

DELANCO TOWNSHIP SEWERAGE AUTHORITY
County of Burlington

REPORT OF AUDIT
For the Years Ended
December 31, 2014 and 2013

DELANCO TOWNSHIP SEWERAGE AUTHORITY

INTRODUCTORY SECTION

	<u>Page</u>
Organizational Chart	2
Roster of Officials	3
Consultants and Advisors	4

FINANCIAL SECTION

Independent Auditor's Report	6
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	9
Management's Discussion and Analysis	12
Basic Financial Statements	
Proprietary Fund:	
A Statement of Net Position	18
B Statement of Revenues, Expenditures, and Changes in Fund Net Position	20
C Statement of Cash Flows	21
Notes to the Financial Statements	22
Other Supplementary Information	
Enterprise Fund:	
Schedule 1 Schedule of Anticipated Revenues, Operating Appropriations, Principal Payments, and Non-operating Appropriations Compared to Budget - Non-GAAP (Budgetary Basis)	32
Schedule 2 Schedule of Cash - Unrestricted and Restricted Assets	34
Schedule 3 Schedule of Consumer Accounts Receivable	35
Schedule 4 Schedule of Consumer Charge Components	35
Schedule 5 Schedule of Accounts Payable	36
Schedule 6 Schedule of Escrow Deposits on Account	37
Schedule 7 Schedule of Accrued Interest Payable	38
Schedule 8 Schedule of Property Plant and Equipment - Completed	39
Schedule 9 Schedule of Construction in Progress	39

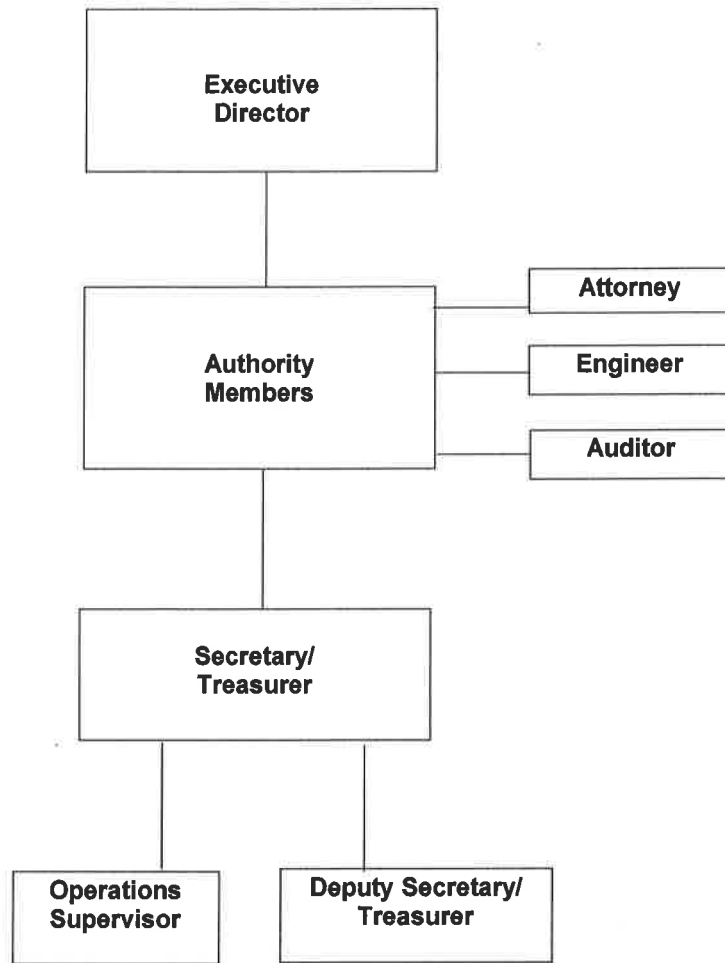
REPORTABLE CONDITIONS AND OTHER FINDINGS

	<u>Page</u>
Schedule of Finding and Recommendations	41
Summary Schedule of Prior Year Audit Findings	42
Acknowledgement	43

Introductory Section

DELANCO SEWERAGE AUTHORITY

Organizational Chart



DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Roster of Officials
December 31, 2014**

Members of the Authority

Term Expires

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

2018
2016
2019
2015
2017

Other Officials:

Beverly Morgan, Deputy 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

651 Route 73 North, Suite 402
Marlton, New Jersey 08053
(856) 983-2244
Fax (856) 983-6674
E-Mail: lscpas@concentric.net

-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 Township Sewerage Authority in the County of Burlington, State of New Jersey, a component unit of the Township of Delanco, as of and for the fiscal years ended December 31, 2014 and December 31, 2013, 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, 2014 and December 31, 2013, 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 10, 2015 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 10, 2015

INVERSO & STEWART, LLC

Certified Public Accountants

651 Route 73 North, 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

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 Township Sewerage Authority, in the County of Burlington, State of New Jersey, as of and for the year ended December 31, 2014, 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 10, 2015.

