

**DELANCO TOWNSHIP SEWERAGE AUTHORITY**  
**County of Burlington**

**REPORT OF AUDIT**  
**For the Years Ended**  
**December 31, 2013 and 2012**

# DELANCO TOWNSHIP SEWERAGE AUTHORITY

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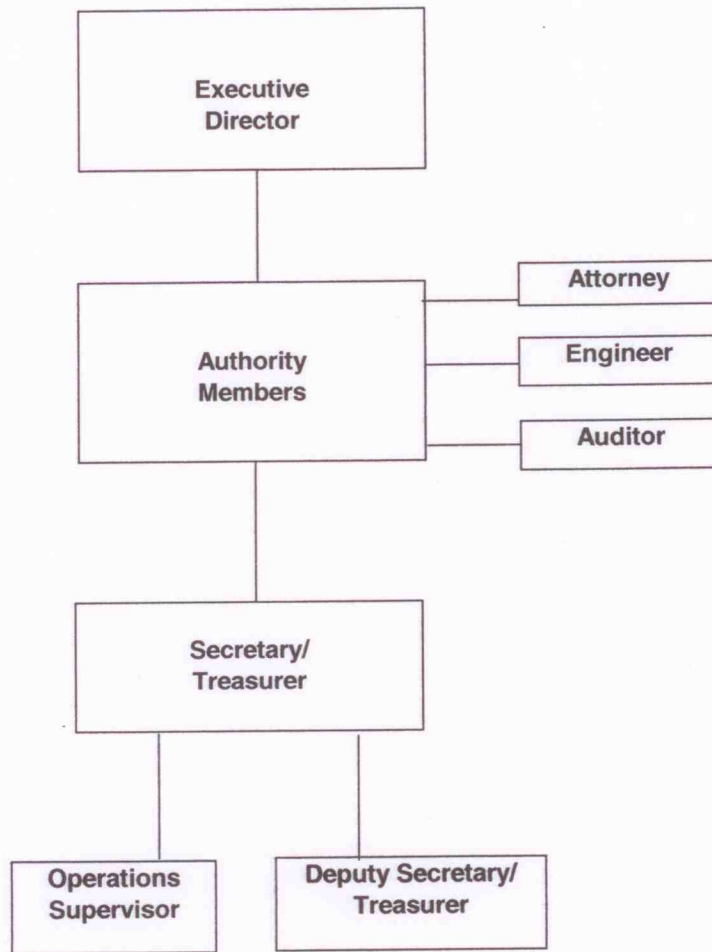
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**Introductory Section**

# DELANCO SEWERAGE AUTHORITY

## Organizational Chart



**DELANCO TOWNSHIP SEWERAGE AUTHORITY**

**Roster of Officials  
December 31, 2013**

**Members of the Authority**

**Term Expires**

Thomas Fynan, Chairperson	2018
Philip Jenkins	2016
William Dillenbeck	2014
Joan Hinkle	2015
Robert Dovey, Jr.	2017

**Other Officials:**

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

**DELANCO TOWNSHIP SEWERAGE AUTHORITY**  
**Consultants and Advisors**

**Audit Firm**

Inverso & Stewart, LLC  
651 Route 73 North, 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**



***INVERSO & STEWART, LLC***  
Certified Public Accountants

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

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

I have audited the accompanying financial statements of the business-type activities of the Delanco Sewerage Authority in the County of Burlington, State of New Jersey, a component unit of the City of Delanco, as of and for the fiscal years ended December 31, 2013 and December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express opinions 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Delanco Sewerage Authority in the County of Burlington, State of New Jersey, as of December 31, 2013 and December 31, 2012, and its changes in financial position and its cash flows thereof for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements.

The accompanying supplementary schedules as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 my 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*, I have also issued my report dated March 14, 2014 on my consideration of the Authority's internal control over financial reporting and my 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 my 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 Authority's internal control over financial reporting and compliance.

