

DELANCO TOWNSHIP SEWERAGE AUTHORITY
County of Burlington

REPORT OF AUDIT
For the Years Ended
December 31, 2020 and 2019

DELANCO TOWNSHIP SEWERAGE AUTHORITY

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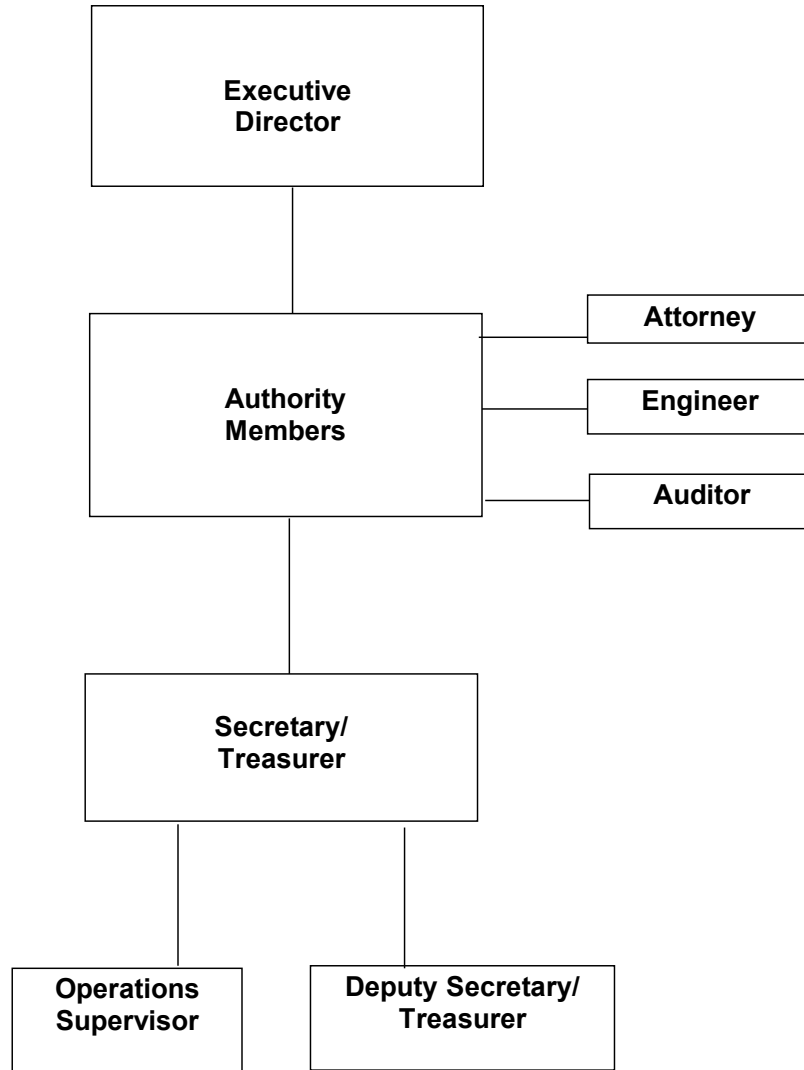
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Introductory Section

DELANCO TOWNSHIP SEWERAGE AUTHORITY

Organizational Chart



DELANCO TOWNSHIP SEWERAGE AUTHORITY

Roster of Officials December 31, 2020

Members of the Authority

Term Expires

Thomas Fynan, Chairperson

2023

Kate Fitzpatrick

2026

Mancer Cyr

2024

Bill Matulewicz

2026

Robert Dovey, Jr.

2022

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, Esq.
Raymond Coleman Heinold LLP
325 New Albany Road
Moorestown, NJ 08057

Engineer

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

Official Depository

First Bank
Delanco, NJ 08075

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, 2020 and December 31, 2019, 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, 2020 and December 31, 2019, 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 January 28, 2022 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
January 28, 2022

INVERSO & STEWART, LLC
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**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, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated January 28 2022.

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
January 28, 2022

Required Supplementary Information - Part I
Management's Discussion and Analysis

**Delanco Township Sewerage Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2020**

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, 2020. 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, 2020 and 2019

	2020	2019
Assets		
Current	\$ 1,759,120	\$ 1,676,537
Capital Assets	2,923,626	3,013,165
Total Assets	4,682,746	4,689,702
Deferred Outflows of Resources		
Deferred Outflows of Resources		
Pensions	19,893	75,872
Liabilities		
Current Liabilities	191,348	427,327
Noncurrent Liabilities	554,786	1,082,331
Total Liabilities	746,134	1,509,658
Deferred Inflows of Resources		
Deferred Inflows of Resources		
Pensions	316,607	142,365
Net Position	\$ 3,639,898	\$ 3,113,551
Net Position Consist of:		
Invested in Capital Assets	\$ 2,528,626	\$ 2,493,165
Designated to Subsequent Year	311,056	317,856
Unrestricted	800,216	302,530
Net Position	\$ 3,639,898	\$ 3,113,551

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$3,639,898 (*net position*).
- The total net position of the Authority increased by \$526,347 or a 16.91% increase from the restated prior year-end balance. The increase is attributable to a decrease in the contract with Beverly Sewerage Authority.

