

DELANCO TOWNSHIP SEWERAGE AUTHORITY
County of Burlington

REPORT OF AUDIT
For the Years Ended
December 31, 2016 and 2015

DELANCO TOWNSHIP SEWERAGE AUTHORITY

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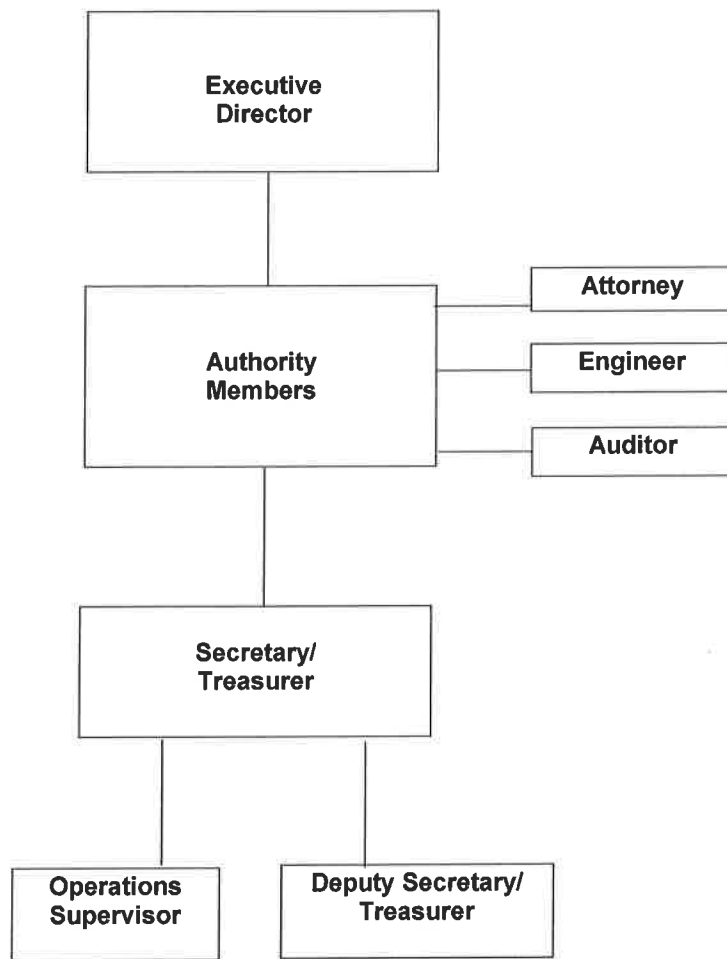
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Introductory Section

DELANCO TOWNSHIP SEWERAGE AUTHORITY

Organizational Chart



DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Roster of Officials
December 31, 2016**

Members of the Authority

Term Expires

Thomas Fynan, Chairperson	2018
Philip Jenkins	2021
William Dillenbeck	2019
Joan Hinkle	2020
Robert Dovey, Jr.	2017

Other Officials:

Brandi-Lyn Mochernuk, 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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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, 2016 and December 31, 2015, 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 from 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 opinions.

Opinions

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 Township Sewerage Authority in the County of Burlington, State of New Jersey, as of December 31, 2016 and December 31, 2015, 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

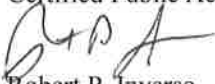
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements.

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 any other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information 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 April 27, 2017 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
April 27, 2017

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 Township Sewerage Authority, in the County of Burlington, State of New Jersey, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated April 27, 2017.