***INVERSO & STEWART, LLC***  
Certified Public Accountants



Robert P. Inverso  
Certified Public Accountant  
Registered Municipal Accountant

Marlton, New Jersey  
March 14, 2014

# ***INVERSO & STEWART, LLC***

**Certified Public Accountants**

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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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and 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 Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey the financial statements of the business-type activities of the Delanco Sewerage Authority, in the County of Burlington, State of New Jersey, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated March 14, 2014.

#### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the 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 School District'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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

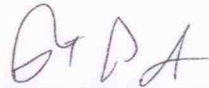
## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of my 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 Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**INVERSO & STEWART, LLC**  
Certified Public Accountants



Robert P. Inverso  
Certified Public Accountant  
Registered Municipal Accountant

Marlton, New Jersey  
March 14, 2014

Required Supplementary Information  
Management's Discussion and Analysis

**Delanco Township Sewerage Authority  
Management's Discussion and Analysis  
For the Year Ended December 31, 2013**

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, 2013. 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 position presents information about all of the Authority's assets and liabilities. The difference between the assets and liabilities is reported as net position. Over time, changes in net position 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 position presents information showing how the net position of the Authority changed during the current fiscal year. Changes in net position 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 Position**  
**For the Year Ended December 31, 2013 and 2012**

	2013	2012
<b>Assets</b>		
Current Unrestricted	\$ 1,789,180	\$ 1,382,501
Current Restricted	6,867	14,766
Deferred Assets		13,860
Capital Assets	3,484,671	3,475,192
 Total Assets	 5,280,718	 4,886,319
<b>Liabilities</b>		
Current Liabilities	202,703	279,567
Noncurrent Liabilities	1,900,330	1,516,098
 Total Liabilities	 2,103,033	 1,795,665
 <b>Net Position</b>	 <b>\$ 3,177,685</b>	 <b>\$ 3,090,654</b>
 Net Position Consist of:		
Invested in Capital Assets	\$ 2,090,331	\$ 1,912,621
Designated to Subsequent Year	464,161	417,502
Unrestricted	623,193	760,531
 Net Position	 <b>\$ 3,177,685</b>	 <b>\$ 3,090,654</b>

**Financial Highlights**

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$3,177,685 (*net position*).
- The total net position of the Authority increased by \$100,891, or a 3.28% increase from the prior year-end balance. The increase is attributable to an increase in sewer service charges.



**Delanco Township Sewerage Authority**  
**Changes in Net Position**  
**For the Year Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Program Revenues		
Charges for services	\$ 952,891	\$ 841,268
Other revenue	40,343	55,632
Nonoperating Revenues:		
Township fair share contribution	3,356	3,000
Amortization of premium	6,981	6,981
Prior year refund	42,286	
Interest revenue	9,427	12,434
	<u>1,055,284</u>	<u>919,315</u>
<b>Total Revenues</b>		
<b>Expenses</b>		
Administration		
Salaries	47,415	44,854
Fringe Benefits	54,276	47,520
Other Expenses	53,140	50,914
Cost of Providing Services		
Salaries	54,782	76,888
Operating and Maintenance	599,958	616,513
Depreciation	94,120	80,294
Interest on Debt	50,702	45,758
Amortization of Debt Costs		1,331
	<u>954,393</u>	<u>964,072</u>
<b>Total Expenses</b>		
Increase in Net Position	100,891	(44,757)
Net Position, January 1,	3,076,794	3,135,411
Net Position, December 31,	<u>\$ 3,177,685</u>	<u>\$ 3,090,654</u>

The sewer collection rate decreased from 85.91% in 2012 to 85.54% in 2013.

The Authority is relying on the Unrestricted Net Position to balance the budget. In 2012 the Authority appropriated \$417,502 or 35.44% of available unrestricted net position, whereas in 2013 the Authority appropriated \$464,161 or 42.69% of available unrestricted net position.

