

DELANCO TOWNSHIP SEWERAGE AUTHORITY
County of Burlington

REPORT OF AUDIT
For the Years Ended
December 31, 2021 and 2020

DELANCO TOWNSHIP SEWERAGE AUTHORITY

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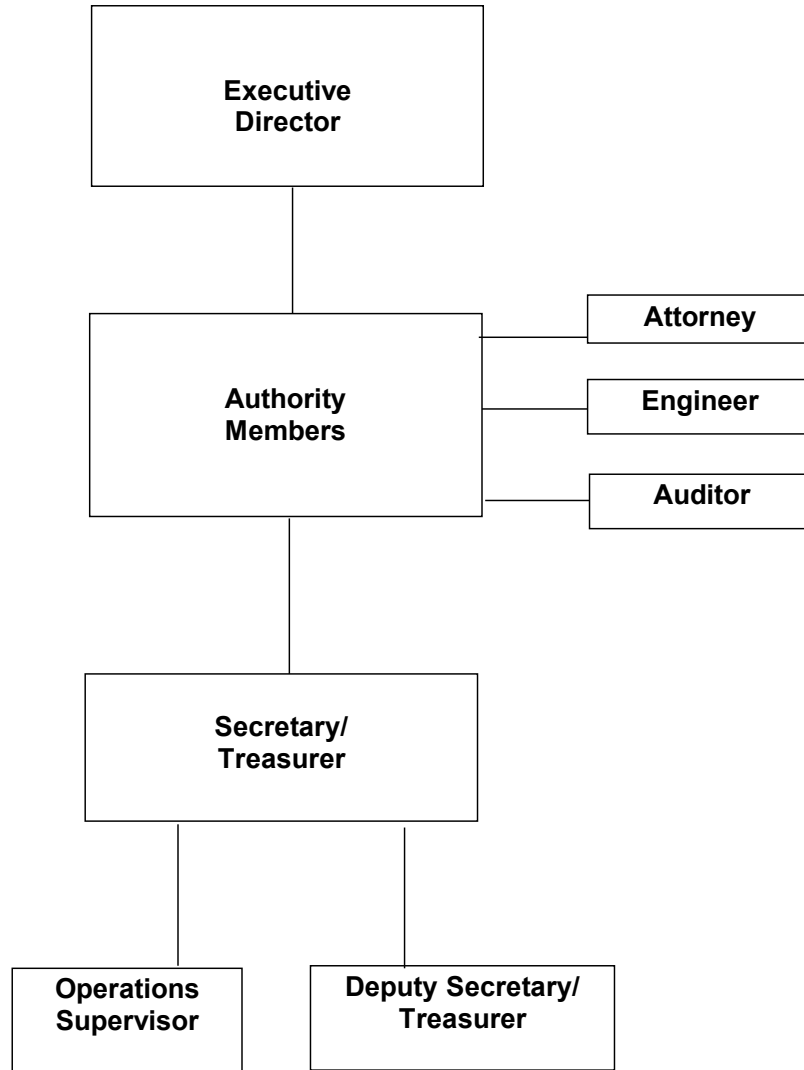
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Introductory Section

DELANCO TOWNSHIP SEWERAGE AUTHORITY

Organizational Chart



DELANCO TOWNSHIP SEWERAGE AUTHORITY

Roster of Officials December 31, 2021

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

INDEPENDENT AUDITOR'S REPORT

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

Opinions

I have audited the accompanying financial statements of the business-type activities of the Delanco Township Sewerage Authority (the "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, 2021 and December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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 Authority, as of December 31, 2021 and December 31, 2020, and the respective changes in financial position for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Authority, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the Authority's proportionate share of the net pension liability and schedule of the Authority's contributions, schedule of the State's proportionate share of the net OPEB liability associated with the Authority and changes in the total OPEB liability and related ratios 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 inquiries 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

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and supplementary schedules but does not include the basic financial statements and my auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 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.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant

Marlton, New Jersey
December 28, 2022

INVERSO & STEWART, LLC
Certified Public Accountants

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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 (the "Authority"), in the County of Burlington, State of New Jersey, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated December 28, 2022.