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 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.

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.

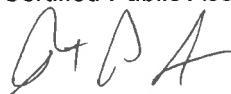
Compliance and Other Matters

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 10, 2015

Required Supplementary Information

Management's Discussion and Analysis

**Delanco Township Sewerage Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2014**

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, 2014. 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, 2014 and 2013

Assets		
Current Unrestricted	\$ 1,698,943	\$ 1,789,180
Current Restricted	9,388	6,867
Capital Assets	<u>3,445,004</u>	<u>3,484,671</u>
 Total Assets	 <u>5,153,335</u>	 <u>5,280,718</u>
 Liabilities		
Current Liabilities	219,759	202,703
Noncurrent Liabilities	<u>1,758,778</u>	<u>1,900,330</u>
 Total Liabilities	 <u>1,978,537</u>	 <u>2,103,033</u>
 Net Position	 <u>\$ 3,174,798</u>	 <u>\$ 3,177,685</u>
 Net Position Consist of:		
Invested in Capital Assets	\$ 2,213,875	\$ 2,090,331
Designated to Subsequent Year	379,304	464,161
Unrestricted	<u>581,619</u>	<u>623,193</u>
 Net Position	 <u>\$ 3,174,798</u>	 <u>\$ 3,177,685</u>

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$3,174,798 (*net position*).
- The total net position of the Authority decreased by \$2,887, or a 0.09% decrease from the prior year-end balance. The decrease is attributable to an decrease in sewer service charges.

**Delanco Township Sewerage Authority
Changes in Net Position
For the Year Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Revenues		
Program Revenues		
Charges for services	\$ 957,911	\$ 952,891
Other revenue	37,236	40,343
Nonoperating Revenues:		
Township fair share contribution	1,695	3,356
Amortization of premium	6,981	6,981
Prior year refund	1,666	42,286
Interest revenue	7,420	9,427
	<u>1,012,909</u>	<u>1,055,284</u>
Expenses		
Administration		
Salaries	47,415	47,415
Fringe Benefits	58,980	54,276
Other Expenses	54,113	53,140
Cost of Providing Services		
Salaries	59,313	54,782
Operating and Maintenance	655,747	599,958
Depreciation	91,858	94,120
Interest on Debt	48,370	50,702
	<u>1,015,796</u>	<u>954,393</u>
Increase in Net Position	(2,887)	100,891
Net Position, January 1,	3,177,685	3,076,794
Net Position, December 31,	<u>\$ 3,174,798</u>	<u>\$ 3,177,685</u>

The sewer collection rate decreased from 85.54% in 2013 to 84.15% in 2014.

The Authority is relying on the Unrestricted Net Position to balance the budget. In 2013 the Authority appropriated \$464,161 or 42.69% of available unrestricted net position, whereas in 2014 the Authority appropriated \$379,304 or 39.47% of available unrestricted net position.

**Delanco Township Sewerage Authority
Capital Assets (net of accumulated depreciation)
For the Year Ended December 31, 2014 and 2013**

The Authority's capital assets as of December 31, 2014, totaled \$3,445,004 (net of accumulated depreciation) which represents an increase of \$39,667 when compared to December 31, 2013. The total decrease resulted from increases in equipment additions of \$52,191 less depreciation expense in the amount of \$91,858.

	2014	2013
Construction In Progress		\$ 984,537
Capital Assets	\$ 3,445,004	2,500,134
Total	\$ 3,445,004	\$ 3,484,671

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, 2014.

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, 2014 was \$1,343,947, a decrease of \$169,594 when compared to the balance at December 31, 2013 in the amount of \$1,513,541. The decrease is primarily due to the repayment of debt principal and the expensing of premium.

