

DELANCO TOWNSHIP SEWERAGE AUTHORITY
County of Burlington

REPORT OF AUDIT
For the Years Ended
December 31, 2012 and 2011

DELANCO TOWNSHIP SEWERAGE AUTHORITY

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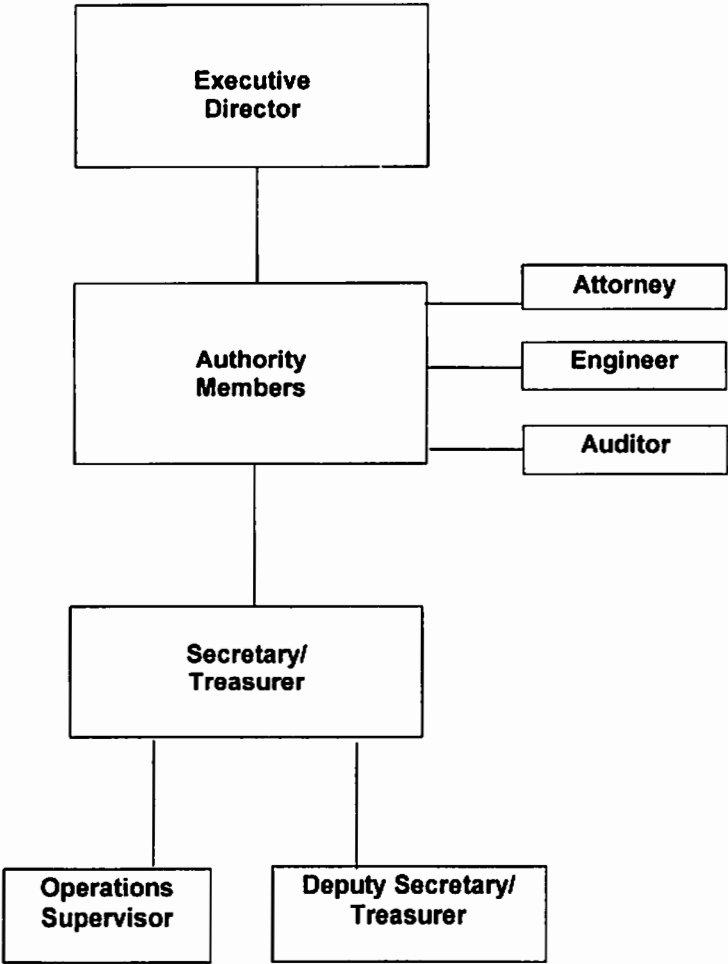
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Introductory Section

DELANCO SEWERAGE AUTHORITY
Organizational Chart



DELANCO TOWNSHIP SEWERAGE AUTHORITY

Roster of Officials December 31, 2012

Members of the Authority

Term Expires

Thomas Fynan, Chairperson
Philip Jenkins
William Dillenbeck
Joan Hinkle
Robert Dovey, Jr.

2013
2016
2014
2015
2017

Other Officials:

Shariann Daley, Secretary/Treasurer
Thomas J. Coleman, III, Esq. Solicitor

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Consultants and Advisors

Audit Firm

Inverso & Stewart, LLC
12000 Lincoln Drive West, Suite 402
Marlton, NJ 08053

Attorney

Thomas Coleman III, Esquire
325 New Albany Road
Moorestown, NJ 08057

Engineer

Environmental Resolutions
525 Fellowship Road, Suite 300
Mount Laurel, NJ 08054

Official Depository

Beneficial Bank
Burlington, NJ 08016

Delanco Federal Savings Bank
Delanco, NJ 08075

Part I
Financial Section

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Delanco Township Sewerage Authority, in the County of Burlington, State of New Jersey, as of December 31, 2012 and 2011, and the respective changes in financial position and cash flows for the years then ended.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying management's discussion and analysis, as listed in the table of contents, is the responsibility of management and 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. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

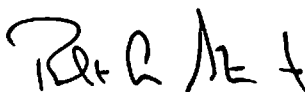
The supplementary financial statements presented are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information described in the previous paragraph is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2013 on our consideration of the Delanco Township Sewerage Authority's, in the County of Burlington, State of New Jersey, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Delanco Township Sewerage Authority's internal control over financial reporting.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert A. Stewart
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
February 26, 2013

INVERSO & STEWART, LLC

**Certified Public Accountants
Registered Municipal Accountants**

12000 Lincoln Drive West, Suite 402
Marlton, New Jersey 08053
(856) 983-2244
Fax (856) 983-6674
E-Mail: iscpas@concentric.net

-Member of-
American Institute of CPAs
New Jersey Society of CPAs

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

INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman and
Members of the Delanco Township Sewerage Authority
Township of Delanco
County of Burlington
Delanco, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America: the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey, the financial statements of the Delanco Township Sewerage Authority, in the County of Burlington, State of New Jersey, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Delanco Township Sewerage Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Delanco Township Sewerage Authority's internal control.

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Delanco Township 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* and audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert A. Stewart
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
February 26, 2013

Required Supplementary Information
Management's Discussion and Analysis

**Delanco Township Sewerage Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2012**

As management of the Delanco Township Sewerage Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the Authority for the year ended December 31, 2012. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Basic Financial Statements

Our basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The Authority operates one enterprise fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used.