Report on 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) as a basis for designing 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 entity'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 financial statements. 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 entity'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 entity'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
December 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, 2021**

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, 2021. 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, 2021 and 2020

	2021	Restated 2020
Assets		
Current	\$ 2,093,391	\$ 1,759,120
Capital Assets	2,834,087	2,923,626
Total Assets	4,927,478	4,682,746
Deferred Outflows of Resources		
Deferred Outflows of Resources		
Pensions	54,725	66,735
Liabilities		
Current Liabilities	299,766	191,348
Noncurrent Liabilities	504,647	727,073
Total Liabilities	804,413	918,421
Deferred Inflows of Resources		
Deferred Inflows of Resources		
Pensions	485,092	586,737
Net Position	\$ 3,692,698	\$ 3,244,323
Net Position Consist of:		
Invested in Capital Assets	\$ 2,569,087	\$ 2,528,626
Deisgnated to Subsequent Year	382,056	311,056
Unrestricted	741,555	404,641
Net Position	\$ 3,692,698	\$ 3,244,323

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$3,692,698 (*net position*).
- The total net position of the Authority increased by \$448,375 or a 13.82% 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, 2021 and 2020

	<u>2021</u>	<u>Restated 2020</u>
Revenues		
Program Revenues		
Charges for services	\$ 1,006,021	\$ 969,535
Connection Fees	141,539	186,182
Penalties on Delinquent Rents	16,441	19,627
Reserve for Debt Service	61,000	61,000
Fair Share Contribution	45,768	61,871
Other revenue	10,743	3,577
Nonoperating Revenues:		
Amortization of premium	6,981	6,982
Interest revenue	3,997	13,655
Total Revenues	<u>1,292,490</u>	<u>1,322,429</u>
Expenses		
Administration		
Salaries	59,186	58,825
Fringe Benefits	34,560	49,609
Other Expenses	58,458	55,113
Cost of Providing Services		
Salaries	48,441	44,448
Operating and Maintenance	540,239	446,007
Depreciation	89,539	89,540
Interest on Debt	13,692	18,508
Total Expenses	<u>844,115</u>	<u>762,050</u>
Increase in Net Position	448,375	560,379
Net Position, January 1,	3,244,323	2,683,944
Net Position, December 31,	<u>\$ 3,692,698</u>	<u>\$ 3,244,323</u>

The sewer collection rate increased from 109.59% in 2020 to 96.73% in 2021.

The Authority is relying on the Unrestricted Net Position to balance the budget. In 2021 the Authority appropriated \$311,056 of available unrestricted net position, whereas in 2022 the Authority appropriated \$400,056 of available unrestricted net position.

**Delanco Township Sewerage Authority
Capital Assets (net of accumulated depreciation)
For the Year Ended December 31, 2021 and 2020**

The Authority’s capital assets as of December 31, 2021, totaled \$2,834,087 (net of accumulated depreciation) which represents a decrease of \$89,539 when compared to December 31, 2020. The total decrease resulted from depreciation expense.

	2021	2020
Capital Assets	\$ 2,834,087	\$ 2,923,626
Total	\$ 2,834,087	\$ 2,923,626

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, 2021.

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, 2021 was \$277,522, a decrease of \$137,087 when compared to the balance at December 31, 2020 in the amount of \$414,609. The decrease is primarily due to the repayment of debt principal and the expensing of premium.

The outstanding debt consists of \$265,000 funded by the Burlington County Bridge Commission (BCBC), \$9,889 of unamortized premium on the loan with BCBC and \$2,633 of compensated absences on unused sick and vacation time. Interest on both loans are paid semi-annually with interest rates varying from 3% to 4.5%. The unamortized premium on the loan with BCBC is expensed over the life of the loan.