**Delanco Township Sewerage Authority  
Capital Assets (net of accumulated depreciation)  
For the Year Ended December 31, 2013 and 2012**

The Authority's capital assets as of December 31, 2013, totaled \$3,434,671 (net of accumulated depreciation) which represents an increase of \$9,479 when compared to December 31, 2012. The total increase resulted from increases in equipment additions of \$37,247 and in construction in progress of \$66,352 offset by depreciation expense in the amount of \$94,120.

	<b>2013</b>	<b>2012</b>
Construction In Progress	\$ 984,537	\$ 918,185
Capital Assets	2,500,134	2,557,007
Total	\$ 3,484,671	\$ 3,475,192

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, 2013 was \$1,513,541, a decrease of \$165,788 when compared to the balance at December 31, 2012 in the amount of \$1,679,329. The decrease is primarily due to the repayment of debt principal and the expensing of premium.

The outstanding debt consists of \$1,175,000 funded by the Burlington County Bridge Commission (BCBC), \$219,340 funded by the New Jersey Environmental Infrastructure Trust Fund (NJEIT), \$65,734 of unamortized premium on the loan with BCBC and \$53,467 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 \$1,195,161 for 2014 which is an increase of \$46,659 when compared to 2013 Budget. User rates for 2014 will remain the same as the previous year.

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 Position**  
**As of December 31, 2013 and 2012**

	December 31,	
	<u>2013</u>	<u>2012</u>
<b>ASSETS:</b>		
Current Unrestricted Assets:		
Revenue/Operating Account:		
Cash and Cash Equivalents	\$ 1,617,688	\$ 1,206,784
Consumer Accounts Receivable	157,332	135,489
Due from the City of Beverly Sewerage Authority	<u>14,160</u>	<u>40,228</u>
Total Unrestricted Assets	<u>1,789,180</u>	<u>1,382,501</u>
Non-Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents	<u>6,867</u>	<u>14,766</u>
Total Restricted Assets	<u>6,867</u>	<u>14,766</u>
Property, Plant and Equipment:		
Construction in Progress	984,537	918,185
Completed (Net of Accumulated Depreciation)	<u>2,500,134</u>	<u>2,557,007</u>
Total Property, Plant and Equipment:	<u>3,484,671</u>	<u>3,475,192</u>
Total NonCurrent Assets	<u>3,491,538</u>	<u>3,489,958</u>
Total Assets	<u>\$ 5,280,718</u>	<u>\$ 4,872,459</u>

(Continued)

**DELANCO TOWNSHIP SEWERAGE AUTHORITY**  
**Comparative Statements of Net Position**  
**As of December 31, 2013 and 2012**

	December 31,	
	<u>2013</u>	<u>2012</u>
<b>LIABILITIES</b>		
Current liabilities Payable from Unrestricted Assets:		
Accounts Payable - Operations	\$ 9,037	\$ 76,725
Service Charges Overpayments	867	
	<u>9,904</u>	<u>76,725</u>
Total Current Liabilities Payable from Unrestricted Assets		
Current Liabilities Payable from Restricted Assets:		
Capital Lease Payable - Current Portion	100,000	99,000
N.J. Environmental Infrastructure Loan Payable - Current Portion	63,211	64,231
Accrued Bond and Loan Interest Payable	22,721	24,845
Escrow Deposits	6,867	14,766
	<u>192,799</u>	<u>202,842</u>
Total Current Liabilities Payable from Restricted Assets		
Long-term Liabilities:		
Reserve for Debt Service	550,000	
Capital Lease Payable	1,075,000	1,180,000
N.J. Environmental Infrastructure Loan Payable	156,129	219,340
Unamortized Premium on Serial Bonds Payable	65,734	72,715
Compensated Absences Payable	53,467	44,043
	<u>1,900,330</u>	<u>1,516,098</u>
Total Long-term Liabilities		
Total Liabilities	<u>2,103,033</u>	<u>1,795,665</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	<u>2,090,331</u>	<u>1,912,621</u>
Unrestricted:		
Designated to Subsequent Year's Budget	464,161	417,502
Undesignated	623,193	746,671
	<u>1,087,354</u>	<u>1,164,173</u>
Total Unrestricted		
Total Net Position	<u>\$ 3,177,685</u>	<u>\$ 3,076,794</u>