The statement of net assets presents information about all of the Authority's assets and liabilities. The difference between the assets and liabilities is reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of revenue, expenses and changes in net assets presents information showing how the net assets of the Authority changed during the current fiscal year. Changes in net assets are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flows may be recorded in a future period.

The statement of cash flows reports cash and cash equivalent activities for the year resulting from operating activities and investing activities. The net result of these activities added to the beginning of the year cash balance total to the cash and cash equivalent balance at the end of the current year.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Delanco Township Sewerage Authority
Statement of Net Assets
For the Year Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current Unrestricted	\$ 1,382,501	\$ 1,540,444
Current Restricted	14,766	12,349
Deferred Assets	13,860	15,191
Capital Assets	<u>3,475,192</u>	<u>3,521,497</u>
 Total Assets	 <u>4,886,319</u>	 <u>5,089,481</u>
Liabilities		
Current Liabilities	279,567	267,519
Noncurrent Liabilities	<u>1,516,098</u>	<u>1,686,551</u>
 Total Liabilities	 <u>1,795,665</u>	 <u>1,954,070</u>
 Net Assets	 <u><u>\$ 3,090,654</u></u>	 <u><u>\$ 3,135,411</u></u>
 Net Assets Consist of:		
Invested in Capital Assets	\$ 1,912,621	\$ 1,802,060
Designated to Subsequent Year	417,502	318,399
Unrestricted	<u>760,531</u>	<u>1,014,952</u>
 Net Assets	 <u><u>\$ 3,090,654</u></u>	 <u><u>\$ 3,135,411</u></u>

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$3,090,654 (*net assets*).
- The total net assets of the Authority decreased by \$44,757, or a 1.42% decrease from the prior year-end balance. The majority of the decrease is attributable to a loss in other revenues which consist primarily of the following:

Interest on User Fees – increase of \$9,430
Township share of Coopertown Road – increase of \$3,000
Contractual costs with Beverly City – increase of \$57,051

Delanco Township Sewerage Authority
Changes in Net Assets
For the Year Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenues		
Program Revenues		
Charges for services	\$ 841,268	\$ 743,441
Other revenue	55,632	23,252
Nonoperating Revenues:		
Township fair share contribution	3,000	
Amortization of premium	6,981	6,981
Interest revenue	<u>12,434</u>	<u>14,997</u>
Total Revenues	<u>919,315</u>	<u>788,671</u>
Expenses		
Administration		
Salaries	44,854	43,091
Fringe Benefits	47,520	43,587
Other Expenses	50,914	66,980
Cost of Providing Services		
Salaries	76,888	68,962
Operating and Maintenance	616,513	590,509
Depreciation	80,294	86,294
Interest on Debt	45,758	91,154
Amortization of Debt Costs	<u>1,331</u>	<u>1,331</u>
Total Expenses	<u>964,072</u>	<u>991,908</u>
Increase in Net Assets	(44,757)	(203,237)
Net Assets, January 1,	3,135,411	3,338,648
Net Assets, December 31,	<u>\$ 3,090,654</u>	<u>\$ 3,135,411</u>

The sewer collection rate increased from 85.50% in 2011 to 85.91% in 2012.

The Authority is relying on the Unrestricted Net Assets to balance the budget. In 2011 the Authority appropriated \$318,399 or 23.88% of available unrestricted net assets, whereas in 2012 the Authority appropriated \$417,502 or 35.44% of available unrestricted net assets.

**Delanco Township Sewerage Authority
Capital Assets (net of accumulated depreciation)
For the Year Ended December 31, 2012 and 2011**

The Authority's capital assets as of December 31, 2012, totaled \$3,475,192 (net of accumulated depreciation) which represents a decrease of \$46,305 when compared to December 31, 2011. The total decrease resulted from depreciation expense in the amount of \$80,294 offset by an increase in construction in progress of \$33,989.

	<u>2012</u>	<u>2011</u>
Construction In Progress	\$ 918,185	\$ 884,196
Current Restricted	7,500	7,703
Capital Assets	<u>2,549,507</u>	<u>2,629,598</u>
 Total Assets	 <u>\$ 3,475,192</u>	 <u>\$ 3,521,497</u>

The Authority's capital expenditures are expected to increase based on the five year capital program adopted along with the annual budget for the year ending December 31, 2013.

Additional information on the Authority's Capital Fixed Assets can be found in Note 5 in the Notes to the Financial Statements.

Long-Term Debt

The Authority's long-term debt at December 31, 2012 was \$1,679,329, a decrease of \$164,089 when compared to the balance at December 31, 2011 in the amount of \$1,843,418. The decrease is primarily due to the repayment of debt principal and the expensing of premium.

The outstanding debt consists of \$1,279,000 funded by the Burlington County Bridge Commission (BCBC), \$283,571 funded by the New Jersey Environmental Infrastructure Trust Fund (NJEIT), \$72,715 of unamortized premium on the loan with BCBC and \$44,043 of compensated absences on unused sick and vacation time. Interest on both loans are paid semi-annually with interest rates varying from 3% to 4.5%. The unamortized premium on the loan with BCBC is expensed over the life of the loan.

Additional information on the Authority's long-term debt can be found in Notes 6, 9 and 12 in the Notes to the Financial Statements.