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

Next Year’s Budget and User Rates

The Delanco Township Sewerage Authority adopted a budget of \$1,185,400 for 2022 which is an increase of \$18,000 when compared to 2021 Budget. User rates for 2022 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, 2021 and 2020

	December 31,	
	2021	Restated 2020
	<u>2021</u>	<u>2020</u>
ASSETS:		
Current Assets:		
Revenue/Operating Account:		
Cash and Cash Equivalents	\$ 1,987,174	\$ 1,491,211
Consumer Accounts Receivable	106,217	98,860
Due from the City of Beverly Sewerage Authority		<u>169,049</u>
Total Current Assets	<u>2,093,391</u>	<u>1,759,120</u>
Non-Current Assets:		
Property, Plant and Equipment:	5,052,477	5,052,477
Less Accumulated Depreciation	<u>(2,218,390)</u>	<u>(2,128,851)</u>
Total Property, Plant and Equipment:	<u>2,834,087</u>	<u>2,923,626</u>
 Total Assets	 <u>4,927,478</u>	 <u>4,682,746</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Related to Pensions	12,438	19,893
Related to OPEB	<u>42,287</u>	<u>46,842</u>
Total Deferred Outflows of Resources	<u>54,725</u>	<u>66,735</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u><u>\$ 4,982,203</u></u>	 <u><u>\$ 4,749,481</u></u>

Continued

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Comparative Statements of Net Position
As of December 31, 2021 and 2020

	December 31, 2021	Restated 2020
	<u>2021</u>	<u>2020</u>
LIABILITIES:		
Current liabilities:		
Accounts Payable - Operations	\$ 24,092	\$ 26,038
Accounts payable related to pensions	6,294	5,781
Due to the City of Beverly Sewerage Authority	109,779	
Service Charges Overpayments	3,113	2,824
Capital Lease Payable - Current Portion	130,000	130,000
Accrued Bond and Loan Interest Payable	5,133	7,241
Payroll Deductions Payable	662	84
Escrow Deposits	20,693	19,380
	<u>299,766</u>	<u>191,348</u>
Total Current Liabilities		
Non-Current Liabilities		
Reserve for Debt Service	123,000	184,000
Capital Lease Payable	135,000	265,000
Unamortized Premium on BCBC Lease	9,889	16,870
Compensated Absences Payable	2,633	2,739
Net Pension Liability	63,667	86,177
Net OPEB Liability	170,458	172,287
	<u>504,647</u>	<u>727,073</u>
Total Non-Current Liabilities		
Total Liabilities		
	<u>804,413</u>	<u>918,421</u>
DEFERRED INFLOWS OF RESOURCES:		
Related to Pensions	251,879	316,607
Related to OPEB	233,213	270,130
	<u>485,092</u>	<u>586,737</u>
Total Deferred Inflows of Resources		
NET POSITION:		
Net Investment in Capital Assets	2,569,087	2,528,626
Unrestricted:		
Restricted	382,056	311,056
Unrestricted	741,555	404,641
	<u>1,123,611</u>	<u>715,697</u>
Total Unrestricted		
Total Net Position		
	<u>3,692,698</u>	<u>3,244,323</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
	<u>\$ 4,982,203</u>	<u>\$ 4,749,481</u>

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

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Comparative Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2021 and 2020

	December 31,	
	2021	Restated 2020
	<u>2021</u>	<u>2020</u>
Operating Revenues:		
Service Charges	\$ 1,006,021	\$ 969,535
Connection Fees	141,539	186,182
Penalties on Delinquent Rents	16,441	19,627
Reserve for Debt Service	61,000	61,000
Fair Share Contribution	45,768	61,871
Miscellaneous	10,743	3,577
	<u>1,281,512</u>	<u>1,301,792</u>
Operating Expenses:		
Administration Expenses:		
Salaries and Wages	59,186	58,825
Fringe Benefits	34,560	49,609
Other	58,458	55,113
	<u>152,204</u>	<u>163,547</u>
Cost of Providing Services:		
Salaries and Wages	48,441	44,448
Other	540,239	446,007
	<u>588,680</u>	<u>490,455</u>
Total Administration Expenses	<u>152,204</u>	<u>163,547</u>
Cost of Providing Services:		
Salaries and Wages	48,441	44,448
Other	540,239	446,007
	<u>588,680</u>	<u>490,455</u>
Total Cost of Providing Services	<u>588,680</u>	<u>490,455</u>
Depreciation	<u>89,539</u>	<u>89,540</u>
Total Operating Expenses	<u>830,423</u>	<u>743,542</u>
Operating Income (Loss)	<u>451,089</u>	<u>558,250</u>
Non-Operating Revenue (Expenses):		
Amortization of Premium on Capital Lease	6,981	6,982
Bond Interest	(13,692)	(18,508)
Investment Income	3,997	13,655
	<u>(2,714)</u>	<u>2,129</u>
Total Non-Operating Revenue (Expenses)	<u>(2,714)</u>	<u>2,129</u>
Change in Net Position	448,375	560,379
Net Position - Beginning of Year	<u>3,244,323</u>	<u>2,683,944</u>
Net Position - End of Year	<u>\$ 3,692,698</u>	<u>\$ 3,244,323</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, 2021 and 2020