The outstanding debt consists of \$1,075,000 funded by the Burlington County Bridge Commission (BCBC), \$156,129 funded by the New Jersey Environmental Infrastructure Trust Fund (NJEIT), \$58,753 of unamortized premium on the loan with BCBC and \$54,065 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 \$1,171,304 for 2015 which is a decrease of \$23,857 when compared to 2014 Budget. User rates for 2015 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, 2014 and 2013

	December 31,	
	2014	2013
ASSETS:		
Current Unrestricted Assets:		
Revenue/Operating Account:		
Cash and Cash Equivalents	\$ 1,494,134	\$ 1,617,688
Consumer Accounts Receivable	176,793	157,332
Prepaid Debt	19,899	
Due from the City of Beverly Sewerage Authority	6,784	14,160
Other accounts receivable	1,333	
	1,698,943	1,789,180
Total Unrestricted Assets		
Non-Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents	9,388	6,867
	9,388	6,867
Total Restricted Assets		
Property, Plant and Equipment:		
Construction in Progress		984,537
Completed (Net of Accumulated Depreciation)	3,445,004	2,500,134
	3,445,004	3,484,671
Total Property, Plant and Equipment:		
	3,454,392	3,491,538
Total NonCurrent Assets		
	\$ 5,153,335	\$ 5,280,718

(Continued)

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Comparative Statements of Net Position
As of December 31, 2014 and 2013

	December 31,	
	2014	2013
LIABILITIES		
Current liabilities Payable from Unrestricted Assets:		
Accounts Payable - Operations	\$ 6,428	\$ 9,037
Due to the City of Beverly Sewerage Authority	39,090	
Service Charges Overpayments	2,576	867
Total Current Liabilities Payable from Unrestricted Assets	48,094	9,904
Current Liabilities Payable from Restricted Assets:		
Capital Lease Payable - Current Portion	105,000	100,000
N.J. Environmental Infrastructure Loan Payable - Current Portion	36,129	63,211
Accrued Bond and Loan Interest Payable	21,148	22,721
Escrow Deposits	9,388	6,867
Total Current Liabilities Payable from Restricted Assets	171,665	192,799
Long-term Liabilities:		
Reserve for Debt Service	550,000	550,000
Capital Lease Payable	970,000	1,075,000
N.J. Environmental Infrastructure Loan Payable	120,000	156,129
Unamortized Premium on Serial Bonds Payable	58,753	65,734
Payroll Deductions Payable	5,961	
Compensated Absences Payable	54,064	53,467
Total Long-term Liabilities	1,758,778	1,900,330
Total Liabilities	1,978,537	2,103,033
NET POSITION		
Net Investment in Capital Assets	2,213,875	2,090,331
Unrestricted:		
Designated to Subsequent Year's Budget	379,304	464,161
Undesignated	581,619	623,193
Total Unrestricted	960,923	1,087,354
Total Net Position	\$ 3,174,798	\$ 3,177,685

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, 2014 and 2013

	December 31,	
	2014	2013
Operating Revenues:		
Service Charges	\$ 957,911	\$ 952,891
Connection Fees	8,820	8,700
Miscellaneous Charges	28,416	31,643
Total Operating Revenue	<u>995,147</u>	<u>993,234</u>
Operating Expenses:		
Administration Expenses:		
Salaries and Wages	47,415	47,415
Fringe Benefits	58,980	54,276
Other	54,113	53,140
Total Administration Expenses	<u>160,508</u>	<u>154,831</u>
Cost of Providing Services:		
Salaries and Wages	59,313	54,782
Other	655,747	599,958
Total Cost of Providing Services	<u>715,060</u>	<u>654,740</u>
Depreciation	<u>91,858</u>	<u>94,120</u>
Total Operating Expenses	<u>967,426</u>	<u>903,691</u>
Operating Income (Loss)	<u>27,721</u>	<u>89,543</u>
Non-Operating Revenue (Expenses):		
Amortization of Premium on Capital Lease	6,981	6,981
Bond Interest	(48,370)	(50,702)
Township Fair Share Contribution	1,695	3,356
Refund of Prior Year Expense	1,666	42,286
Investment Income	7,420	9,427
Total Non-Operating Revenue (Expenses)	<u>(30,608)</u>	<u>11,348</u>
Change in Net Position	(2,887)	100,891
Net Position - Beginning of Year - Restated	<u>3,177,685</u>	<u>3,076,794</u>
Net Position - End of Year	<u>\$ 3,174,798</u>	<u>\$ 3,177,685</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, 2014 and 2013**