Next Year's Budget and User Rates

The Delanco Township Sewerage Authority adopted a budget of \$1,148,502 for 2013 which is an increase of \$24,303 when compared to 2012 in the amount of \$1,124,199.

During 2012 the Authority had a residential rate of \$80.00 per 10,000 gallons per unit per quarter and an additional \$6.00 for every 1,000 gallons consumed in excess of 10,000 gallons.

In conclusion, the Delanco Township Sewerage Authority has committed itself to providing excellent service to their consumers. The Authority plans to continue its sound fiscal management to meet the challenges of the future.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority. Questions concerning any of the information provided in this report may be directed to the Secretary/Treasurer of the Authority at 770 Coopertown Road, Delanco, New Jersey, 08078 (856) 461-6876.

Basic Financial Statements

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Comparative Statements of Net Assets
As of December 31, 2012 and 2011

	December 31,	
	2012	2011
ASSETS:		
Current Unrestricted Assets:		
Revenue/Operating Account:		
Cash and Cash Equivalents	\$ 1,206,784	\$ 1,300,148
Consumer Accounts Receivable	135,489	124,055
Due from the Township of Delanco		70,000
Due from the City of Beverly Sewerage Authority		
Advance for Preliminary Costs (Note 9)	40,228	46,241
Total Unrestricted Assets	1,382,501	1,540,444
Non-Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents	14,766	12,349
Total Restricted Assets	14,766	12,349
Property, Plant and Equipment:		
Construction in Progress	918,185	884,196
Completed (Net of Accumulated Depreciation)	2,557,007	2,637,301
Total Property, Plant and Equipment:	3,475,192	3,521,497
Deferred Assets:		
Bond Issue Costs	13,860	15,191
Total NonCurrent Assets	3,503,818	3,549,037
Total Assets	\$ 4,886,319	\$ 5,089,481

(Continued)

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Comparative Statements of Net Assets
As of December 31, 2012 and 2011

	December 31, 2012	2011
LIABILITIES		
Current liabilities Payable from Unrestricted Assets:		
Accounts Payable - Operations	\$ 76,725	\$ 67,120
Payroll Taxes Payable		7,459
Total Current Liabilities Payable from Unrestricted Assets	76,725	74,579
Current Liabilities Payable from Restricted Assets:		
Capital Lease Payable - Current Portion	99,000	100,000
N.J. Environmental Infrastructure Loan Payable - Current Portion	64,231	56,867
Accrued Bond and Loan Interest Payable	24,845	23,724
Escrow Deposits	14,766	12,349
Total Current Liabilities Payable from Restricted Assets	202,842	192,940
Long-term Liabilities:		
Capital Lease Payable	1,180,000	1,279,000
N.J. Environmental Infrastructure Loan Payable	219,340	283,570
Unamortized Premium on Serial Bonds Payable	72,715	79,695
Compensated Absences Payable	44,043	44,286
Total Long-term Liabilities	1,516,098	1,686,551
Total Liabilities	1,795,665	1,954,070
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	1,912,621	1,802,060
Unrestricted:		
Designated to Subsequent Year's Budget	417,502	318,399
Undesignated	760,531	1,014,952
Total Unrestricted	1,178,033	1,333,351
Total Net Assets	\$ 3,090,654	\$ 3,135,411

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Comparative Statements of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2012 and 2011

	December 31,	
	2012	2011
Operating Revenues:		
Service Charges	\$ 841,268	\$ 743,441
Connection Fees	22,950	
Miscellaneous Charges	32,682	23,252
Total Operating Revenue	<u>896,900</u>	<u>766,693</u>
Operating Expenses:		
Administration Expenses:		
Salaries and Wages	44,854	43,091
Fringe Benefits	47,520	43,587
Other	50,914	66,980
Total Administration Expenses	<u>143,288</u>	<u>153,658</u>
Cost of Providing Services:		
Salaries and Wages	76,888	68,962
Other	616,513	590,509
Total Cost of Providing Services	<u>693,401</u>	<u>659,471</u>
Depreciation	<u>80,294</u>	<u>86,294</u>
Total Operating Expenses	<u>916,983</u>	<u>899,423</u>
Operating Income (Loss)	<u>(20,083)</u>	<u>(132,730)</u>
Non-Operating Revenue (Expenses):		
Amortization of Premium on Capital Lease	6,981	6,981
Amortization of Bond Issue Costs	(1,331)	(1,331)
Bond Interest	(45,758)	(91,154)
Township Fair Share Contribution	3,000	
Investment Income	12,434	14,997
Total Non-Operating Revenue (Expenses)	<u>(24,674)</u>	<u>(70,507)</u>
Change in Net Assets	(44,757)	(203,237)
Net Assets - Beginning of Year	<u>3,135,411</u>	<u>3,338,648</u>
Net Assets - End of Year	<u>\$ 3,090,654</u>	<u>\$ 3,135,411</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