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 Position**  
**For the Year Ended December 31, 2013 and 2012**

	December 31,	
	2013	2012
<b>Operating Revenues:</b>		
Service Charges	\$ 952,891	\$ 841,268
Connection Fees	8,700	22,950
Miscellaneous Charges	31,643	32,682
Total Operating Revenue	<u>993,234</u>	<u>896,900</u>
<b>Operating Expenses:</b>		
Administration Expenses:		
Salaries and Wages	47,415	44,854
Fringe Benefits	54,276	47,520
Other	53,140	50,914
Total Administration Expenses	<u>154,831</u>	<u>143,288</u>
Cost of Providing Services:		
Salaries and Wages	54,782	76,888
Other	599,958	616,513
Total Cost of Providing Services	<u>654,740</u>	<u>693,401</u>
Depreciation	<u>94,120</u>	<u>80,294</u>
Total Operating Expenses	<u>903,691</u>	<u>916,983</u>
Operating Income (Loss)	<u>89,543</u>	<u>(20,083)</u>
<b>Non-Operating Revenue (Expenses):</b>		
Amortization of Premium on Capital Lease	6,981	6,981
Amortization of Bond Issue Costs		(1,331)
Bond Interest	(50,702)	(45,758)
Township Fair Share Contribution	3,356	3,000
Refund of Prior Year Expense	42,286	
Investment Income	9,427	12,434
Total Non-Operating Revenue (Expenses)	<u>11,348</u>	<u>(24,674)</u>
Change in Net Position	100,891	(44,757)
Net Position - Beginning of Year - Restated	<u>3,076,794</u>	<u>3,135,411</u>
Net Position - End of Year	<u>\$ 3,177,685</u>	<u>\$ 3,090,654</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, 2013 and 2012**

	December 31,	
	2013	2012
<b>Cash Flows from Operating Activities:</b>		
Receipts from Customers	\$ 953,077	\$ 829,834
Receipts from Other Operating Revenue	94,151	58,632
Payments to Employees	(113,396)	(121,742)
Payments for Employee Benefits	(33,989)	(47,520)
Payments to Suppliers	(779,375)	(658,973)
	<u>120,468</u>	<u>60,231</u>
Net Cash Provided by Operating Activities		
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Capital Acquisitions	(60,833)	(21,651)
Due from Delanco Township	550,000	70,000
Debt Service:		
Principal	(163,231)	(156,866)
Interest	(52,826)	(55,095)
	<u>273,110</u>	<u>(163,612)</u>
Net Cash Used in Capital and Related Financing Activities		
<b>Cash Flows from Investing Activities:</b>		
Interest and dividends	9,427	12,434
	<u>403,005</u>	<u>(90,947)</u>
Net Increase (Decrease) in Cash and Cash Equivalents		
Cash and Cash Equivalents - Beginning	1,221,550	1,312,497
Cash and Cash Equivalents - Ending	<u>\$ 1,624,555</u>	<u>\$ 1,221,550</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>		
Operating Income (Loss)	\$ 89,543	\$ (20,083)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	94,120	80,294
(Increase) Decrease in Consumer Accounts Receivable	(21,843)	(11,434)
(Increase) Decrease in Due from Beverly Sewerage Authority	26,068	6,013
Increase (Decrease) in Escrow Deposits	(7,899)	2,417
Increase (Decrease) in Overpayments	867	
Increase (Decrease) in Accounts Payable	(67,688)	9,605
Increase (Decrease) in Payroll Taxes Payable		(7,459)
Increase (Decrease) in Compensated Absences Payable	9,424	(243)
Increase (Decrease) in Accrued Interest Payable	(2,124)	1,121
	<u>\$ 120,468</u>	<u>\$ 60,231</u>
Net Cash Provided by (Used for) Operating Activities		

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, 2013**

**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 2012 census is 4,638.

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.