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 Authority’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
April 27, 2017

Required Supplementary Information

Management's Discussion and Analysis

**Delanco Township Sewerage Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2016**

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, 2016. 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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current	\$ 1,485,918	\$ 1,589,642
Capital Assets	<u>3,285,858</u>	<u>3,353,146</u>
Total Assets	<u>4,771,776</u>	<u>4,942,788</u>
Deferred Outflows of Resources		
Deferred Outflows of resources pensions	<u>185,877</u>	<u>93,989</u>
Liabilities		
Current Liabilities	226,853	242,263
Noncurrent Liabilities	<u>1,917,059</u>	<u>1,995,984</u>
Total Liabilities	<u>2,143,912</u>	<u>2,238,247</u>
Deferred Inflows of Resources		
Deferred Inflows of resources pensions	<u>6,680</u>	<u>7,308</u>
Net Position	<u>\$ 2,807,061</u>	<u>\$ 2,791,222</u>
Net Position Consist of:		
Invested in Capital Assets	\$ 2,340,858	\$ 2,263,146
Accrued Unfunded pension liability	(408,354)	(367,850)
Deisgnated to Subsequent Year	380,305	327,255
Unrestricted	<u>494,252</u>	<u>568,671</u>
Net Position	<u>\$ 2,807,061</u>	<u>\$ 2,791,222</u>

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$2,807,061 (*net position*).
- The total net position of the Authority increased by \$15,839 or a .57% increase from the restated prior year-end balance. The increase is attributable to a reduction debt as well as a capital addition.

Delanco Township Sewerage Authority
Changes in Net Position
For the Year Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues		
Charges for services	\$ 937,921	\$ 944,819
Other revenue	75,752	42,092
Nonoperating Revenues:		
Township fair share contribution	11,866	1,695
Amortization of premium	6,981	6,981
Reserve for Debt Service	61,000	61,000
Prior year refund	15,509	2,025
Interest revenue	9,843	4,816
Total Revenues	<u>1,118,872</u>	<u>1,063,428</u>
Expenses		
Administration		
Salaries	45,254	33,956
Fringe Benefits	78,937	72,115
Other Expenses	61,760	64,444
Cost of Providing Services		
Salaries	67,555	63,406
Operating and Maintenance	716,133	724,494
Depreciation	93,613	91,858
Interest on Debt	39,781	43,898
Total Expenses	<u>1,103,033</u>	<u>1,094,171</u>
Increase in Net Position	15,839	(30,743)
Net Position, January 1,	2,791,222	2,821,965
Net Position, December 31,	<u>\$ 2,807,061</u>	<u>\$ 2,791,222</u>

The sewer collection rate increased from 87.16% in 2015 to 87.86% in 2016.

The Authority is relying on the Unrestricted Net Position to balance the budget. In 2016 the Authority appropriated \$327,255 or 36.53% of available unrestricted net position, whereas in 2017 the Authority appropriated \$380,305 or 43.49% of available unrestricted net position.

**Delanco Township Sewerage Authority
Capital Assets (net of accumulated depreciation)
For the Year Ended December 31, 2016 and 2015**

The Authority's capital assets as of December 31, 2016, totaled \$3,285,858 (net of accumulated depreciation) which represents a decrease of \$67,288 when compared to December 31, 2015. The total decrease resulted from depreciation expense in the amount of \$93,613 less an addition of \$26,325.

	2016	2015
Capital Assets	\$ 3,285,858	\$ 3,353,146
Total	\$ 3,285,858	\$ 3,353,146

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, 2016.

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, 2016 was \$1,051,508, a decrease of \$145,945 when compared to the balance at December 31, 2015 in the amount of \$1,197,453. The decrease is primarily due to the repayment of debt principal and the expensing of premium.

The outstanding debt consists of \$865,000 funded by the Burlington County Bridge Commission (BCBC), \$80,000 funded by the New Jersey Environmental Infrastructure Trust Fund (NJEIT), \$44,792 of unamortized premium on the loan with BCBC and \$61,716 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 \$1,225,500 for 2017 which is an increase of \$53,050 when compared to 2016 Budget. User rates for 2017 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, 2016 and 2015