DELANCO TOWNSHIP SEWERAGE AUTHORITY

Statement of Cash Flows
For the Years Ended December 31, 2012 and 2011

	December 31,	
	2012	2011
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 829,834	\$ 757,011
Receipts from Other Operating Revenue	58,632	23,252
Payments to Employees	(121,742)	(112,053)
Payments for Employee Benefits	(47,520)	(43,587)
Payments to Suppliers	(658,973)	(661,116)
Net Cash Provided by Operating Activities	<u>60,231</u>	<u>(36,493)</u>
Cash Flows from Capital and Related Financing Activities:		
Capital Acquisitions	(21,651)	
Due from Delanco Township	70,000	70,000
Debt Service:		
Principal	(156,866)	(139,741)
Interest	(55,095)	(38,171)
Net Cash Used in Capital and Related Financing Activities	<u>(163,612)</u>	<u>(107,912)</u>
Cash Flows from Investing Activities:		
Interest and dividends	<u>12,434</u>	<u>14,997</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(90,947)	(129,408)
Cash and Cash Equivalents - Beginning	<u>1,312,497</u>	<u>1,441,905</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 1,221,550</u></u>	<u><u>\$ 1,312,497</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (20,083)	\$ (132,730)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	80,294	86,294
(Increase) Decrease in Consumer Accounts Receivable	(11,434)	(12,034)
(Increase) Decrease in Due from Beverly Sewerage Authority	6,013	8,722
Increase (Decrease) in Escrow Deposits	2,417	(2,167)
Increase (Decrease) in Prepaid Rents		(1,398)
Increase (Decrease) in Accounts Payable	9,605	27,137
Increase (Decrease) in Payroll Taxes Payable	(7,459)	
Increase (Decrease) in Compensated Absences Payable	(243)	2,436
Increase (Decrease) in Accrued Interest Payable	1,121	(12,753)
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ 60,231</u></u>	<u><u>\$ (36,493)</u></u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity - The Township of Delanco is located in the western portion of the County of Burlington, State of New Jersey. . The present population according to the 2010 census is 4,777.

The Township, by ordinance, created the Delanco Township Sewerage Authority (the Authority). The Authority is organized under the provisions of P.L. 1957 C. 138 of the Laws of the State of New Jersey (the Act). The Act grants power to every municipality of the State by means and through agency of a municipal utilities authority to acquire, construct, maintain, operate or improve works for the accumulation, supply or distribution of water and works for the collection, treatment, purification or disposal of sewerage or other wastes. A five-member board governs the Authority. The Township Committee of the Township of Delanco appoints the members to the Sewerage Authority Board for a term of five years on a staggered basis. The members of the Board oversee the Authority's operations.

The Authority operates and maintains a sewage collection system within the municipal boundaries of the Township of Delanco. The sewerage is then passed on to the City of Beverly Sewer Authority system for treatment of all waste materials.

The Authority bills and collects for its services from all customers and is entitled to a connection fee for new hook-ups.

Criteria for determining if other entities are potential component units which should be reported within the Authority's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Section 2100 and 2600. The application of these criteria provides for identification of any entities for which the Authority is financially accountable and other organizations that the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority's basic financial statements to be misleading or incomplete.

Based on the application of these criteria, the Authority is a component unit of the Township of Delanco. The financial statements of the Authority would be either blended or discreetly presented as part of the Township's financial statement if the Township of Delanco reported using generally accepted accounting principles applicable to governmental entities.

The following is a summary of the more significant accounting policies.

Basis of Accounting, Measurement Focus and Basis of Presentation – The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net assets, financial position and cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting, Measurement Focus and Basis of Presentation (Continued) – The transactions of the Authority are accounted for by providing a self-balancing account for each activity that comprise its assets, liabilities, net assets, revenues and expenditures.

Enterprise funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned; their expenses are recognized when they are incurred. Sewer service charges are recognized as revenue when the services are provided. Connection fees are collected in advance and, accordingly, the Authority defers these revenues until the municipality issues a release for certificate of occupancy and determines that sewerage collection services are being provided to the properties.

Governmental Accounting Standards Board – Statement No. 20 - The Authority is required to follow all statements of the GASB. GASB Statement No. 20 was issued to give guidance in determining accounting principles generally accepted generally accepted in the United States of America for governmental proprietary funds. It provides that all proprietary fund activities follow all Financial Accounting Standards ("FASB") Statements issued prior to November 30, 1989, unless they conflict with GASB standards. It also provides that the governmental unit must elect whether to follow FASB Statements issued after that date.

The Authority has elected not to follow any FASB pronouncements issued after November 30, 1989.

Budgets/Budgetary Accounting - The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. This statute requires that the governing body introduce the annual Authority budget at least 60 days prior to the end of the current year and to adopt not later than the beginning of the Authority's calendar year. The governing body may amend the budget at any point during the year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense and amortization of bond issuance costs are not included in the budget appropriations.

The legal level of budgetary control is established at the detail shown on the Statement of Revenues, Expenses and Changes in Net Assets. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. The budget, as detailed on Exhibit B-1 includes all amendments to the adopted budget.

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At year end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

Cash, Cash Equivalents and Investments - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at market value.

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its 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 in 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 municipal units. In addition, other State statutes permit investments in obligations issued by local utilities and other state agencies.

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments (Continued) - N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which 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 or having 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 at least equal to five percent 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 amount of their deposits to the governmental units.

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

Inventories of Supplies - The costs of inventories of supplies are recorded as expenditures at the time individual items are purchased. The Authority has determined that the inventories are immaterial and are not recorded in the financial statements.

Property, Plant and Equipment - Property, Plant and Equipment primarily consists of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets are stated at actual or estimated historical cost.

Costs incurred are recorded as construction in progress. In the year that the project is completed, these costs are transferred to Property, Plant and Equipment - Completed. Interest costs incurred during construction are not capitalized into the cost of the asset.