	December 31,	
	2014	2013
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 944,727	\$ 953,077
Receipts from Other Operating Revenue	54,757	94,151
Payments to Employees	(111,560)	(113,396)
Payments for Employee Benefits	(59,195)	(33,989)
Payments to Suppliers	(671,938)	(779,375)
	156,791	120,468
Cash Flows from Capital and Related Financing Activities:		
Capital Acquisitions	(52,192)	(60,833)
Due from Delanco Township		550,000
Prepaid Debt Service	(19,899)	
Debt Service:		
Principal	(163,211)	(163,231)
Interest	(49,942)	(52,826)
	(285,244)	273,110
Cash Flows from Investing Activities:		
Interest and dividends	7,420	9,427
	7,420	9,427
Net Increase (Decrease) in Cash and Cash Equivalents	(121,033)	403,005
Cash and Cash Equivalents - Beginning	1,624,555	1,221,550
Cash and Cash Equivalents - Ending	\$ 1,503,522	\$ 1,624,555
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 27,721	\$ 89,543
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Township Fair Share Contribution	1,695	
Refund of Prior Year Expense	1,666	
Depreciation	91,858	94,120
(Increase) Decrease in Consumer Accounts Receivable	(19,461)	(21,843)
(Increase) Decrease in Due from Beverly Sewerage Authority	7,376	26,068
(Increase) Decrease in Other Accounts Receivable	(1,333)	
Increase (Decrease) in Escrow Deposits	2,521	(7,899)
Increase (Decrease) in Overpayments	1,709	867
Increase (Decrease) in Accounts Payable	(2,609)	(67,688)
Increase (Decrease) in Due to Beverly Sewerage Authority	39,090	
Increase (Decrease) in Compensated Absences Payable	597	9,424
Increase (Decrease) in Payroll Deductions Payable	5,961	
Increase (Decrease) in Accrued Interest Payable		(2,124)
	156,791	120,468
Net Cash Provided by (Used for) Operating Activities	\$ 156,791	\$ 120,468

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, 2014

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 2013 State population estimate is 4,558.

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 December 31, 2014, 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, 2014

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, 2014

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, 2014**

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, 2014	Premium
Premium Received	\$ 139,612
Accumulated Amortization	80,859
Unamortized Balance	\$ 58,753
Current Amortized Balance	\$ 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, 2014**

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 \$1,508,970 as of December 31, 2014, \$250,000 was insured under FDIC and the remaining balance of \$1,258,970 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.

Year Ending Dec. 31,	Beginning Balance	Consumer Charges	Total	Collections	Percentage of Collections
2014	\$ 157,332	\$ 957,911	\$ 1,115,243	\$ 938,450	84.15%
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%

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2014**

NOTE 5. PROPERTY, PLANT and EQUIPMENT

During the year ended December 31, 2014, the following changes in Property, Plant and Equipment occurred:

	<u>Balance Dec. 31, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance Dec. 31, 2014</u>
Machinery and Equipment	\$ 45,356		\$ 24,986	\$ 20,370
Infrastructure	3,944,068	1,061,714		5,005,782
	<u>3,989,424</u>	<u>1,061,714</u>	<u>24,986</u>	<u>5,026,152</u>
Depreciation	(1,489,290)	\$ (91,858)		(1,581,148)
Completed (Net of Accumulated Depreciation)	<u>\$ 2,500,134</u>	<u>\$ 969,856</u>	<u>\$ 24,986</u>	<u>\$ 3,445,004</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, 2014 is estimated at \$54,065.

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, 2014**

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>2014</u>	<u>2013</u>	<u>2012</u>
Normal Contribution	\$ 4,247	\$ 3,945	\$ 4,243
Accrued Liability	11,505	9,432	8,485
Total Regular Pension Contribution	14,122	13,377	12,728
Non-Contributory Group Life Insurance	240	796	811
Total Due	14,362	14,173	13,539

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 2014, 2013 and 2012, there was one retired employee in each of those years who received this benefit resulting in the payments of \$7,057, \$6,915 and \$6,306 respectively in health care premiums.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2014**

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
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	120,000	25,600	145,600
2020-23	<u>520,000</u>	<u>52,600</u>	<u>572,600</u>
Total	\$ 1,075,000	<u>\$ 218,350</u>	<u>\$ 1,293,350</u>
Current Portion	<u>105,000</u>		
Long-Term	<u>\$ 970,000</u>		

NOTE 10. NET POSITION

Net Position Appropriated

The Authority ended the year with an unrestricted net position of \$960,923; however, \$379,304 has been appropriated and included as support in the operating and capital budgets for the year ending December 31, 2015.