Delanco Township Sewerage Authority
Changes in Net Position
For the Year Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues		
Program Revenues		
Charges for services	\$ 969,535	\$ 934,827
Connection Fees	186,182	66,464
Penalties on Delinquent Rents	19,627	23,081
Reserve for Debt Service	61,000	61,000
Fair Share Contribution	61,871	22,884
Other revenue	3,577	2,068
Nonoperating Revenues:		
Amortization of premium	6,982	6,981
Interest revenue	13,655	12,265
Total Revenues	<u>1,322,429</u>	<u>1,129,570</u>
Expenses		
Administration		
Salaries	58,825	51,351
Fringe Benefits	49,609	62,238
Other Expenses	55,113	63,265
Cost of Providing Services		
Salaries	44,448	60,302
Operating and Maintenance	480,039	835,465
Depreciation	89,540	89,540
Interest on Debt	18,508	73,400
Total Expenses	<u>796,082</u>	<u>1,235,561</u>
Increase in Net Position	526,347	(105,991)
Net Position, January 1,	3,113,551	3,219,542
Net Position, December 31,	<u>\$ 3,639,898</u>	<u>\$ 3,113,551</u>

The sewer collection rate increased from 89.68% in 2019 to 90.83% in 2020.

The Authority is relying on the Unrestricted Net Position to balance the budget. In 2020 the Authority appropriated \$317,856 of available unrestricted net position, whereas in 2021 the Authority appropriated \$311,056 of available unrestricted net position.

**Delanco Township Sewerage Authority
Capital Assets (net of accumulated depreciation)
For the Year Ended December 31, 2020 and 2019**

The Authority's capital assets as of December 31, 2020, totaled \$2,923,626 (net of accumulated depreciation) which represents a decrease of \$89,539 when compared to December 31, 2019. The total decrease resulted from depreciation expense.

	2020	2019
Capital Assets	\$ 2,923,626	\$ 3,013,165
Total	\$ 2,923,626	\$ 3,013,165

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, 2020.

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, 2020 was \$414,609, a decrease of \$178,537 when compared to the balance at December 31, 2019 in the amount of \$593,146. The decrease is primarily due to the repayment of debt principal and the expensing of premium.

The outstanding debt consists of \$395,000 funded by the Burlington County Bridge Commission (BCBC), \$16,870 of unamortized premium on the loan with BCBC and \$2,739 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 the Notes to the Financial Statements.

Next Year's Budget and User Rates

The Delanco Township Sewerage Authority adopted a budget of \$1,167,400 for 2021 which is a decrease of \$6,800 when compared to 2020 Budget. User rates for 2021 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, 2020 and 2019

	December 31,	
	2020	2019
ASSETS:		
Current Assets:		
Revenue/Operating Account:		
Cash and Cash Equivalents	\$ 1,491,211	\$ 1,567,628
Consumer Accounts Receivable	98,860	108,909
Due from the City of Beverly Sewerage Authority	169,049	
Total Current Assets	1,759,120	1,676,537
Non-Current Assets:		
Property, Plant and Equipment:	5,052,477	5,052,477
Less Accumulated Depreciation	(2,128,851)	(2,039,312)
Total Property, Plant and Equipment:	2,923,626	3,013,165
Total Assets	4,682,746	4,689,702
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows of resources from pension	19,893	75,872
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,702,639	\$ 4,765,574

Continued

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Comparative Statements of Net Position
As of December 31, 2020 and 2019

	December 31,	
	2020	2019
LIABILITIES:		
Current liabilities:		
Accounts Payable - Operations	\$ 26,038	\$ 251,083
Accounts payable related to pensions	5,781	19,930
Service Charges Overpayments	2,824	2,810
Capital Lease Payable - Current Portion	130,000	125,000
Accrued Bond and Loan Interest Payable	7,241	9,533
Payroll Deductions Payable	84	1,142
Escrow Deposits	19,380	17,829
Total Current Liabilities	191,348	427,327
Non-Current Liabilities		
Reserve for Debt Service	184,000	245,000
Capital Lease Payable	265,000	395,000
Unamortized Premium on BCBC Lease	16,870	23,851
Compensated Absences Payable	2,739	49,295
Net Pension Liability	86,177	369,185
Total Non-Current Liabilities	554,786	1,082,331
Total Liabilities	746,134	1,509,658
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows of resources from pension	316,607	142,365
NET POSITION:		
Net Investment in Capital Assets	2,528,626	2,493,165
Unrestricted:		
Restricted	311,056	317,856
Unrestricted	800,216	302,530
Total Unrestricted	1,111,272	620,386
Total Net Position	3,639,898	3,113,551
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 4,702,639	\$ 4,765,574