	December 31,	
	2016	2015
ASSETS:		
Current Assets:		
Revenue/Operating Account:		
Cash and Cash Equivalents	\$ 1,322,775	\$ 1,420,378
Consumer Accounts Receivable	131,351	144,071
Prepaid Debt	16,749	18,324
Due from the City of Beverly Sewerage Authority	15,043	6,869
Other Accounts Receivable		
	1,485,918	1,589,642
Total Current Assets		
Non-Current Assets:		
Property, Plant and Equipment:	5,052,476	5,026,151
Less Accumulated Depreciation	(1,766,618)	(1,673,005)
Total Property, Plant and Equipment:	3,285,858	3,353,146
Total Assets	4,771,776	4,942,788
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows of resources from pension	185,877	93,989
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,957,653	\$ 5,036,777

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Comparative Statements of Net Position
As of December 31, 2016 and 2015

	December 31,	
	2016	2015
LIABILITIES:		
Current liabilities:		
Accounts Payable - Operations	\$ 5,739	\$ 3,368
Due to the City of Beverly Sewerage Authority	30,901	55,381
Service Charges Overpayments	4,187	3,252
Capital Lease Payable - Current Portion	110,000	105,000
N.J. Environmental Infrastructure Loan Payable - Current Portion	40,000	40,000
Accrued Bond and Loan Interest Payable	17,004	19,273
Payroll Deductions Payable	6,547	5,961
Escrow Deposits	12,475	10,028
Total Current Liabilities	226,853	242,263
Non-Current Liabilities		
Reserve for Debt Service	428,000	489,000
Capital Lease Payable	755,000	865,000
N.J. Environmental Infrastructure Loan Payable	40,000	80,000
Unamortized Premium on BCBC Lease	44,792	51,773
Compensated Absences Payable	61,716	55,680
Net Pension Liability	587,551	454,531
Total Non-Current Liabilities	1,917,059	1,995,984
Total Liabilities	2,143,912	2,238,247
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows of resources from pension	6,680	7,308
NET POSITION:		
Net Investment in Capital Assets	2,340,858	2,263,146
Unrestricted:		
Accrued unfunded pension liability	(408,354)	(367,850)
Designated to Subsequent Year's Budget	380,305	327,255
Undesignated	494,252	568,671
Total Unrestricted	466,203	528,076
Total Net Position	2,807,061	2,791,222
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 4,957,653	\$ 5,036,777

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, 2016 and 2015

	December 31,	
	2016	2015
Operating Revenues:		
Service Charges	\$ 937,921	\$ 944,819
Connection Fees	39,933	6,709
Miscellaneous Charges	35,819	35,383
Total Operating Revenue	1,013,673	986,911
Operating Expenses:		
Administration Expenses:		
Salaries and Wages	45,254	33,956
Fringe Benefits	78,937	72,115
Other	61,760	64,444
Total Administration Expenses	185,951	170,515
Cost of Providing Services:		
Salaries and Wages	67,555	63,406
Other	716,133	724,494
Total Cost of Providing Services	783,688	787,900
Depreciation	93,613	91,858
Total Operating Expenses	1,063,252	1,050,273
Operating Income (Loss)	(49,579)	(63,362)
Non-Operating Revenue (Expenses):		
Amortization of Premium on Capital Lease	6,981	6,981
Bond Interest	(39,781)	(43,898)
Reserve for Debt Service	61,000	61,000
Township Fair Share Contribution	11,866	1,695
Refund of Prior Year Expense	15,509	2,025
Investment Income	9,843	4,816
Total Non-Operating Revenue (Expenses)	65,418	32,619
Change in Net Position	15,839	(30,743)
Net Position - Beginning of Year	2,791,222	2,821,965
Net Position - End of Year	\$ 2,807,061	\$ 2,791,222