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, 2014 and 2013 the Delanco Township Sewerage Authority paid the City of Beverly Sewerage Authority \$540,418 and \$507,025 respectively, in accordance with this agreement.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2014**

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, 2014, 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>
2015	\$ 36,129	\$ 6,975	\$ 43,104
2016	40,000	5,400	45,400
2017	40,000	3,600	43,600
2018	<u>40,000</u>	<u>1,800</u>	<u>41,800</u>
Total	\$ 156,129	<u>\$ 17,775</u>	<u>\$ 173,904</u>
Current Portion	<u>36,129</u>		
Long-Term	<u>\$ 120,000</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.

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, 2014**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Operating Revenues:					
Service Fees	\$ 800,000		\$ 800,000	\$ 957,911	\$ 157,911
Connection Fees	6,000		6,000	8,820	2,820
Other	15,000		15,000	28,416	13,416
Total Operating Revenues	821,000		821,000	995,147	174,147
Non-Operating Revenues:					
Township Fair Share Contribution				1,695	1,695
Refund of Prior Year Expense				1,666	1,666
Interest on Investments and Deposits	10,000		10,000	7,420	(2,580)
Total	\$ 831,000	\$ -	\$ 831,000	\$ 1,005,928	\$ 174,928
Expenses:					
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		2,000	1,000	1,000
Total Salaries and Wages	48,500		48,500	47,415	1,085
Employee Benefits:					
Public Employees Retirement System	16,000		16,000	14,362	1,638
Social Security	8,000		8,000	8,088	(88)
Unemployment Compensation Insurance	500		500	392	108
Workers Compensation Insurance	7,000		7,000	6,942	58
Hospitalization Insurance	35,000		35,000	29,196	5,804
Total Employee Benefits	66,500		66,500	58,980	7,520
Other Expenses:					
Legal Services and Costs	8,500		8,500	3,181	5,319
Auditing Fees	10,900		10,900	11,100	(200)
Office Expenses	18,000		18,000	19,126	(1,126)
Telephone	3,500		3,500	2,346	1,154
Other Insurance Premiums	24,000		24,000	18,060	5,940
Inspection Fees	500		500	300	200
Education, Training & Conferences	1,000		1,000		1,000
Codification	2,000		2,000		2,000
Total Other Expenses	68,400		68,400	54,113	14,287
Total Administration	183,400		183,400	160,508	22,892

(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, 2014**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Operating and Maintenance Expenses:					
Salaries	\$ 70,000	\$ -	\$ 70,000	\$ 59,313	\$ 10,687
Electric Power	25,000		25,000	19,837	5,163
Equipment and Supplies	25,000		25,000	10,998	14,002
Repairs and Maintenance - Contractual	20,000		20,000	6,632	13,368
Repairs and Maintenance - Lines	10,000		10,000	10,968	(968)
Repairs and Maintenance - Lines - Pump Stations				16,592	(16,592)
Repairs and Maintenance - Equipment	10,000		10,000	6,664	3,336
Beverly Sewerage Authority - Contractual	600,000		600,000	540,418	59,582
Engineer Services	15,000		15,000	21,308	(6,308)
Sub-Contractor	19,200		19,200	20,400	(1,200)
Other Expenses	4,000		4,000	1,930	2,070
Total Operating and Maintenance Expenses	798,200		798,200	715,060	83,140
Total Cost of Providing Service	798,200		798,200	715,060	83,140
Debt Service:					
Principal on loans:					
NJEIT Loan	63,211		63,211	63,211	
Revenue Loan	100,000		100,000	100,000	
Interest on loans:					
NJEIT Loan	8,550		8,550	8,550	
Revenue Loan	41,800		41,800	41,800	
Total Debt Service	213,561		213,561	213,561	
Total Operating Expenses and Debt Service	1,195,161		1,195,161	1,089,129	106,032
Excess Operating Expenses and Debt Service over Anticipated Revenues	\$ (364,161)	\$ -	\$ (364,161)	\$ (83,201)	\$ 280,960

Reconciliation to Operating Income:

Excess Operating Expenses and Debt Service over Anticipated Revenues		\$ (83,201)
Increased by:		
Interest Earned on Deposits	\$ 7,420	
Township Fair Share Contribution	1,695	
Refund of Prior Year Expense	1,666	
Depreciation	91,858	
		102,639
		(185,840)
Decreased by:		
Loan Principal	163,211	
Loan Interest	50,350	
		213,561
Operating Income (Exhibit A-2)		\$ 27,721

DELANCO TOWNSHIP SEWERAGE AUTHORITY

Schedule of Cash
Unrestricted and Restricted
For the Year Ended December 31, 2014

Analysis of Cash Balance, December 31, 2014

Unrestricted Cash:

Delanco Federal Savings Bank:

Checking Accounts	\$ 786,559
Certificate of Deposits	699,636
Payroll Account	7,839

Cash on Hand	<u>100</u>
--------------	------------

Total Unrestricted Cash	\$ 1,494,134
-------------------------	--------------

Restricted Cash:

Farmers and Mechanics Bank:

Escrow Control Account	<u>9,388</u>
------------------------	--------------

Total Cash	<u>\$ 1,503,522</u>
------------	---------------------

DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Schedule of Consumer Accounts Receivable
For the Fiscal Year Ended December 31, 2014**

Balance December 31, 2013	\$ 157,332
Increased by:	
2014 Consumer Charges Billed	<u>957,911</u>
	1,115,243
Decreased by:	
Cash Received	<u>938,450</u>
Balance December 31, 2014	<u><u>\$ 176,793</u></u>

**Schedule of Consumer Charge Components
For the Fiscal Year Ended December 31, 2014
(With comparative actual amounts for the year ended December 31, 2013)**

<u>Classification</u>	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Residential	1,809	\$ 878,112	1,806	\$ 874,483
Schools	2	3,140	2	3,399
Churches	2	1,397	2	1,490
Commercial	41	56,378	41	57,379
Other	13	18,884	9	16,140
	<u>1,867</u>	<u>\$ 957,911</u>	<u>1,860</u>	<u>\$ 952,891</u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Schedule of Accounts Payable
For the Year Ended December 31, 2014

Balance December 31, 2013	\$ 9,037
Increased by:	
Operating Expenditures	<u>6,428</u>
Subtotal	15,465
Decreased by:	
Disbursed	<u>9,037</u>
Balance December 31, 2014	<u><u>\$ 6,428</u></u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY

Schedule of Escrow Deposits on Account
For the Year Ended December 31, 2014

Balance December 31, 2013	\$	6,867
Increased by:		
Cash Received		<u>4,568</u>
Subtotal		11,435
Decreased by:		
Cash Paid for Escrow Expenses		<u>2,047</u>
Balance December 31, 2014	\$	<u>9,388</u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Schedule of Accrued Interest Payable
For the Year Ended December 31, 2014**

Balance December 31, 2013		\$	22,721
Increased by:			
Interest charges for the Year Ended December 31, 2014:			
Budget - NJ Infrastructure Trust Loan		\$	8,550
Budget - Burlington County Bridge Commission Loan			41,800
			<u>50,350</u>
Less - paid from cash on hand with trustee			<u>(408)</u>
			<u>49,942</u>
Subtotal			72,663
Decreased by:			
Cash Disbursed			<u>51,515</u>
Balance December 31, 2014		\$	<u><u>21,148</u></u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Schedule of Property Plant and Equipment - Completed
For the Year Ended December 31, 2014

	Balance December 31, 2013	Additions	Disposals	Balance December 31, 2014
Sewer Lines	\$ 3,944,068	\$ 1,069,861		\$ 5,013,929
Machinery and Equipment	45,355		\$ 33,133	12,222
	3,989,423	1,069,861	33,133	5,026,151
Less Accumulated Depreciation	(1,489,289)	(91,858)		(1,581,147)
Total	\$ 2,500,134	\$ 978,003	\$ 33,133	\$ 3,445,004

Schedule of Construction In Progress
For the Year Ended December 31, 2014

Balance December 31, 2013	\$ 984,537
Increased by:	
Cash disbursed	52,192
Subtotal	1,036,729
Decreased by:	
Transfer to Property Plant and Equipment - Completed	1,036,729
Balance December 31, 2014	\$ -

Part II

Findings and Recommendations

DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Schedule of Findings and Recommendations
For the Year Ended December 31, 2014**

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

A handwritten signature in black ink, appearing to read "R. P. Inverso". The signature is fluid and cursive, with the first and last letters of each name being capitalized and prominent.

Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

March 10, 2015