	December 31,	
	2021	Restated 2020
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 1,156,932	\$ 979,599
Receipts from Other Operating Revenue	244,518	272,807
Payments to Employees	(107,627)	(139,547)
Payments for Employee Benefits	(34,560)	(51,024)
Payments to Suppliers	(621,497)	(1,006,107)
	<u>637,766</u>	<u>55,728</u>
Net Cash Provided by Operating Activities		
Cash Flows from Capital and Related Financing Activities:		
Capital Acquisitions		
Prepaid Debt Service		
Debt Service:		
Principal	(130,000)	(125,000)
Interest	(15,800)	(20,800)
	<u>(145,800)</u>	<u>(145,800)</u>
Net Cash Used in Capital and Related Financing Activities		
Cash Flows from Investing Activities:		
Interest and dividends	3,997	13,655
	<u>3,997</u>	<u>13,655</u>
Net Increase (Decrease) in Cash and Cash Equivalents	495,963	(76,417)
Cash and Cash Equivalents - Beginning	1,491,211	1,567,628
	<u>1,491,211</u>	<u>1,567,628</u>
Cash and Cash Equivalents - Ending	<u>\$ 1,987,174</u>	<u>\$ 1,491,211</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 451,089	\$ 558,250
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	89,539	89,540
(Increase) Decrease in Consumer Accounts Receivable	(7,357)	10,049
(Increase) Decrease in Due from Beverly Sewerage Authority	169,049	(169,049)
(Increase) Decrease in Reserve for Debt Service	(61,000)	(61,000)
Increase (Decrease) in Escrow Deposits	1,313	1,550
Increase (Decrease) in Overpayments	289	14
Increase (Decrease) in Accounts Payable	(1,946)	(225,045)
Increase (Decrease) in Compensated Absences Payable	(106)	(46,555)
Increase (Decrease) in Payroll Deductions Payable	578	(1,058)
Increase (Decrease) in Due to Beverly Sewerage Authority	109,779	
Increase (Decrease) in Pension Liability	(79,270)	(66,936)
Increase (Decrease) in OPEB Liability	(34,191)	(34,032)
	<u>(34,191)</u>	<u>(34,032)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 637,766</u>	<u>\$ 55,728</u>

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

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2021

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, 2021

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, 2021

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, 2021

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, 2021	Premium
Premium Received	\$ 139,612
Accumulated Amortization	129,723
Unamortized Balance	\$ 9,889
Current Amortized Balance	\$ 6,981

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

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

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

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

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

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

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2021

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.

In June 2022 the GASB issued Statement 100, *Accounting Changes and Error Corrections- An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

In June 2022 the GASB issued Statement 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

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 \$1,990,434 as of December 31, 2021, \$250,000 was insured under FDIC and the remaining balance of \$1,740,434 was collateralized under GUDPA.

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 4. SEWER SERVICE CHARGES

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

Year Ending Dec. 31,	Beginning Balance	Consumer Charges	Total	Collections	Percentage of Collections
2021	\$ 98,860	\$ 1,006,021	\$ 1,104,881	\$ 998,664	90.39%
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%

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

During the year ended December 31, 2021, the following changes in Property, Plant and Equipment occurred:

	Balance Dec. 31, 2020	Additions	Disposals	Balance Dec. 31, 2021
Machinery and Equipment	\$ 46,695	\$ -	\$ -	\$ 46,695
Infrastructure	5,005,782			5,005,782
	5,052,477	-		5,052,477
Depreciation	(2,128,851)	(89,539)		(2,218,390)
Completed (Net of Accumulated Depreciation)	<u>\$ 2,923,626</u>	<u>\$ (89,539)</u>	<u>\$ -</u>	<u>\$ 2,834,087</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, 2021 is estimated at \$2,633.