Expenditures are capitalized when they meet the following requirements:

- 1) Cost of \$1,000.00 or more
- 2) Useful life of more than one year
- 3) Asset is not affected by consumption

Depreciation - Depreciation is provided using the straight-line method over the following estimated useful life of the assets:

	<u>Years</u>
Buildings	30-40
Major Moveable Equipment	5-20
Vehicles	7
Infrastructure	40

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Issuance Costs and Bond Premium - Issuance costs incurred and premiums received in conjunction with the capital lease agreement with the Burlington County Bridge Commission are deferred and amortized over the term of the bonds using the straight line method.

<u>Balance December 31, 2012</u>	<u>Premium</u>	<u>Debt Issuance Costs</u>
Premium Received	\$ 139,612	
Debt Issuance Costs		\$ 26,612
Accumulated Amortization	<u>66,897</u>	<u>12,752</u>
Unamortized Balance	<u>\$ 72,715</u>	<u>\$ 13,860</u>
Current Amortized Balance	<u>\$ 6,981</u>	<u>\$ 1,331</u>

Net Assets - Net assets comprise the various earnings from operating income, non-operating revenues, expenses and capital contributions. Net assets are classified in the following three components:

Invested in Capital Assets, net of Related Debt – This component of net assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted – This component of net assets consists of external constraints imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restricts the use of net assets.

Unrestricted – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." This component includes net assets that may be allocated for specific purposes by the Board.

Income Taxes - The Authority operates as defined by the Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

Operating and Non-Operating Revenues and Expenses - Operating revenues include all revenues derived from facility charges (i.e., sewer revenues) and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and certificates of deposit.

Operating expenses include expenses associated with the operation, maintenance and repair of the sewer system and general administrative expenses. Non-operating expenses principally include expenses attributable to debt service interest.

Use of Estimates - Management of the Authority has made certain estimates and assumptions relating to the reporting of assets, liabilities and revenues and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results may differ from those estimates.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2012**

NOTE 2. STEWARDSHIP, COMPLIANCE and ACCOUNTABILITY

Compliance with finance related legal and contractual provisions

The Authority has no material violations of finance related legal and contractual provisions.

Other Restricted Accounts

The Authority maintains an escrow fund to hold monies that are being held in trust for others.

NOTE 3. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits – Custodial credit risk refers to the risk that, in the event of a bank failure, the Authority's deposits may not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 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 Unit. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, or funds that may pass to the authority relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below.

As of December 31, 2012, the Authority's bank balances of \$1,223,897.41 were exposed to custodial credit risk as follows:

F.D.I.C. Insured	\$ 500,000.00
Collateralized Under GUDPA	723,897.41
Uninsured and Uncollateralized	<u> </u>
Balance June 30, 2012	<u><u>\$ 1,223,897.41</u></u>

NOTE 4. SEWER SERVICE CHARGES

The following is a five year comparison of sewer service fee billings and the related collections.

<u>Year Ending Dec. 31,</u>	<u>Beginning Balance</u>	<u>Balance</u>	<u>Total</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2012	\$ 124,055	\$ 841,268	\$ 965,323	\$ 829,268	85.91%
2011	112,021	743,441	855,462	731,407	85.50%
2010	114,683	754,349	869,032	757,011	87.11%
2009	104,477	736,619	841,096	726,413	86.37%
2008	83,494	739,066	822,560	724,272	88.05%

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2012**

NOTE 5. PROPERTY, PLANT and EQUIPMENT

During the year ended December 31, 2012, the following changes in Property, Plant and Equipment occurred:

	<u>Balance Dec. 31, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance Dec. 31, 2012</u>
Machinery and Equipment	\$ 49,998			\$ 49,998
Infrastructure	3,967,085			3,967,085
	4,017,083			4,017,083
Depreciation	(1,379,782)	\$ (80,294)		(1,460,076)
Completed (Net of Accumulated Depreciation)	<u>\$ 2,637,301</u>	<u>\$ (80,294)</u>	<u>\$ -</u>	<u>\$ 2,557,007</u>

NOTE 6. COMPENSATED ABSENCES

The Authority sewer supervisor is the only employee entitled to receive paid unused sick leave. Unused sick leave days may be accumulated and carried forward to subsequent years. Upon separation from service or retirement the supervisor is permitted to be compensated for accumulated unused sick leave, at a rate of 50% of its current value. The accrued liability for accumulated sick leave at December 31, 2012 is estimated at \$44,043.

NOTE 7. PENSION PLANS

The Authority's employees participate in the Public Employees' Retirement System (PERS) which has been established by State statute, and is administered by the New Jersey Division of Pensions and Benefits (Division). The plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established in 1955. The PERS provides retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. Pursuant to the provisions of Chapter 78 P.L. 2011, the active member contribution rate was increased to 6.5% plus an additional 1.0% phased-in over seven years beginning in the first year. The phase-in of the additional incremental member contribution amount will take place in July of each subsequent year. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exists.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2012**

NOTE 7. PENSION PLANS (Continued)

The Authority is billed annually for its normal contribution plus any accrued liability. These contributions, equal to the required contributions are detailed below.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Normal Contribution	\$ 4,243	\$ 4,629	\$ 3,918
Accrued Liability	8,485	7,376	5,034
Total Regular Pension Contribution	12,728	12,005	8,952
Non-Contributory Group Life Insurance	811	912	1,241
Total Due	13,539	12,917	10,193

Related Party Investments – The Division of Pensions and Benefits does not invest in securities issued by the Authority.