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, 2020 and 2019

	December 31,	
	2020	2019
Operating Revenues:		
Service Charges	\$ 969,535	\$ 934,827
Connection Fees	186,182	66,464
Penalties on Delinquent Rents	19,627	23,081
Reserve for Debt Service	61,000	61,000
Fair Share Contribution	61,871	22,884
Miscellaneous	3,577	2,068
Total Operating Revenue	<u>1,301,792</u>	<u>1,110,324</u>
Operating Expenses:		
Administration Expenses:		
Salaries and Wages	58,825	51,351
Fringe Benefits	49,609	62,238
Other	55,113	63,265
Total Administration Expenses	<u>163,547</u>	<u>176,854</u>
Cost of Providing Services:		
Salaries and Wages	44,448	60,302
Other	480,039	835,465
Total Cost of Providing Services	<u>524,487</u>	<u>895,767</u>
Depreciation	89,540	89,540
Total Operating Expenses	<u>777,574</u>	<u>1,162,161</u>
Operating Income (Loss)	<u>524,218</u>	<u>(51,837)</u>
Non-Operating Revenue (Expenses):		
Amortization of Premium on Capital Lease	6,982	6,981
Bond Interest	(18,508)	(23,400)
Contribution to Delanco Township		(50,000)
Investment Income	13,655	12,265
Total Non-Operating Revenue (Expenses)	<u>2,129</u>	<u>(54,154)</u>
Change in Net Position	526,347	(105,991)
Net Position - Beginning of Year	<u>3,113,551</u>	<u>3,219,542</u>
Net Position - End of Year	<u>\$ 3,639,898</u>	<u>\$ 3,113,551</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, 2020 and 2019

	December 31,	
	2020	2019
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 979,599	\$ 945,023
Receipts from Other Operating Revenue	272,807	141,813
Payments to Employees	(139,547)	(120,485)
Payments for Employee Benefits	(51,024)	(60,088)
Payments to Suppliers	(1,006,107)	(660,878)
Net Cash Provided by Operating Activities	55,728	245,385
Cash Flows from Capital and Related Financing Activities:		
Capital Acquisitions		
Prepaid Debt Service		
Debt Service:		
Principal	(125,000)	(120,000)
Interest	(20,800)	(25,600)
Net Cash Used in Capital and Related Financing Activities	(145,800)	(145,600)
Cash Flows used in Noncapital Financing Activities:		
Contribution to Delanco Township		(50,000)
Cash Flows from Investing Activities:		
Interest and dividends	13,655	12,265
Net Increase (Decrease) in Cash and Cash Equivalents	(76,417)	62,050
Cash and Cash Equivalents - Beginning	1,567,628	1,505,578
Cash and Cash Equivalents - Ending	\$ 1,491,211	\$ 1,567,628
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 524,218	\$ (51,837)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	89,540	89,540
(Increase) Decrease in Consumer Accounts Receivable	10,049	11,758
(Increase) Decrease in Due from Beverly Sewerage Authority	(169,049)	19,873
(Increase) Decrease in Reserve for Debt Service	(61,000)	(61,000)
Increase (Decrease) in Escrow Deposits	1,550	7,443
Increase (Decrease) in Overpayments	14	(1,562)
Increase (Decrease) in Accounts Payable	(225,045)	247,349
Increase (Decrease) in Compensated Absences Payable	(46,555)	(13,909)
Increase (Decrease) in Payroll Deductions Payable	(1,058)	(4,216)
Increase (Decrease) in Pension Liability	(66,936)	1,946
Net Cash Provided by (Used for) Operating Activities	\$ 55,728	\$ 245,385

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, 2020

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 2020 State population estimate is 4,426.

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* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. 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, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Unit*, provide 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 legal entity, but also for legally separate organizations that meet the criteria established by GASB Statements No. 14 and No. 39. In addition, GASB Statement No. 61, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government's management determines that it would be misleading to exclude them. GASB Statement No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14* amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criteria requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. There were no additional entities required to be included in the reporting entity under the criteria as described above.

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, 2020

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, 2020

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, 2020

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.