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, 2016 and 2015**

	December 31,	
	2016	2015
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 954,021	\$ 983,037
Receipts from Other Operating Revenue	108,421	53,959
Payments to Employees	(118,329)	(95,746)
Payments for Employee Benefits	(41,335)	(57,098)
Payments to Suppliers	(799,999)	(786,786)
	<u>102,779</u>	<u>97,366</u>
Net Cash Provided by Operating Activities		
Cash Flows from Capital and Related Financing Activities:		
Capital Acquisitions	(26,325)	
Prepaid Debt Service	(16,749)	(18,324)
Debt Service:		
Principal	(145,000)	(141,129)
Interest	(22,151)	(25,873)
	<u>(210,225)</u>	<u>(185,326)</u>
Net Cash Used in Capital and Related Financing Activities		
Cash Flows from Investing Activities:		
Interest and dividends	9,843	4,816
	<u>9,843</u>	<u>4,816</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(97,603)</u>	<u>(83,144)</u>
Cash and Cash Equivalents - Beginning	1,420,378	1,503,522
Cash and Cash Equivalents - Ending	<u>\$ 1,322,775</u>	<u>\$ 1,420,378</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (49,579)	\$ (63,362)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Township Fair Share Contribution	11,867	1,695
Refund of Prior Year Expense	13,933	2,025
Depreciation	93,613	91,858
(Increase) Decrease in Consumer Accounts Receivable	12,720	32,721
(Increase) Decrease in Due from Beverly Sewerage Authority	(8,174)	(85)
(Increase) Decrease in Other Accounts Receivable		1,333
Increase (Decrease) in Escrow Deposits	2,447	641
Increase (Decrease) in Overpayments	935	676
Increase (Decrease) in Accounts Payable	2,371	(3,060)
Increase (Decrease) in Due to Beverly Sewerage Authority	(24,480)	16,291
Increase (Decrease) in Compensated Absences Payable	6,036	1,616
Increase (Decrease) in Payroll Deductions Payable	586	
Increase (Decrease) in Pension Liability	40,504	15,017
	<u>40,504</u>	<u>15,017</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 102,779</u>	<u>\$ 97,366</u>

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

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

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, 2016, 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, 2016

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.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments (Continued) - 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. 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.

Deferred Outflows/Inflows of Resources - In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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 \$5,000.00 or more
- 2) Useful life of more than one year
- 3) Asset is not affected by consumption

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

<u>Balance</u>	<u>Premium</u>
<u>December 31, 2016</u>	
Premium Received	\$ 139,612
Accumulated Amortization	94,820
Unamortized Balance	\$ 44,792
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.

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Recently Issued Accounting Pronouncements – In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. This Statement is effective for financial statements for periods beginning after June 15, 2016 and will not have any effect on the District's financial reporting.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are *not* administered through trusts that meet the specified criteria. This Statement is effective for financial statements for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued) - This Statement is effective for financial statements for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements.

In December 2015, the GASB issued Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements.

In March 2016, the GASB issued Statement 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. Furthermore, this Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures. Also, this Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements.

In November 2016, the GASB issued Statement 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements.

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued) - This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements.

In March 2017, the GASB issued Statement 85, Omnibus 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements.

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 \$1,340,023 as of December 31, 2016, \$250,000 was insured under FDIC and the remaining balance of \$1,090,023 was collateralized under GUDPA.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2016**

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>
2016	\$ 144,071	\$ 937,921	\$ 1,081,992	\$ 950,641	87.86%
2015	176,793	944,819	1,121,612	977,541	87.16%
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%

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

During the year ended December 31, 2016, the following changes in Property, Plant and Equipment occurred:

	<u>Balance Dec. 31, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance Dec. 31, 2016</u>
Machinery and Equipment	\$ 20,370	\$ 26,325	\$ -	\$ 46,695
Infrastructure	5,005,782			5,005,782
	5,026,152	26,325		5,052,477
Depreciation	(1,673,006)	(93,613)		(1,766,619)
Completed (Net of Accumulated Depreciation)	<u>\$ 3,353,146</u>	<u>\$ (67,288)</u>	<u>\$ -</u>	<u>\$ 3,285,858</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, 2016 is estimated at \$61,716.