**Component Unit**

The Delanco Township Sewerage Authority is a component unit of the Township of Delanco as described in Governmental accounting standards Board statement No. 14, *The Financial Reporting Entity*. These financial statements would be either blended or discreetly presented as part of the Township's financial statement if the Township reported using generally accepted accounting principles applicable to governmental entities.

GASB Statement No. 14 also provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legally entity, but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. As of September 30, 2013, it has been determined by the Authority that no component units exist.

**Basis of Presentation**

The financial statements of the Authority have been prepared in conformity 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 position (or cost recovery), 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 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, 2013**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

**Revenues – Exchange and Non-Exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Sewer service charges are recognized as revenue when services are provided and are billed. Connection fees are collected in advance and, accordingly, the Authority defers revenues until the Authority issues a release for certificate of occupancy and determines that sewerage collection services are being provided to the properties.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

**Expenses/Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

**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 Position. 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, 2013**

**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, 2013**

**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.

Balance December 31, 2013	Premium
<b>Premium Received</b>	\$ 139,612
<b>Accumulated Amortization</b>	73,878
<b>Unamortized Balance</b>	\$ 65,734
<b>Current Amortized Balance</b>	\$ 6,981

**Unearned Revenue** - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue.

**Net Position** - Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

**Net Investment in Capital Assets** - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

**Restricted** - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or law or regulations of other governments.

**Unrestricted** - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

**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, 2013**

**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 might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41et 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 (GUDPA). 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 of funds that pass to the Authority relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. Of the Authority's amount on deposit of \$1,564,623 as of September 30, 2013, \$250,000 was insured under FDIC and the remaining balance of \$1,314,623 was collateralized under GUDPA.

**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>Consumer Charges</u>	<u>Total</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2013	\$ 135,489	\$ 952,891	\$ 1,088,380	\$ 931,048	85.54%
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%

**Delanco Township Sewerage Authority  
Notes to Basic Financial Statements  
For the Year Ended December 31, 2013**

**NOTE 5. PROPERTY, PLANT and EQUIPMENT**

During the year ended December 31, 2013, the following changes in Property, Plant and Equipment occurred:

	<u>Balance Dec. 31, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance Dec. 31, 2013</u>
Machinery and Equipment	\$ 49,998	\$ 37,247	\$ 41,889	\$ 45,356
Infrastructure	3,967,085		23,017	3,944,068
	4,017,083	37,247	64,906	3,989,424
Depreciation	(1,460,076)	\$ (94,120)	(64,906)	(1,489,290)
Completed (Net of Accumulated Depreciation)	<u>\$ 2,557,007</u>	<u>\$ (56,873)</u>	<u>\$ -</u>	<u>\$ 2,500,134</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, 2013 is estimated at \$53,467.

**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, 2013**

**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>2013</u>	<u>2012</u>	<u>2011</u>
Normal Contribution	\$ 3,945	\$ 4,243	\$ 4,629
Accrued Liability	9,432	8,485	7,376
Total Regular Pension Contribution	13,377	12,728	12,005
Non-Contributory Group Life Insurance	796	811	912
Total Due	14,173	13,539	12,917

**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 2013, 2012 and 2011, there was one retired employee in each of those years who received this benefit resulting in the payments of \$6,915, \$6,306 and \$6,303 respectively in health care premiums.