Balance December 31, 2020	Premium
Premium Received	\$ 139,612
Accumulated Amortization	122,742
Unamortized Balance	\$ 16,870
Current Amortized Balance	\$ 6,982

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, 2020

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 2017, the GASB issued Statement 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. 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. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Unit (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 \$1,489,833 as of December 31, 2020, \$250,000 was insured under FDIC and the remaining balance of \$1,239,833 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.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 4. SEWER SERVICE CHARGES (Continued)

Year Ending Dec. 31,	Beginning Balance	Consumer Charges	Total	Collections	Percentage of Collections
2020	\$ 108,909	\$ 969,535	\$ 1,078,444	\$ 979,584	90.83%
2019	120,667	934,827	1,055,494	946,585	89.68%
2018	114,104	915,252	1,029,356	908,689	88.28%
2017	131,351	912,490	1,043,841	929,737	89.07%
2016	144,071	937,921	1,081,992	950,641	87.86%

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

During the year ended December 31, 2020, the following changes in Property, Plant and Equipment occurred:

	Balance Dec. 31, 2019	Additions	Disposals	Balance Dec. 31, 2020
Machinery and Equipment	\$ 46,695	\$ -	\$ -	\$ 46,695
Infrastructure	5,005,782			5,005,782
	5,052,477	-		5,052,477
Depreciation	(2,039,311)	(89,540)		(2,128,851)
Completed (Net of Accumulated Depreciation)	<u>\$ 3,013,166</u>	<u>\$ (89,540)</u>	<u>\$ -</u>	<u>\$ 2,923,626</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, 2020 is estimated at \$2,739.

NOTE 7. PENSION PLANS

Public Employees' Retirement System (PERS)

Substantially all of 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 Police and Firemen's Retirement System (PFRS), the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP). 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. That report may be obtained by writing to or at the following website: the State of New Jersey, Division of Pensions and Benefits. P.O. Box 295, Trenton, New Jersey, 08625-0295, <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS)(Continued)

Plan Description - 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 Membership in the PERS is mandatory for substantially all full-time employees of the Fire District, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS. For additional information about PERS, please refer to Division's annual financial statements, which can be found at <http://www.state.nj.us/treasury/pensions/annual-reports.shtml>.

Vesting and Benefit Provisions – 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 medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62, and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for their respective tier.

Contributions - The contribution requirements of plan members are determined by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. The member contribution rate was 7.50% in State fiscal year 2020. Employers' contribution amounts are based on an actuarially determined rate. The Authority's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

The Authority's contractually required contribution rate for the year ended December 31, 2020 was 14.68% of the Authority's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2020, the Authority's contractually required contribution to the pension plan for the fiscal year ended December 31, 2020 was \$5,781 and is payable by April 1, 2021. Based on the PERS measurement date of June 30, 2019, the Authority's contractually required contribution to the pension plan for the year ended December 31, 2019 was \$19,930, which was paid by April 1, 2020. Employee contributions to the pension plan during the year ended December 31, 2020 were \$2,952.

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS)(Continued)

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

<u>Fiscal Year</u>	<u>Normal Contributions</u>	<u>Accrued Liability</u>	<u>Non Contributory Life</u>	<u>Total Liability Paid by District</u>
2020	\$ 1,844	\$ 17,067	\$ 1,019	\$ 19,930
2019	2,577	17,108	938	20,623
2018	2,488	15,493	921	18,902

Pension Liabilities, Pension Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions – 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.

At December 31, 2020, the Authority's proportionate share of the PERS net pension liability was \$86,177. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The Authority's proportion of the of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

For the year ended December 31, 2020, the Authority's proportionate share of the PERS pension expense, calculated by the plan as of the June 30, 2019 measurement date is (\$61,154). This expense is not recognized by the Authority because of the regulatory basis of accounting as described in note 1.

At December 31, 2020, the Authority's proportionate share of the PERS net pension liability was \$86,177 and deferred outflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,569	\$ 305
Changes of assumptions	2,796	36,083
Net Difference between projected and actual earnings on pension plan investments	2,946	
Changes in proportion	6,801	280,219
Authority contributions subsequent to the measurement date	5,781	
Total	\$ 19,893	\$ 316,607

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS)(Continued)

\$5,781 included in deferred outflows of resources, will be included as a reduction of the net pension liability in the year ending December 31, 2021. Other 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 (Inflows) of Resources
2021	\$ (95,772)
2022	(82,980)
2023	(79,162)
2024	(62,364)
2025	17,783
Total	\$ (302,495)

The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		
Year of Pension Plan Deferral:		
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	-	5.63
June 30, 2019	5.21	-
June 30, 2020	5.16	-
Changes of assumptions		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
June 30, 2020	-	5.16
Differences between projected and actual investment earnings on pension plan investments		
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
June 30, 2020	5.00	-

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS)(Continued)

Additional Information

Collective balances at June 30, 2020 and 2019 are as follows:

	<u>6/30/2020</u>	<u>6/30/2019</u>
Collective deferred outflows of resources	\$ 2,347,583,337	\$ 3,149,522,616
Collective deferred inflows of resources	\$ 7,849,949,467	\$ 7,645,087,574
Collective net pension liability	\$ 16,435,616,426	\$ 18,143,832,135
Authority's Proportion	.0005284522%	.0020733365%

Actuarial assumptions – The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020.