NOTE 7. PENSION PLANS

Description of Plans – The Authority's employees participate in one of the following pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits (Division): the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP). PERS is a defined benefit pension plans while the DCRP is a defined contribution pension plan. Each 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 for the plan as a whole, but not by individual employer. 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.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established on January 1, 1955. The PERS provides retirement, death and disability, and medical benefits to certain 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 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase is being phased-in over seven years beginning on July 1, 2012 and increases each subsequent July 1. The State Treasurer has the right under the current law to make temporary reductions in 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 exist.

The Authority is billed annually for its normal contribution plus any accrued liability. The Authority's contributions, equal to the required contribution for each fiscal year, were as follows:

<u>Fiscal Year</u>	<u>Normal Contributions</u>	<u>Accrued Liability</u>	<u>Group Life</u>	<u>Total Liability Paid by Authority</u>
2016	\$ 2,947	\$ 13,576	\$ 885	\$ 17,408
2015	2,714	12,554	1,034	16,302
2014	2,617	11,505	240	14,362

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the year ended December 31, 2016, the Authority recognized pension expense of \$58,344. At December 31, 2016, the Authority reported a liability of \$587,551 for its proportionate share of the PERS net pension liability and deferred outflows of resources related to PERS from the following sources:

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,927	\$ -
Changes of assumptions	121,709	
Net Difference between projected and actual earnings on pension plan investments	22,404	
Changes in proportion	13,213	6,680
Authority contributions subsequent to the measurement date	17,624	
Total	\$ 185,877	\$ 6,680

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ended:	Net Deferred Outflows of Resources
2017	\$ 37,708
2018	37,708
2019	37,708
2020	37,387
2021	11,062
Total	\$ 161,573

Additional Information

Collective balances at June 30, 2016 and 2015 are as follows:

	6/30/2016	6/30/2015
Collective deferred outflows of resources	\$ 8,685,338,380	\$ 3,578,755,666
Collective deferred inflows of resources	\$ 870,133,595	\$ 993,410,455
Collective net pension liability	\$ 29,617,131,759	\$ 22,447,996,119
Authority's Proportion	.0019838230%	.0020248175%

Actuarial assumptions – The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

- Inflation rate: 3.08%
- Salary Increases:
 - Through 2026: 1.65-4.15% based on age
 - Thereafter: 2.65-5.15% based on age
- Investment Rate of Return: 7.65%

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active employees. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2014 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disables Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	05.00%	00.87%
U.S. Treasuries	01.50%	01.74%
Investment Grade Credit	08.00%	01.79%
Mortgages	02.00%	01.67%
High Yield Bonds	02.00%	04.56%
Inflation Indexed Bonds	01.50%	03.44%
Broad US Equities	26.00%	08.53%
Developed Foreign Equities	13.25%	06.83%
Emerging Market Equities	06.50%	09.95%
Private Equity	09.00%	12.40%
Hedge Funds/Absolute Ret	12.50%	04.68%
Real Estate (Property)	02.00%	06.91%
Commodities	00.50%	05.45%
Global Debt ex US	05.00%	-0.25%
REIT	<u>05.25%</u>	05.63%
	100.0%	

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Discount rate. The discount rate used to measure the State's total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The state employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate. The following presents the Authority's proportionate share of the net pension liability measured as of June 30, 2016, calculated using the discount rate of 3.98%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.98%) or 1 percentage point higher (4.98%) than the current rate:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Authority's proportionate share of the net pension liability	\$ 719,975	\$ 587,551	\$ 478,223

Pension Plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report.

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.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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.