**Delanco Township Sewerage Authority  
Notes to Basic Financial Statements  
For the Year Ended December 31, 2013**

**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
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	115,000	30,200	145,200
2019-23	<u>640,000</u>	<u>78,200</u>	<u>718,200</u>
Total	\$ 1,175,000	<u>\$ 260,150</u>	<u>\$ 1,435,150</u>
Current Portion	<u>100,000</u>		
Long-Term	<u>\$ 1,075,000</u>		

**NOTE 10. NET POSITION**

**Net Position Appropriated**

The Authority ended the year with an unrestricted net position of \$1,087,354; however, \$464,161 has been appropriated and included as support in the operating and capital budgets for the year ending December 31, 2014.

**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, 2013 and 2012 the Delanco Township Sewerage Authority paid the City of Beverly Sewerage Authority \$507,025 and \$549,257 respectively, in accordance with this agreement.



**Delanco Township Sewerage Authority  
Notes to Basic Financial Statements  
For the Year Ended December 31, 2013**

**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, 2013, 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:

<u>Year Ending Dec. 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	\$ 219,340	\$ 26,325	\$ 245,665
Current Portion	<u>63,211</u>		
Long-Term	<u>\$ 156,129</u>		

**NOTE 13. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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, 2013**

**NOTE 14. RESTATEMENT OF NET POSITION**

As a result of the implementation of *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*, net position as of December 31, 2012 has been restated as follows:

Net Position, December 31, 2012	\$ 3,090,654
Expense of Bond Issuance Costs (1)	<u>(13,860)</u>
Net Position, December 31, 2012 (Restated)	\$ <u>3,076,794</u>

(1) Formerly reported as a deferred asset and amortized over the life of the related debt.

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, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Revenues:</b>					
Operating Revenues:					
Service Fees	\$ 800,000		\$ 800,000	\$ 952,891	\$ 152,891
Connection Fees	6,000		6,000	8,700	2,700
Other	15,000		15,000	31,643	16,643
Total Operating Revenues	821,000		821,000	993,234	172,234
Non-Operating Revenues:					
Township Fair Share Contribution				3,356	
Refund of Prior Year Expense				42,286	42,286
Interest on Investments and Deposits	10,000		10,000	9,427	(573)
Total	\$ 831,000	\$ -	\$ 831,000	\$ 1,048,303	\$ 213,947
<b>Expenses:</b>					
Administration:					
Salaries and Wages:					
Authority Members	\$ 7,000		\$ 7,000	\$ 7,000	\$ -
Secretary/Treasurer	39,500		39,500	39,415	85
Deputy Secretary/Treasurer	2,000	\$ (1,000)	1,000	1,000	
Total Salaries and Wages	48,500	(1,000)	47,500	47,415	85
Employee Benefits:					
Public Employees Retirement System	15,477		15,477	14,173	1,304
Social Security	8,000	1,000	9,000	7,741	1,259
Unemployment Compensation Insurance	400	100	500	417	83
Workers Compensation Insurance	7,000	1,000	8,000	6,952	1,048
Hospitalization Insurance	25,000	(4,000)	21,000	15,569	5,431
Compensated Absences				9,424	(9,424)
Total Employee Benefits	55,877	(1,900)	53,977	54,276	(299)
Other Expenses:					
Legal Services and Costs	8,500	(4,000)	4,500	4,059	441
Auditing Fees	10,900	100	11,000	11,000	
Office Expenses	17,000	(3,000)	14,000	15,333	(1,333)
Telephone	3,500	(500)	3,000	2,900	100
Other Insurance Premiums	22,000	(2,000)	20,000	19,716	284
Inspection Fees	500		500		500
Education, Training & Conferences	1,000	(800)	200	132	68
Codification	2,000		2,000		2,000
Total Other Expenses	65,400	(10,200)	55,200	53,140	2,060
Total Administration	169,777	(13,100)	156,677	154,831	1,846