This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

- Inflation rate:
 - Price 2.75%
 - Wage 3.25%
- Salary Increases:
 - Through 2026: 2.00 – 6.00% based on years of service
 - Thereafter: 3.00 – 7.00% based on years of service
- Investment Rate of Return: 7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) 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.

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS)(Continued)

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	27.00%	7.71%
Non-U.S. Developed Market Equity	13.50%	8.57%
Emerging Market Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	3.00%	3.40%

Discount rate. The discount rate used to measure the State's total pension liability was 7.00% as of June 30, 2020. 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 and nonemployer contributing entity will be made based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied all projected benefit payments to 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, 2020, calculated using the discount rate of 7.00%, 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 (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Authority's proportionate share of the net pension liability	\$ 108,482	\$ 86,177	\$ 67,250

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.

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2020

7. PENSION PLANS (Continued)

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program is a cost-sharing multiple-employer defined contribution pension plan which was established on July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A.43:15C-1 et. seq), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Divisions of Pensions and Benefits by Prudential Financial. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by State statute. 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. In addition to the employee contributions, the Authority's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

There were no Authority employees enrolled in the DCRP for the years ended December 31, 2020, 2019 and 2018.

NOTE 8. 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; employee health and accident claims; and natural disasters. The Authority has chosen to purchase insurance to transfer risk to outside parties.

Property and Liability Insurance – The Authority maintains commercial insurance for all risks of loss, including property, liability, employee health, accident insurance and public official surety bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

General Information about the OPEB Plan (Continued)

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The Authority has adopted a resolution to participate in the SHBP.

Funding policy - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Postretirement 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 monthly. Premiums are funded entirely by the Authority and are based on the type of coverage selected by the employee. The Authority's contributions to the SHBP for post-retirement benefits for the years ended December 31, 2020 and 2019 were \$-0- and \$-0- respectively, which equaled the required benefit contribution for each year.

Basis of Presentation

The schedule of employer and nonemployer allocations and the schedule of OPEB amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of its participating employers or the State as a nonemployer contributing entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the participating employers or the State. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the Plan to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. For the nonspecial funding situation, the total OPEB liabilities for the year ended June 30, 2020 and 2019 were \$173,869 and \$123,544 respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2019 through June 30, 2020.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Components of net OPEB liability

The components of the collective net OPEB liability of the participating employers in the SHBP as of December 31, 2020 and 2019 were as follows:

	2020	2019
Total OPEB liability	\$ 173,869	\$ 123,544
Plan fiduciary net position	1,582	2,442
Net OPEB liability	\$ 172,287	\$ 121,102

Plan fiduciary net position as a percentage of the total OPEB liability	0.90%	2.00%
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Actuarial assumptions and other imputes - The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The actuarial assumptions vary for each plan member depending on the pension plan the member enrolled in.

This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary increases*	
Through 2026	2.00% to 6.00%
Thereafter	3.00% to 7.00%

Health Care Trend Assumptions - For pre-Medicare medical benefits, the trend is initially 5.6% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 through 2022 are reflected. The rates used for 2023 and 2023 are 21.83% and 18.53%, respectively, trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.00% and decreases to a 4.5% long-term trend rate after seven years.

Discount Rate - The discount rate for June 30, 2020 was 2.21%. This represent the municipal bond return rate as chosen by the State. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Retirees' Share of Benefit Related Costs - Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retirees will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Changes in the Total OPEB Liability reported by the State of New Jersey -

	Total OPEB Liability
Balance as of June 30, 2019 Measurement Date	\$ 13,819,244,582
Changes for the years'	
Service Cost	\$ 605,949,339
Interest	497,444,533
Changes of Benefit Terms	1,034,142
Differences Between Expected and Actual Experience	541,506,395
Changes in Assumptions	3,074,968,821
Contributions from the Non-employer	N/A
Contributions from the Member	37,546,413
Gross Benefit Payments	(466,218,997)
Net Investment Income	N/A
Administrative Expense	N/A
Net Changes	\$ 4,292,230,646
Balance at 06/30/2020	\$ 18,111,475,228
Plan fiduciary net position	\$ 164,862,282
Net OPEB Liability	\$ 17,946,612,946

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% as of June 30, 2019 to 2.21% as of June 30, 2020.

Sensitivity of the Net OPEB liability to changes in the discount rate - The following presents the collective net OPEB liability of the participating employers and the proportionate share attributable to the Authority as of June 30, 2020 and June 30, 2019, calculated using the discount rate as disclosed above as well as what the collective and municipal net OPEB liability would be if it was calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
June 30, 2020			
Proportionate Share Attributable to the Authority	\$ 203,680	\$ 172,287	\$ 147,437
June 30, 2019			
Proportionate Share Attributable to the Authority	\$ 104,736	\$ 121,102	\$ 138,716

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Proportionate Share Attributable

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates - The following presents the net OPEB liability as of June 30, 2020 and June 30, 2019, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare cost trend rates:

June 30, 2020	1% Decrease	Current Healthcare cost trend rate	1% Increase
Proportionate Share Attributable to the Authority	\$ 142,568	\$ 172,287	\$ 211,205
June 30, 2019	1% Decrease	Healthcare cost trend rate	1% Increase
Proportionate Share Attributable to the Authority	\$ 102,195	\$ 121,102	\$ 145,221

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2020, the Authority recognized OPEB (benefit)/expense of \$(30,888) determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS No. 75, the Authority's proportionate share of retirees OPEB is zero, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources.