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:

<u>Year Ending Dec. 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 110,000	\$ 33,500	\$ 143,500
2018	115,000	30,200	145,200
2019	120,000	25,600	145,600
2020	125,000	20,800	145,800
2021	130,000	15,800	145,800
2022-23	<u>265,000</u>	<u>16,000</u>	<u>281,000</u>
Total	\$ 865,000	<u>\$ 141,900</u>	<u>\$ 1,006,900</u>
Current Portion	<u>110,000</u>		
Long-Term	<u>\$ 755,000</u>		

NOTE 10. NET POSITION

Net Position Appropriated

The Authority ended the year with an unrestricted net position of \$874,557; however, \$380,305 has been appropriated and included as support in the operating and capital budgets for the year ending December 31, 2017.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2016**

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, 2016 and 2015 the Delanco Township Sewerage Authority paid the City of Beverly Sewerage Authority \$615,621 and \$598,671 respectively, in accordance with this agreement.

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, 2016, the Authority has drawn \$966,075, the total amount of these funds.

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

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

Year Ending Dec. 31,	Principal	Interest	Total
2017	\$ 40,000	\$ 3,600	\$ 43,600
2018	40,000	1,800	41,800
Total	\$ 80,000	\$ 5,400	\$ 85,400
Current Portion	40,000		
Long-Term	\$ 40,000		

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.

Required Supplementary Information
Schedules Related to Accounting and Reporting
For Pensions (GASB 68)

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employees Retirement System
Last Three Fiscal Years

	December 31, 2016	December 31, 2015	December 31, 2014
District's proportion of the net pension liability (asset)	0.0019838230%	0.0020248175%	0.0019774727%
District's proportionate share of the net pension liability (asset)	\$ 587,551	\$ 454,531	\$ 370,237
District's covered-employee payroll	141,356	128,290	139,672
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	415.65%	354.30%	265.08%
Plan fiduciary net position as a percentage of the total pension liability	31.20%	38.21%	42.74%

This schedule does not contain ten years of information as GASB 68 was implemented during the fiscal year ended December 31, 2015.

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of the District's Contributions
Public Employees Retirement System
Last Three Fiscal Years

	December 31, 2016	December 31, 2015	December 31, 2014
Contractually required contribution	\$ 17,624	\$ 17,408	\$ 16,302
Contributions in relation to the contractually required contributions	(17,624)	(17,408)	(16,302)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 141,356	\$ 121,972	\$ 139,672
Contributions as a percentage of covered-employee payroll	12.47%	14.27%	11.67%

This schedule does not contain ten years of information as GASB 68 was implemented during the fiscal year ended December 31, 2015.

Delanco Township Sewerage Authority
Notes to Required Supplementary Information
Pension Schedules
For the Fiscal Year Ended December 31, 2016

1. Public Employees' Retirement System (PERS)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

Changes of assumptions. Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active employees. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2014 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disables Mortality Table (set back 3 years for males and set forward 1 year for females).

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, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Operating Revenues:					
Service Fees	\$ 800,000		\$ 800,000	\$ 937,921	\$ 137,921
Connection Fees	9,195		9,195	39,933	30,738
Other	15,000		15,000	35,819	20,819
Total Operating Revenues	824,195		824,195	1,013,673	189,478
Non-Operating Revenues:					
Township Fair Share Contribution				11,866	11,866
Refund of Prior Year Expense				15,509	15,509
Reserve for Debt Service	61,000		61,000	61,000	
Interest on Investments and Deposits	10,000		10,000	9,843	(157)
Total	\$ 895,195	\$ -	\$ 895,195	\$ 1,111,891	\$ 216,696
Expenses:					
Administration:					
Salaries and Wages:					
Authority Members	\$ 7,000		\$ 7,000	\$ 7,000	\$ -
Secretary/Treasurer	39,500		39,500	37,474	2,026
Deputy Secretary/Treasurer	2,000		2,000	780	1,220
Total Salaries and Wages	48,500		48,500	45,254	3,246
Employee Benefits:					
Public Employees Retirement System	18,000		18,000	57,912	(39,912)
Social Security	16,000		16,000	7,614	8,386
Unemployment Compensation Insurance	500		500	425	75
Workers Compensation Insurance	9,000		9,000	1,407	7,593
Hospitalization Insurance	25,000		25,000	11,579	13,421
Total Employee Benefits	68,500		68,500	78,937	(10,437)
Other Expenses:					
Legal Services and Costs	8,500		8,500	5,558	2,942
Auditing Fees	11,500		11,500	11,500	
Office Expenses	18,000		18,000	20,568	(2,568)
Telephone	3,500		3,500	1,919	1,581
Other Insurance Premiums	24,000		24,000	22,215	1,785
Inspection Fees	500		500	500	
Education, Training & Conferences	1,000		1,000	1,000	
Codification	2,000		2,000	2,000	
Total Other Expenses	69,000		69,000	61,760	7,240
Total Administration	186,000		186,000	185,951	49