(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, 2013**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Operating and Maintenance Expenses:</b>					
Salaries	\$ 62,000	\$ 5,000	\$ 67,000	\$ 54,782	\$ 12,218
Electric Power	25,000	(6,000)	19,000	19,149	(149)
Equipment and Supplies	45,000	(25,000)	20,000	8,052	11,948
Repairs and Maintenance - Contractual	20,000		20,000	6,730	13,270
Repairs and Maintenance - Lines	10,000	(1,000)	9,000	21,683	(12,683)
Repairs and Maintenance - Equipment	10,000	(10,000)			
Beverly Sewerage Authority - Contractual	550,000	51,400	601,400	507,025	94,375
Engineer Services	15,000	(1,000)	14,000	14,947	(947)
Sub-Contractor	19,200	1,200	20,400	20,400	
Other Expenses	4,000	(1,500)	2,500	1,972	528
<b>Total Operating and Maintenance Expenses</b>	<b>760,200</b>	<b>13,100</b>	<b>773,300</b>	<b>654,740</b>	<b>118,560</b>
<b>Total Cost of Providing Service</b>	<b>760,200</b>	<b>13,100</b>	<b>773,300</b>	<b>654,740</b>	<b>118,560</b>
<b>Debt Service:</b>					
Principal on loans:					
NJEIT Loan	64,300		64,300	64,231	69
Revenue Loan	99,000		99,000	104,000	(5,000)
Interest on loans:					
NJEIT Loan	10,125		10,125	8,668	1,457
Revenue Loan	45,100		45,100	42,034	3,066
<b>Total Debt Service</b>	<b>218,525</b>		<b>218,525</b>	<b>218,933</b>	<b>(408)</b>
<b>Total Operating Expenses and Debt Service</b>	<b>1,148,502</b>		<b>1,148,502</b>	<b>1,028,504</b>	<b>119,998</b>
<b>Excess Operating Expenses and Debt Service over Anticipated Revenues</b>	<b>\$ (317,502)</b>	<b>\$ -</b>	<b>\$ (317,502)</b>	<b>\$ 19,799</b>	<b>\$ 333,945</b>
<b>Reconciliation to Operating Income:</b>					
Excess Operating Expenses and Debt Service over Anticipated Revenues					\$ 19,799
Increased by:					
Interest Earned on Deposits			\$ 9,427		
Township Fair Share Contribution			3,356		
Refund of Prior Year Expense			42,286		
Depreciation			94,120		
					149,189
					(129,390)
Decreased by:					
Loan Principal			168,231		
Loan Interest			50,702		
					218,933
<b>Operating Income (Exhibit A-2)</b>					<b>\$ 89,543</b>

## DELANCO TOWNSHIP SEWERAGE AUTHORITY

Schedule of Cash  
Unrestricted and Restricted  
For the Year Ended December 31, 2013

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Analysis of Cash Balance, December 31, 2013

## Unrestricted Cash:

Delanco Federal Savings Bank:

Checking Accounts	\$	901,740
Certificate of Deposits		696,621
Payroll Account		19,227

Cash on Hand		<u>100</u>
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Total Unrestricted Cash			\$	1,617,688
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## Restricted Cash:

Farmers and Mechanics Bank:

Escrow Control Account		<u>6,867</u>
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Total Cash			\$	<u><u>1,624,555</u></u>
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## DELANCO TOWNSHIP SEWERAGE AUTHORITY

Schedule of Consumer Accounts Receivable  
For the Fiscal Year Ended December 31, 2013

Balance December 31, 2012	\$ 135,489
Increased by:	
2013 Consumer Charges Billed	<u>952,891</u>
	1,088,380
Decreased by:	
Cash Received	<u>931,048</u>
Balance December 31, 2013	<u>\$ 157,332</u>

## Schedule-4

Schedule of Consumer Charge Components  
For the Fiscal Year Ended December 31, 2013  
(With comparative actual amounts for the year ended December 31, 2012)