At June 30, 2020, the State reported deferred outflows of resources and deferred inflows of resources related to retired local government employee's OPEB from the following sources:

	<u>06/30/20</u>
Collective deferred outflows of resources	\$ 7,524,438,130
Collective deferred inflows of resources	11,689,136,161
Collective net OPEB liability (Non-Employer – State of New Jersey)	17,946,612,946
State's portion of the net OPEB liability that was associated with the Authority	172,287
State's portion of the net OPEB liability that was associated with the Authority as a percentage of the collective net OPEB liability	.000960%

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

At December 31, 2020 and 2019, the Authority reported deferred outflows of resources and referred inflows of resources related to OPEB from the following sources:

	2020		2019	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Net differences between projected and actual investment earnings on OPEB plan investments	\$ 4,538	\$ -	\$ 100	\$ -
Changes in proportion	25,769		4,277	
Differences between expected and actual experience	109	32,083		35,415
Changes of assumptions		38,314		42,916
Changes in proportion	16,426	199,733		234,551
Total	\$ 46,842	\$ 270,130	\$ 4,377	\$ 312,882

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Authority's retired local government employee's OPEB will be recognized in OPEB expense as follows:

For the year ended: December 31, 2020		
2021		\$ (51,723)
2022		(51,770)
2023		(51,846)
2024		(51,915)
2025		(35,399)
Thereafter		19,365
Total		\$ (223,288)

The Authority currently has no employees receiving health benefits or eligible for postemployment health benefits. Therefore, no other postemployment liability or expense is reflected in the financial statements.

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2020

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>
2021	\$ 130,000	\$ 15,800	\$ 145,800
2022	130,000	10,600	140,600
2023	135,000	5,400	140,400
	<hr/>	<hr/>	<hr/>
Total	\$ 395,000	\$ 31,800	\$ 426,800
Current Portion	<u>130,000</u>		
Long-Term	<u>\$ 265,000</u>		

NOTE 10. 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, 2038 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, 2020 and 2019 the Delanco Township Sewerage Authority paid the City of Beverly Sewerage Authority \$454,414 and \$660,466 respectively, in accordance with this agreement.

Required Supplementary Information - Part II

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, 2020**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Operating Revenues:					
Service Fees	\$ 860,344	\$ -	\$ 860,344	\$ 969,535	\$ 109,191
Connection Fees	10,000		10,000	186,182	176,182
Reserve for Debt Service	61,000		61,000	61,000	
Penalties on Delinquent Service Fees	20,000		20,000	19,627	(373)
Fair Share Contribution				61,871	61,871
Miscellaneous				3,577	3,577
Total Operating Revenues	951,344		951,344	1,301,792	350,448
Non-Operating Revenues:					
Interest on Investments and Deposits	5,000		5,000	13,655	8,655
Total	\$ 956,344	\$ -	\$ 956,344	\$ 1,315,447	\$ 359,103
Expenses:					
Administration:					
Salaries and Wages:					
Authority Members	\$ 7,000	\$ -	\$ 7,000	\$ 7,000	\$ -
Secretary/Treasurer	52,000		52,000	51,325	675
Deputy Secretary/Treasurer	2,000		2,000	500	1,500
Total Salaries and Wages	61,000		61,000	58,825	2,175
Employee Benefits:					
Public Employees Retirement System	30,000		30,000	20,008	9,992
Social Security	16,000		16,000	7,900	8,100
Unemployment Compensation Insurance	500		500	545	(45)
Workers Compensation Insurance	13,000		13,000	6,971	6,029
Hospitalization Insurance	18,000		18,000	14,185	3,815
Total Employee Benefits	77,500		77,500	49,609	27,891
Other Expenses:					
Legal Services and Costs	8,500		8,500	4,188	4,312
Auditing Fees	12,400		12,400	12,300	100
Office Expenses	27,000		27,000	18,603	8,397
Telephone	3,500		3,500	2,492	1,008
Other Insurance Premiums	26,000		26,000	17,530	8,470
Inspection Fees	500		500		500
Education, Training & Conferences	1,000		1,000		1,000
Codification	2,000		2,000		2,000
Total Other Expenses	80,900		80,900	55,113	25,787
Total Administration	219,400		219,400	163,547	55,853