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The financial statements of the Authority are not prepared in accordance with Governmental Standards Board Statement No. 45. The following information is provided in accordance with the requirements of the Statement.

Plan Description – The Authority contributes to the State Health Benefits Program (“SHBP”), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, chapter 9 of the New Jersey Administrative code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625.

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Authority on a monthly basis. The Authority funds these benefits on a pay-as-you-go basis and therefore does not record accrued expenses related to these benefits. During the year 2012, 2011 and 2010, there was one retired employee in each of those years who received this benefit resulting in the payments of \$6,306, \$6,303 and \$5,886 respectively in health care premiums.

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 9. CAPITAL LEASE PAYABLE

The Authority entered into a lease agreement dated May 21, 2003 with the Burlington County Bridge Commission Pooled-Lease Program for the financing of Cooperstown Road Sewer Line Extension. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the date of inception.

The following schedule reflects the Debt Service Requirements until 2023:

Year Ending Dec. 31,	Principal	Interest	Total
2013	\$ 99,000	\$ 45,004	\$ 144,004
2014	100,000	41,800	141,800
2015	105,000	39,800	144,800
2016	105,000	36,650	141,650
2017	110,000	33,500	143,500
2018-22	620,000	103,000	723,000
2023	140,000	5,400	145,400
Total	\$ 1,279,000	\$ 305,154	\$ 1,584,154
Current Portion	99,000		
Long-Term	\$ 1,180,000		

NOTE 10. NET ASSETS

Net Assets Appropriated

The Authority ended the year with a balance in unrestricted net assets of \$1,178,033; however, \$417,502 has been appropriated and included as support in the operating and capital budgets for the year ending December 31, 2013.

NOTE 11. TREATMENT AND DISPOSAL AGREEMENT

The Authority has entered into an agreement with the City of Beverly Sewerage Authority which provides for the treatment and disposal of sewerage and other waste collected in the Township of Delanco. This agreement expires September 30, 2018 however it will automatically be extended for another twenty (20) year period, provided both parties agree. The agreement stipulates that Delanco Township Sewerage Authority's share of operational and capital costs be based on the rate of flow contributed by the Township of Delanco. During the years ended December 31, 2012 and 2011 the Delanco Township Sewerage Authority paid the City of Beverly Sewerage Authority \$549,257 and \$492,206 respectively, in accordance with this agreement.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2012**

NOTE 12. DEBT

New Jersey Environmental Infrastructure Trust

In October 1998, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$550,000 from the Trust and \$416,075 from the Fund. The loan proceeds were used to fund a sewer system rehabilitation project. As of December 31, 2012, the Authority has drawn \$966,075, the total amount of these funds.

The Fund Loan is a non-interest bearing loan with the first semi-annual payment paid August 1, 2000. The Trust Loan carries interest rates from 4.00% to 4.50%. The Fund Loan matures on February 1, 2015 while the Trust Loan matures on September 1, 2018.

The following schedule reflects the Debt Service Requirements for both N.J.E.I.T. Loans until 2018:

Year Ending Dec. 31,	Principal	Interest	Total
2013	\$ 64,231	\$ 10,125	\$ 74,356
2014	63,211	8,550	71,761
2015	36,129	6,975	43,104
2016	40,000	5,400	45,400
2017	40,000	3,600	43,600
2018	40,000	1,800	41,800
Total	\$ 283,571	\$ 36,450	\$ 320,021
Current Portion	64,231		
Long-Term	\$ 219,340		

NOTE 13. INTERGOVERNMENTAL AGREEMENT

The Authority has entered into an agreement dated February 1, 2003 with the Township of Delanco to extend the sewer line down Coopertown Road in order to serve the municipal building and attract suitable development and redevelopment. The agreement states that the Authority and the Township will share in the cost of the extension. The cost of this project was funded from proceeds of the capital lease agreement the Authority has with the Burlington County Bridge Commission. The total cost of the project amounted to \$1,164,543.96. The Township's share of this cost is \$582,271.98 less any funds received from developer's for connecting to the sewer lines. As of December 31, 2012 \$287,931.57 has been received from developers towards this liability. The remaining balance of \$294,340.41 is currently in legal proceedings and has not been recorded as a receivable due to the uncertainty in collecting these funds.

NOTE 14. 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. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial coverage for the past several years. The Authority has also contracted with the State Health Benefits Fund to provide medical and prescription coverage for its employees.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2012**

NOTE 15. BEVERLY CITY SEWERAGE AUTHORITY AGREEMENT

The Authority has approved an agreement dated November 8, 2005 with the Beverly City Sewerage Authority to conduct engineering studies of the Beverly City Sewerage Treatment Plant necessary to satisfy certain Department of Environmental Protection Agency requirements. The Authority has advanced \$300,000 on behalf of both the Delanco Sewerage Authority and the Beverly City Sewerage Authority to initiate this project. If the project receives any State or Federal funding than the full amount of the advance would be repaid to the Authority. The final cost of this project will be shared by both entities based upon their percentage of flow which was discharged into the treatment plant. The Authority's share of the cost was determined to be 67%. As of December 31, 2012 the Beverly City Sewerage Authority owes \$40,228 to the Authority for its share of costs charged against the advance.