NOTE 7. PENSION PLANS

Public Employees' Retirement System (PERS)

Substantially all of the Authority's employees participate in the Public Employees' Retirement System (PERS) which is administered by the New Jersey Division of Pensions and Benefits (Division). In addition, Authority employees may participate in the Defined Contribution Retirement Program (DCRP), which is a defined pension plan. The DCRP is administered by Prudential Financial for the Division. 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, required supplementary information and detailed information about the PERS pension plan's fiduciary net position. 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, 2021**

NOTE 7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS)

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 Authority, 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. The Authority's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19. P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Based on the most recent PERS measurement date of June 30, 2021, the Authority's contractually required contribution to the pension plan for the fiscal year ended December 31, 2021 was \$6,294 and was paid by April 1, 2022. Authority employee contributions to the pension plan during the fiscal year ended December 31, 2021 were \$3,021.

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2021

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.

Fiscal Year	Normal Contributions	Accrued Liability	Non Contributory Life	Total Liability Paid by District
2021	\$ 660	\$ 4,842	\$ 279	\$ 5,781
2020	1,844	17,067	1,019	19,930
2019	2,577	17,108	938	20,623

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, 2021, the Authority reported a liability of \$63,667 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. 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, 2021, the Authority recognized pension expense of (\$72,975). At December 31, 2021, the Authority reported a liability of \$63,667 for its proportionate share of the PERS net pension liability 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	\$ 1,004	\$ 456
Changes of assumptions	332	22,666
Net Difference between projected and actual earnings on pension plan investments		16,772
Changes in proportion	4,808	211,985
District contributions subsequent to the measurement date	6,294	
Total	\$ 12,438	\$ 251,879

\$6,294 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date (i.e. for the Authority year ending December 31, 2021, the plan measurement date is June 30, 2021) will be recognized as a reduction of the net liability in the year ended December 31, 2022.

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2021

7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

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
2022	\$ (89,429)
2023	(85,611)
2024	(68,813)
2025	11,338
2026	(13,220)
Total	\$ (245,735)

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, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	-	5.63
June 30, 2019	5.21	
June 30, 2020	5.16	-
June 30, 2021	5.13	5.13
Changes of assumptions		
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
June 30, 2021	5.13	
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, 2021

7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Additional Information

Collective balances for local employers at June 30, 2021 and 2020 are as follows:

	<u>6/30/2021</u>	<u>6/30/2020</u>
Collective deferred outflows of resources	\$ (248,531,007)	\$ (1,383,360,202)
Collective deferred inflows of resources	\$ 7,422,916,600	\$ 6,885,726,332
Collective net pension liability	\$ 11,972,782,878	\$ 16,435,616,426
Authority's Proportion	.0005374360%	.0005284522%

Actuarial assumptions – The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021.

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-2021.

The actuarial assumptions used in the July 1, 2020 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, 2021) 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, 2021**

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, 2021 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%	8.09%
Non-U.S. Developed Market Equity	13.50%	8.71%
Emerging Market Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Estate	8.00%	9.15%
Real Assets	3.00%	7.40%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.95%
Risk Mitigation Strategies	3.00%	3.35%
Total	100.00%	

Discount rate. The discount rate used to measure the State's total pension liability was 7.00% as of June 30, 2021. 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, 2021, 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	\$ 86,702	\$ 63,667	\$ 44,119

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.

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.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2021**

7. PENSION PLANS (Continued)

Defined Contribution Retirement Program (DCRP)

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, 2021, 2020, and 2019.

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, 2021

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, 2021 and 2020 were \$-0- and \$-0- respectively, which equaled the required benefit contribution for each year. There was one retired participant eligible at December 31, 2021 and 2020.

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, 2021 and 2020 were \$170,935 and \$173,869, 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, 2020 through June 30, 2021.

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2021

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, 2021 and 2020 were as follows:

	2021	2020
Total OPEB liability	\$ 170,935	\$ 173,869
Plan fiduciary net position	477	1,582
Net OPEB liability	\$ 170,458	\$ 172,287

Plan fiduciary net position as a percentage of the total OPEB liability	0.28%	0.92%
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Actuarial assumptions and other imputes - The total OPEB liability as of the June 30, 2021 was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. 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:	
Rate through 2026	2.00% to 6.00%
Rate thereafter	3.00% to 7.00%

Mortality: PERS: Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

Actuarial assumptions used in the July 1, 2020 valuation were based on the results of the PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

100% of active members are considered to participate in the Plan upon retirement.