(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, 2020**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Operating and Maintenance Expenses:					
Salaries	\$ 50,000	\$ -	50,000	\$ 44,448	\$ 5,552
Electric Power	25,000		25,000	26,647	(1,647)
Equipment and Supplies	25,000		25,000	1,861	23,139
Repairs and Maintenance - Contractual	20,000		20,000	3,303	16,697
Repairs and Maintenance - Lines	10,000		10,000	6,629	3,371
Repairs and Maintenance - Equipment	10,000		10,000	23,936	(13,936)
Beverly Sewerage Authority - Contractual	650,000		650,000	454,414	195,586
Engineer Services	15,000		15,000	25,393	(10,393)
Other Expenses	4,000		4,000	1,318	2,682
Total Operating and Maintenance Expenses	809,000		809,000	587,949	221,051
Capital Outlay:					
Sewer System Upgrades	100,000		100,000	3,474	96,526
Total Capital Outlay	100,000		100,000	3,474	96,526
Total Cost of Providing Service	1,128,400		1,128,400	754,970	373,430
Debt Service:					
Principal on loans:					
Revenue Loan	125,000		125,000	125,000	
Interest on loans:					
Revenue Loan	20,800		20,800	18,508	2,292
Total Debt Service	145,800		145,800	143,508	2,292
Total Operating Expenses and Debt Service	1,274,200		1,274,200	898,478	375,722
Non-Operating Appropriations:					
Contribution to Delanco Township					
Unrestricted Net Position to Balance Budget	(317,856)		(317,856)		(317,856)
Total Appropriations and Unrestricted Net Position	956,344		956,344	898,478	57,866
Excess Revenues over Operating Expenses and Debt Service	\$ -	\$ -	\$ -	\$ 416,969	\$ 416,969

Reconciliation to Operating Income:

Excess Operating Expenses and Debt Service over Anticipated Revenues					\$ 416,969
Increased by:					
GASB 68 Expense				\$ 66,936	
Loan Principal				125,000	
Loan Interest				18,508	
					<u>210,444</u>
					627,413
Decreased by:					
Depreciation				89,540	
Interest Earned on Deposits				13,655	
					<u>103,195</u>
Operating Income (Exhibit A-2)					<u>\$ 524,218</u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Schedule of Cash
Unrestricted and Restricted
For the Year Ended December 31, 2020**

Analysis of Cash Balance, December 31, 2020

Unrestricted Cash:

Delanco Federal Savings Bank:

Checking Accounts	\$ 700,248
Certificate of Deposits	744,650
Payroll Account	26,833

Cash on Hand	<u>100</u>
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Total Unrestricted Cash		\$ 1,471,831
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Restricted Cash:

Delanco Federal Savings Bank:

Escrow Control Account	<u>19,380</u>
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Total Cash		<u><u>\$ 1,491,211</u></u>
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DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Schedule of Consumer Accounts Receivable
For the Fiscal Year Ended December 31, 2020**

Balance December 31, 2019	\$ 108,909
Increased by:	
2020 Consumer Charges Billed	<u>969,535</u>
	1,078,444
Decreased by:	
Cash Received	<u>979,584</u>
Balance December 31, 2020	<u>\$ 98,860</u>

**Schedule of Consumer Charge Components
For the Fiscal Year Ended December 31, 2020
(With comparative actual amounts for the year ended December 31, 2019)**

<u>Classification</u>	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Residential	1,840	\$ 882,991	1,831	\$ 852,836
Schools/Churches	4	3,956	4	4,551
Commercial	45	66,246	44	60,657
Other	16	16,342	16	16,783
	<u>1,905</u>	<u>\$ 969,535</u>	<u>1,895</u>	<u>\$ 934,827</u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Schedule of Accounts Payable
For the Year Ended December 31, 2020

Balance December 31, 2019		\$ 251,083
Increased by:		
Operating Expenditures		<u>26,038</u>
Subtotal		277,121
Decreased by:		
Disbursed	\$ 251,083	
Canceled	<u>-</u>	<u>251,083</u>
Balance December 31, 2020		<u><u>\$ 26,038</u></u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Schedule of Escrow Deposits on Account
For the Year Ended December 31, 2020**

Balance December 31, 2019	\$	17,829
Increased by:		
Cash Received		<u>19,092</u>
Subtotal		36,921
Decreased by:		
Cash Paid for Escrow Expenses		<u>17,541</u>
Balance December 31, 2020	\$	<u><u>19,380</u></u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Schedule of Accrued Interest Payable
For the Year Ended December 31, 2020**

Balance December 31, 2019		\$ 9,533
Increased by:		
Interest charges for the Year Ended December 31, 2020:		
Budget - NJ Infrastructure Trust Loan	\$ 20,800	
Less - paid from cash on hand with trustee	<u>(2,292)</u>	
		<u>18,508</u>
Subtotal		28,041
Decreased by:		
Cash Disbursed		<u>20,800</u>
Balance December 31, 2020		<u><u>\$ 7,241</u></u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Schedule of Property Plant and Equipment - Completed
For the Year Ended December 31, 2020**