Since the project was not eligible for any State or Federal funding the full amount of the advance has been removed from the financial statements and only Beverly City Sewerage Authority's share of the costs expended has been recorded.

Supplemental Schedules

DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Schedule of Anticipated Revenues, Operating Appropriations, Principal Payments, and
Non-operating Appropriations Compared to Budget - Non-GAAP (Budgetary Basis)
For the Year Ended December 31, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Operating Revenues:					
Service Fees	\$ 753,000		\$ 753,000	\$ 841,268	\$ 88,268
Connection Fees	15,000		15,000	22,950	7,950
Other	15,000		15,000	32,682	17,682
Total Operating Revenues	783,000		783,000	896,900	113,900
Non-Operating Revenues:					
Miscellaneous	72,800		72,800	3,000	(69,800)
Interest on Investments and Deposits	50,000		50,000	12,434	(37,566)
Total	<u>\$ 905,800</u>	<u>\$ -</u>	<u>\$ 905,800</u>	<u>\$ 912,334</u>	<u>\$ 6,534</u>
Expenses:					
Administration:					
Salaries and Wages:					
Authority Members	\$ 7,000		\$ 7,000	\$ 6,955	\$ 45
Secretary/Treasurer	37,899		37,899	37,899	
Deputy Secretary/Treasurer	2,000		2,000		2,000
Total Salaries and Wages	46,899		46,899	44,854	2,045
Employee Benefits:					
Public Employees Retirement System	15,000		15,000	13,539	1,461
Social Security	10,000		10,000	7,986	2,014
Unemployment Compensation Insurance	400		400	341	59
Workers Compensation Insurance	7,000	\$ 175	7,175	7,174	1
Hospitalization Insurance	25,000		25,000	18,480	6,520
Compensated Absences					
Total Employee Benefits	57,400	175	57,575	47,520	10,055
Other Expenses:					
Legal Services and Costs	8,500		8,500	4,711	3,789
Auditing Fees	10,500	200	10,700	10,700	
Office Expenses	17,000		17,000	13,008	3,992
Telephone	3,500	725	4,225	4,290	(65)
Other Insurance Premiums	22,000		22,000	16,660	5,340
Inspection Fees	500		500		500
Education, Training & Conferences	1,000		1,000		1,000
Codification	2,000		2,000	1,545	455
Total Other Expenses	65,000	925	65,925	50,914	15,011
Total Administration	169,299	1,100	170,399	143,288	27,111

(CONTINUED)

DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Schedule of Anticipated Revenues, Operating Appropriations, Principal Payments, and
Non-operating Appropriations Compared to Budget - Non-GAAP (Budgetary Basis)
For the Year Ended December 31, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Operating and Maintenance Expenses:					
Salaries	\$ 72,000		\$ 72,000	\$ 76,888	\$ (4,888)
Electric Power	25,000		25,000	20,909	4,091
Equipment and Supplies	30,000	\$ (4,300)	25,700	7,406	18,294
Repairs and Maintenance - Contractual	20,000		20,000	4,756	15,244
Repairs and Maintenance - Lines	10,000		10,000	8,165	1,835
Repairs and Maintenance - Equipment	10,000		10,000	1,512	8,488
Beverly Sewerage Authority - Contractual	550,000		550,000	549,257	743
Engineer Services	15,000		15,000	11,169	3,831
Other Expenses	4,000	3,200	7,200	13,339	(6,139)
Total Operating and Maintenance Expenses	736,000	(1,100)	734,900	693,401	41,499
Total Cost of Providing Service	736,000	(1,100)	734,900	693,401	41,499
Debt Service:					
Principal on loans:					
NJEIT Loan	56,900	1,100	58,000	56,867	1,133
Revenue Loan	85,000	(3,000)	82,000	85,000	(3,000)
Interest on loans:					
NJEIT Loan	11,500	1,500	13,000	10,775	2,225
Revenue Loan	65,500	2,500	68,000	45,441	22,559
Total Debt Service	218,900	2,100	221,000	198,083	22,917
Total Operating Expenses and Debt Service	1,124,199	2,100	1,126,299	1,034,772	91,527
Excess Operating Expenses and Debt Service over Anticipated Revenues	\$ (218,399)	\$ (2,100)	\$ (220,499)	\$ (122,438)	\$ 98,061
<u>Reconciliation to Operating Income:</u>					
Excess Operating Expenses and Debt Service over Anticipated Revenues					\$ (122,438)
Increased by:					
Interest Earned on Deposits				\$ 12,434	
Township Fair Share Contribution				3,000	
Depreciation				80,294	
					95,728
					(218,166)
Decreased by:					
Loan Principal				141,867	
Loan Interest				56,216	
					198,083
Operating Income (Exhibit A-2)					\$ (20,083)

DELANCO TOWNSHIP SEWERAGE AUTHORITY

Schedule of Cash
Unrestricted and Restricted
For the Year Ended December 31, 2012

Analysis of Cash Balance, December 31, 2012

Unrestricted Cash:

Delanco Federal Savings Bank:

Checking Account	\$ 356,488
Money Market Account - BSA Escrow Account	150,758
Certificate of Deposits	691,981
Payroll Account	7,457