(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, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Operating and Maintenance Expenses:					
Salaries	\$ 70,000	\$ -	\$ 70,000	\$ 67,555	\$ 2,445
Electric Power	25,000		25,000	13,485	11,515
Equipment and Supplies	25,000		25,000	33,992	(8,992)
Repairs and Maintenance - Contractual	20,000		20,000	8,725	11,275
Repairs and Maintenance - Lines	10,000		10,000	14,480	(4,480)
Repairs and Maintenance - Equipment	10,000		10,000		10,000
Beverly Sewerage Authority - Contractual	600,000		600,000	615,621	(15,621)
Engineer Services	15,000		15,000	6,291	8,709
Sub-Contractor	20,400		20,400	22,100	(1,700)
Other Expenses	4,000		4,000	1,439	2,561
Total Operating and Maintenance Expenses	799,400		799,400	783,688	15,712
Total Cost of Providing Service	799,400		799,400	783,688	15,712
Debt Service:					
Principal on loans:					
NJEIT Loan	40,000		40,000	40,000	
Revenue Loan	105,000		105,000	105,000	
Interest on loans:					
NJEIT Loan	5,400		5,400	5,400	
Revenue Loan	36,650		36,650	34,381	2,269
Total Debt Service	187,050		187,050	184,781	2,269
Total Operating Expenses and Debt Service	1,172,450		1,172,450	1,154,420	18,030
Excess Operating Expenses and Debt Service over Anticipated Revenues	\$ (277,255)	\$ -	\$ (277,255)	\$ (42,529)	\$ 234,726
<u>Reconciliation to Operating Income:</u>					
Excess Operating Expenses and Debt Service over Anticipated Revenues					\$ (42,529)
Increased by:					
Interest Earned on Deposits				\$ 9,843	
Township Fair Share Contribution				11,866	
Refund of Prior Year Expense				15,509	
Reserve for Debt Service				61,000	
Depreciation				93,613	
					<u>191,831</u>
					<u>(234,360)</u>
Decreased by:					
Loan Principal				145,000	
Loan Interest				39,781	
					<u>184,781</u>
Operating Income (Exhibit B)					\$ (49,579)

DELANCO TOWNSHIP SEWERAGE AUTHORITY

Schedule of Cash
Unrestricted and Restricted
For the Year Ended December 31, 2016

Analysis of Cash Balance, December 31, 2016

Unrestricted Cash:

Delanco Federal Savings Bank:

Checking Accounts

\$ 577,626

Certificate of Deposits

707,380

Payroll Account

25,194

Cash on Hand

100

Total Unrestricted Cash

\$ 1,310,300

Restricted Cash:

Delanco Federal Savings Bank:

Escrow Control Account

12,475

Total Cash

\$ 1,322,775

DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Schedule of Consumer Accounts Receivable
For the Fiscal Year Ended December 31, 2016**

Balance December 31, 2015	\$ 144,071
Increased by:	
2016 Consumer Charges Billed	<u>937,921</u>
	1,081,992
Decreased by:	
Cash Received	<u>950,641</u>
Balance December 31, 2016	<u>\$ 131,351</u>

Schedule-4

**Schedule of Consumer Charge Components
For the Fiscal Year Ended December 31, 2016
(With comparative actual amounts for the year ended December 31, 2015)**

