,759.39	28,000.00	3,240.61
Contracted Services-Administrative	2,395.55	2,200.00	(195.55)
Dues and Subscriptions	1,900.00	1,500.00	(400.00)
Employee Benefits	15,667.44	14,361.00	(1,306.44)
Inspection Fees	14,495.75	20,000.00	5,504.25
Insurance	7,536.55	12,800.00	5,263.45
Investment Fees	2,072.74		(2,072.74)
Maintenance of Sewer System	260,083.57	99,500.00	(160,583.57)
Miscellaneous Expense	1,943.45	6,000.00	4,056.55
Office Expenses	20,183.36	36,600.00	16,416.64
Office Salaries	58,977.94	59,280.00	302.06
Operating Engineering Fees	200,650.11	136,000.00	(64,650.11)
Operating Legal Fees	42,773.01	49,500.00	6,726.99
Payroll Taxes	5,319.32	5,335.00	15.68
Power for Pump Station	3,906.60	7,000.00	3,093.40
Sewer Treatment Charges	941,845.44	1,055,708.00	113,862.56
Telephone	3,063.89	3,500.00	436.11
Travel Expense	110.67	500.00	389.33
TOTAL OPERATING EXPENSES	<u>1,613,315.37</u>	<u>1,549,284.00</u>	<u>(64,031.37)</u>
ADMINISTRATIVE EXPENSES			
Board Members	5,000.00	6,000.00	1,000.00
Legal	2,400.00	2,400.00	-
Engineering	2,400.00	2,400.00	-
Accounting	6,433.75	7,500.00	1,066.25
TOTAL ADMINISTRATIVE EXPENSES	<u>16,233.75</u>	<u>18,300.00</u>	<u>2,066.25</u>
AMORTIZATION AND DEPRECIATION			
Amortization-Software	1,100.00	3,000.00	1,900.00
Amortization-Deferred Capital Fee	9,173.80	9,000.00	(173.80)
Depreciation-Property, Plant and Equipment	358,012.50	290,000.00	(68,012.50)
TOTAL AMORTIZATION AND DEPRECIATION	<u>368,286.30</u>	<u>302,000.00</u>	<u>(66,286.30)</u>
TOTAL OPERATING, ADMINISTRATIVE, AMORTIZATION AND DEPRECIATION EXPENSE	<u>1,997,835.42</u>	<u>1,869,584.00</u>	<u>(128,251.42)</u>
OPERATING INCOME/(LOSS) BEFORE OTHER REVENUES/(EXPENSES)	<u>(180,627.51)</u>	<u>52,236.00</u>	<u>(232,863.51)</u>

COLLIER TOWNSHIP MUNICIPAL AUTHORITY
 STATEMENT OF REVENUES AND EXPENSES - ACTUAL AND BUDGET
 YEAR ENDED DECEMBER 31, 2011

	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
OTHER REVENUES/(EXPENSES)			
Collection of Bad Debt Accounts	6,675.39	6,000.00	675.39
Lien Letters	6,575.00	-	6,575.00
Miscellaneous	1,253.03	1,000.00	253.03
Tap and Connection Fees	214,149.24	214,944.00	(794.76)
TOTAL OTHER REVENUES/(EXPENSES)	<u>228,652.66</u>	<u>221,944.00</u>	<u>6,708.66</u>
OPERATING INCOME/(LOSS)	<u>48,025.15</u>	<u>274,180.00</u>	<u>(226,154.85)</u>
NON OPERATING REVENUES (EXPENSES)			
Dividend and Interest Revenue-Operating	4,885.69	5,000.00	(114.31)
TOTAL NON OPERATING REVENUES (EXPENSES)	<u>4,885.69</u>	<u>5,000.00</u>	<u>(114.31)</u>
INCOME BEFORE CONTRIBUTIONS AND EXTRAORDINARY ITEMS	52,910.84	279,180.00	(226,269.16)
CONTRIBUTIONS			
Capital Contributions	741,315.00	-	741,315.00
CHANGE IN NET ASSETS	<u>\$ 794,225.84</u>	<u>\$ 279,180.00</u>	<u>\$ 515,045.84</u>