Classification	December 31, 2013		December 31, 2012	
	Number	Amount	Number	Amount
Residential	1,806	\$ 874,483	1,804	\$ 772,174
Schools	2	3,399	2	2,566
Churches	2	1,490	4	1,840
Commercial	41	57,379	41	49,268
Other	9	16,140	10	15,420
	<u>1,860</u>	<u>\$ 952,891</u>	<u>1,861</u>	<u>\$ 841,268</u>

**DELANCO TOWNSHIP SEWERAGE AUTHORITY**  
**Schedule of Accounts Payable**  
**For the Year Ended December 31, 2013**

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Balance December 31, 2012	\$ 76,725
Increased by:	
Operating Expenditures	<u>9,037</u>
Subtotal	85,762
Decreased by:	
Disbursed	<u>76,725</u>
Balance December 31, 2013	<u><u>\$ 9,037</u></u>



## DELANCO TOWNSHIP SEWERAGE AUTHORITY

Schedule of Escrow Deposits on Account  
For the Year Ended December 31, 2013

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Balance December 31, 2012	\$	14,766
Increased by:		
Cash Received		<u>21,161</u>
Subtotal		35,927
Decreased by:		
Cash Paid for Escrow Expenses		<u>29,060</u>
Balance December 31, 2013	\$	<u><u>6,867</u></u>

## DELANCO TOWNSHIP SEWERAGE AUTHORITY

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

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Balance December 31, 2012		\$	24,845
Increased by:			
Interest charges for the Year Ended December 31, 2013:			
Budget - NJ Infrastructure Trust Loan	\$	10,125	
Budget - Burlington County Bridge Commission Loan		<u>45,004</u>	
		55,129	
Less - paid from cash on hand with trustee		<u>(2,303)</u>	
			<u>52,826</u>
Subtotal			77,671
Decreased by:			
Cash Disbursed			<u>54,950</u>
Balance December 31, 2013		\$	<u>22,721</u>

**DELANCO TOWNSHIP SEWERAGE AUTHORITY**  
**Schedule of Property Plant and Equipment - Completed**  
**For the Year Ended December 31, 2013**

	Balance December 31, 2012	Additions	Disposals	Balance December 31, 2013
Sewer Lines	\$ 3,967,085		\$ 23,017	\$ 3,944,068
Machinery and Equipment	49,997	\$ 37,247	41,889	45,355
	4,017,082	37,247	64,906	3,989,423
Less Accumulated Depreciation	(1,460,075)	\$ (94,120)	(64,906)	(1,489,289)
<b>Total</b>	<b>\$ 2,557,007</b>	<b>\$ (56,873)</b>	<b>\$ -</b>	<b>\$ 2,500,134</b>

**Schedule of Construction in Progress**  
**For the Year Ended December 31, 2013**

Balance December 31, 2012	\$ 918,185
Increased by:	
Cash disbursed	66,352
Subtotal	984,537
Decreased by:	
Transfer to Property Plant and Equipment - Completed	
Balance December 31, 2013	<u>\$ 984,537</u>

**Analysis of Balance:**

5 Year Capital Improvement Plan	\$ 966,335
Coopertowns Road Extension	5,073
Coopertown to Creek Road Easement	13,129
<b>Total</b>	<b>\$ 984,537</b>

**Part II**

**Findings and Recommendations**

**DELANCO TOWNSHIP SEWERAGE AUTHORITY**

**Schedule of Findings and Recommendations  
For the Year Ended December 31, 2013**

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.

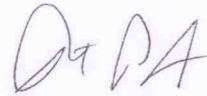
There were no findings in the prior year audit.

**ACKNOWLEDGMENT**

I express my appreciation for the assistance and courtesies extended to the audit team by the Delanco Township Sewerage Authority Officials during the course of the audit.

Respectfully submitted,

***INVERSO & STEWART, LLC***  
Certified Public Accountants



Robert P. Inverso  
Certified Public Accountant  
Registered Municipal Accountant

March 14, 2014