<u>Classification</u>	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Residential	1,815	\$ 851,942	1,814	\$ 870,586
Schools	2	2,895	2	3,077
Churches	2	12,320	2	1,320
Commercial	40	59,390	40	57,135
Other	11	11,374	12	12,701
	<u>1,870</u>	<u>\$ 937,921</u>	<u>1,870</u>	<u>\$ 944,819</u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Schedule of Accounts Payable
For the Year Ended December 31, 2016

Balance December 31, 2015	\$ 3,368
Increased by:	
Operating Expenditures	<u>5,739</u>
Subtotal	9,107
Decreased by:	
Disbursed	<u>3,368</u>
Balance December 31, 2016	<u><u>\$ 5,739</u></u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY

Schedule of Escrow Deposits on Account
For the Year Ended December 31, 2016

Balance December 31, 2015	\$	10,028
Increased by:		
Cash Received		<u>19,389</u>
Subtotal		29,417
Decreased by:		
Cash Paid for Escrow Expenses		<u>16,942</u>
Balance December 31, 2016	\$	<u><u>12,475</u></u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY

Schedule of Accrued Interest Payable
For the Year Ended December 31, 2016

Balance December 31, 2015		\$ 19,273
Increased by:		
Interest charges for the Year Ended December 31, 2016:		
Budget - NJ Infrastructure Trust Loan	\$ 5,400	
Budget - Burlington County Bridge Commission Loan	<u>35,075</u>	
	40,475	
Less - paid from cash on hand with trustee	<u>(2,268)</u>	
		<u>38,207</u>
Subtotal		57,480
Decreased by:		
Cash Disbursed		<u>40,476</u>
Balance December 31, 2016		<u><u>\$ 17,004</u></u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY

Schedule of Property Plant and Equipment - Completed
For the Year Ended December 31, 2016

	Balance December 31, 2015	Additions	Disposals	Balance December 31, 2016
Sewer Lines	\$ 5,013,929	\$ -	\$ -	\$ 5,013,929
Machinery and Equipment	12,222	26,325		38,547
	5,026,151			5,052,476
Less Accumulated Depreciation	(1,673,005)	(93,613)		(1,766,618)
Total	\$ 3,353,146	\$ (93,613)	\$ -	\$ 3,285,858

Single Audit Section

**DELANCO TOWNSHIP SEWERAGE AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

Section I --Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

UNQUALIFIED

Internal control over financial reporting:

1) Material weakness(es) identified?

_____ yes no

2) Significant deficiencies identified?

_____ yes none reported

Noncompliance material to basic financial statements noted?

_____ yes no

Federal Awards

Not Applicable

State Awards

Not Applicable

**DELANCO TOWNSHIP SEWERAGE AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

Section 2 -- Schedule of Financial Statement Findings

This section identifies the reportable conditions, 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 requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

No findings identified.

**DELANCO TOWNSHIP SEWERAGE AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

**Section 3 -- Schedule of Federal Awards and State Financial Assistance
Findings and Questioned Costs**

This section identifies audit findings required to be reported by 2 CFR 200 section .516 of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* and NJOMB Circular Letter 15-08, as applicable.

FEDERAL AWARDS

A federal single audit was not required.

STATE AWARDS

A state single audit was not required.

**DELANCO TOWNSHIP SEWERAGE AUTHORITY
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

This section identifies the status of prior year findings related to the financial statements and federal and state grant awards that are required to be reported in accordance with *Government Auditing Standards* and New Jersey OMB's Circular 15-08.

FINANCIAL STATEMENT FINDINGS

There were no prior year audit findings

FEDERAL AWARDS

There were no prior year audit findings.

STATE AWARDS

There were no prior year audit findings.

ACKNOWLEDGMENT

I express my appreciation for the assistance and courtesies extended to us by the 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', written in a cursive style.

Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

April 27, 2017