	Balance December 31, 2019	Additions	Disposals	Balance December 31, 2020
Sewer Lines	\$ 5,005,782	\$ -	\$ -	\$ 5,005,782
Machinery and Equipment	46,695			46,695
	<u>5,052,477</u>			<u>5,052,477</u>
Less Accumulated Depreciation	<u>(2,039,312)</u>	<u>(89,539)</u>		<u>(2,128,851)</u>
Total	<u>\$ 3,013,165</u>	<u>\$ (89,539)</u>	<u>\$ -</u>	<u>\$ 2,923,626</u>

Required Supplementary Information - Part III
Schedules Related to Accounting and Reporting
For Pensions and
Other Post Employment Benefits

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

	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Authority's proportion of the net pension liability (asset)	0.0005284522%	0.0020489245%	0.0020733365%	0.0020403863%	0.0019838230%	0.0020248175%
Authority's proportionate share of the net pension liability (asset)	\$ 86,177	\$ 369,185	\$ 408,230	\$ 474,969	\$ 587,551	\$ 454,531
Authority's covered-employee payroll	39,384	66,450	145,600	145,600	141,356	128,290
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	218.81%	555.58%	280.38%	326.21%	415.65%	354.30%
Plan fiduciary net position as a percentage of the total pension liability	42.90%	42.04%	40.45%	36.78%	31.20%	38.21%

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 Six Fiscal Years

	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Contractually required contribution	\$ 5,781	\$ 19,930	\$ 20,623	\$ 18,902	\$ 17,624	\$ 17,408
Contributions in relation to the contractually required contributions	<u>(5,781)</u>	<u>(19,930)</u>	<u>(20,623)</u>	<u>(18,902)</u>	<u>(17,624)</u>	<u>(17,408)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 39,384	\$ 66,450	\$ 145,600	\$ 145,600	\$ 141,356	\$ 121,972
Contributions as a percentage of covered-employee payroll	14.68%	29.99%	14.16%	12.98%	12.47%	14.27%

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 Authority's Proportionate Share of
Other Postemployment Employee Benefits Liability
Last Four Fiscal Years

	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Authority's proportionate share of the other postemployment employee benefits liability (asset) - percentage	0.000894%	0.000894%	0.001931%	0.001906%
Authority's proportionate share of the other postemployment employee benefits liability (asset) - value	\$ 172,287	\$ 121,102	\$ 302,522	\$ 389,125
State's proportionate share of the other postemployment employee benefits liability (asset) associated with the Authority	1,582	2,442	6,073	4,065
Total	\$ 173,869	\$ 123,544	\$ 308,595	\$ 393,190
Authority's covered-employee payroll	39,384	66,450	145,600	145,600
Authority's proportionate share of the employee liability (asset) as a percentage of its covered-employee payroll	437.45%	182.25%	207.78%	267.26%
Plan fiduciary net position as a percentag of the total other post employment employees benefits liability	4.02%	3.67%	4.17%	2.79%

This schedule does not contain ten years of information as GASB 75 was implemented during the fiscal year ended December 31, 2018.

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of the Authority's Contributions for
Other Postemployment Benefits
Last Four Fiscal Years

	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	39,384	66,450	145,600	145,600
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%

This schedule does not contain ten years of information as GASB 65 was implemented during the fiscal year ended December 31, 2018.

Delanco Township Sewerage Authority
Notes to Required Supplementary Information
For the Fiscal Year Ended September 30, 2020

Public Employees' Retirement System (PERS)

Note 1. Changes in benefit term assumptions

There were no changes in benefit terms.

Note 2. Changes in assumptions

The Discount Rate changed to 7.00% as of June 30, 2020 from 6.28% as of June 30, 2019 and the long-term rate remained at 7.00%.

Postemployment Benefits Other Than Pensions (OPEB)

Note 3. Changes in benefit term assumptions

There were no changes in benefit terms.

Note 4. Changes in assumptions

The discount rate changed to 2.21% as of June 30, 2020 from 3.50% as of June 30, 2019.

Findings and Recommendations - Part IV

**DELANCO TOWNSHIP SEWERAGE AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2020**

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 <u> X </u> no
2) Significant deficiencies identified?	_____ yes <u> X </u> none reported
Noncompliance material to basic financial statements noted?	_____ yes <u> X </u> no

Federal Awards

Not Applicable

State Awards

Not Applicable

**DELANCO TOWNSHIP SEWERAGE AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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 YEAR ENDED DECEMBER 31, 2020**

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

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey Circular 15-08-OMB.

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**

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

A federal single audit was not required.

STATE AWARDS

A state single audit was not required.

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".

Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

January 28, 2022