Cash on Hand	100
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Total Unrestricted Cash	\$ 1,206,784
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Restricted Cash:

Farmers and Mechanics Bank:

Abundant Life Account	13
Gres & Kaluzny Inspection Account	86
Escrow Control Account	6,613
Creekside @Delanco LLC - Inspection Escrow	1,207
Alliance, The Point Inspection Account	1,694
Hovannaine Bros. Inspection Account	5,130
Ryan Homes Inspection Account	23

Total Restricted Cash	14,766
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Total Cash	\$ 1,221,550
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Schedule-3

DELANCO TOWNSHIP SEWERAGE AUTHORITY

Schedule of Consumer Accounts Receivable
For the Fiscal Year Ended December 31, 2012

Balance December 31, 2011	\$ 124,055
Increased by:	
2012 Consumer Charges Billed	<u>841,268</u>
	965,323
Decreased by:	
Cash Received	<u>829,834</u>
Balance December 31, 2012	<u>\$ 135,489</u>

Schedule-4

Schedule of Consumer Charge Components
For the Fiscal Year Ended December 31, 2012
(With comparative actual amounts for the year ended December 31, 2011)

<u>Classification</u>	<u>December 31, 2012</u>		<u>December 31, 2011</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Residential	1,804	\$ 772,174	1,802	\$ 675,049
Schools	2	2,566	2	4,550
Churches	4	1,840	4	1,680
Commercial	41	49,268	43	48,261
Other	10	15,420	10	13,901
	<u>1,861</u>	<u>\$ 841,268</u>	<u>1,861</u>	<u>\$ 743,441</u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Schedule of Accounts Payable
For the Year Ended December 31, 2012

Balance December 31, 2011	\$ 67,120
Increased by:	
Operating Expenditures	<u>76,725</u>
Subtotal	143,845
Decreased by:	
Disbursed	<u>67,120</u>
Balance December 31, 2012	<u><u>\$ 76,725</u></u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY

Schedule of Escrow Deposits on Account
For the Year Ended December 31, 2012

Balance December 31, 2011	\$ 12,349
Increased by:	
Cash Received	<u>3,942</u>
Subtotal	16,291
Decreased by:	
Cash Paid for Escrow Expenses	<u>1,525</u>
Balance December 31, 2012	<u><u>\$ 14,766</u></u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Schedule of Accrued Interest Payable
For the Year Ended December 31, 2012**

Balance December 31, 2011		\$ 23,724
Increased by:		
Interest charges for the Year Ended December 31, 2012:		
Budget - NJ Infrastructure Trust Loan	\$ 11,475	
Budget - Burlington County Bridge Commission Loan	<u>45,441</u>	
	56,916	
Less - paid from cash on hand with trustee	<u>(700)</u>	
		<u>56,216</u>
Subtotal		79,940
Decreased by:		
Cash Disbursed		<u>55,095</u>
Balance December 31, 2012		<u><u>\$ 24,845</u></u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY

Schedule of Property Plant and Equipment - Completed
For the Year Ended December 31, 2012

	Balance December 31, 2011	Additions	Disposals	Balance December 31, 2012
Sewer Lines	\$ 3,967,085			\$ 3,967,085
Machinery and Equipment	49,997			49,997
	4,017,082			4,017,082
Less Accumulated Depreciation	(1,379,781)	\$ (80,294)		(1,460,075)
Total	<u>\$ 2,637,301</u>	<u>\$ (80,294)</u>	<u>\$ -</u>	<u>\$ 2,557,007</u>

Schedule of Construction in Progress
For the Year Ended December 31, 2012

Balance December 31, 2011	\$ 884,196
Increased by:	
Cash disbursed	<u>33,989</u>
Subtotal	918,185
Decreased by:	
Transfer to Property Plant and Equipment - Completed	<u></u>
Balance December 31, 2012	<u>\$ 918,185</u>
Analysis of Balance:	
5 Year Capital Improvement Plan	\$ 899,983
Coopertowns Road Extension	5,073
Coopertown to Creek Road Easement	<u>13,129</u>
Total	<u>\$ 918,185</u>

Part II

Findings and Recommendations

DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Schedule of Findings and Recommendations
For the Year Ended December 31, 2012**

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* and with audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey.

None

DELANCO TOWNSHIP SEWERAGE AUTHORITY

Summary Schedule of Prior Year Audit Findings As Prepared by Management

This section identifies the status of prior year findings related to the financial statements and federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standard*, OMB Circular A-133 and New Jersey Circular 04-04-OMB.

Finding #2011-1

Condition:

The Authority's general ledger accounting record was not reconciled to subsidiary control records as required by N.J.A.C. 5:30-5.7.

Current Status:

This condition has been corrected

Finding #2011-2

Condition:

One worker, who appears to be an employee under IRS regulations, is being paid as a contractor.

Current Status:

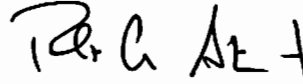
This condition has been corrected

ACKNOWLEDGMENT

We express our appreciation for the assistance and courtesies extended to us by the Delanco Township Sewerage Authority Officials during the course of the audit.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants

A handwritten signature in black ink, appearing to read "R. A. Stewart".

Robert A. Stewart
Certified Public Accountant
Registered Municipal Accountant

February 26, 2013