Discount Rate - The discount rate for June 30, 2021 was 2.16%. 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, 2021

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, 2020 Measurement Date	\$ 18,111,475,228
Changes for the years'	
Service Cost	\$ 846,075,674
Interest	413,837,061
Changes of Benefit Terms	2,029,119
Differences Between Expected and Actual Experience	(1,196,197,410)
Changes in Assumptions	339,165,715
Contributions from the Non-employer	N/A
Contributions from the Member	43,309,873
Gross Benefit Payments	(509,642,373)
Net Investment Income	N/A
Administrative Expense	N/A
Net Changes	\$ (61,422,341)
Balance at 06/30/2021	\$ 18,050,052,887
Plan fiduciary net position	\$ 50,271,652
Net OPEB Liability	\$ 17,999,781,235

Changes of assumptions and other inputs reflect a change in the discount rate from 2.21% as of June 30, 2020 to 2.16% as of June 30, 2021.

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, 2021 and June 30, 2020, 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 (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
June 30, 2021			
Proportionate Share Attributable to the Authority	\$ 200,596	\$ 170,458	\$ 146,573
June 30, 2020			
Proportionate Share Attributable to the Authority	\$ 203,680	\$ 172,287	\$ 147,437

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2021

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, 2021 and June 30, 2020, 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, 2021	1% Decrease	Current Healthcare cost trend rate	1% Increase
Proportionate Share Attributable to the Authority	\$ 142,219	\$ 170,458	\$ 207,306

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2021, the Authority recognized OPEB (benefit)/expense of \$(30,753) 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, 2021, 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>06/30/21</u>
Collective deferred outflows of resources	\$ 8,536,291,345
Collective deferred inflows of resources	12,481,961,743
Collective net OPEB liability (Non-Employer – State of New Jersey)	17,999,781,235
State's portion of the net OPEB liability that was associated with the Authority	170,458
State's portion of the net OPEB liability that was associated with the Authority as a percentage of the collective net OPEB liability	.000947%

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2021

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

At December 31, 2021 and 2020, the Authority reported deferred outflows of resources and referred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Net differences between projected and actual investment earnings on OPEB plan investments	\$ 3,825	\$ -	\$ 4,538	\$ -
Changes of assumptions	24,521		25,769	
Differences between expected and actual experience	82	35,662	109	32,083
Changes of assumptions		30,130		38,314
Changes in proportion	13,859	167,421	16,426	199,733
Total	<u>\$ 42,287</u>	<u>\$ 233,213</u>	<u>\$ 46,842</u>	<u>\$ 270,130</u>

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, 2021		
2022		\$ (52,006)
2023		(52,074)
2024		(52,137)
2025		(37,231)
2026		(6,259)
Thereafter		8,781
Total		<u>\$ (190,926)</u>

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 10. 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>
2022	\$ 130,000	\$ 10,600	\$ 140,600
2023	135,000	5,400	140,400
	<hr/>	<hr/>	<hr/>
Total	\$ 265,000	<u>\$ 16,000</u>	<u>\$ 281,000</u>
Current Portion	<u>130,000</u>		
Long-Term	<u>\$ 135,000</u>		

NOTE 11. TREATMENT AND DISPOSAL AGREEMENT

The Authority has entered into an agreement with the City of Beverly Sewerage Authority which provides for the treatment and disposal of sewerage and other waste collected in the Township of Delanco. This agreement expires September 30, 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, 2021 and 2020 the Delanco Township Sewerage Authority paid the City of Beverly Sewerage Authority \$598,003 and \$454,414 respectively, in accordance with this agreement.

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 12. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS (CONTINUED)

The Authority adopted GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions for the year ended December 31, 2021. As a result of implementing this Statement, a restatement of unrestricted net position was required to record the Authority's net OPEB obligation. The cumulative effect on the financial statements as reported for December 31, 2019 is as follows:

	As Previously Reported December 31, 2019	Net OPEB Liability (1)	As Restated December 31, 2019
Net Position:			
Net Investment in Capital Assets	\$ 2,493,165	\$ -	\$ 2,493,165
Restricted	317,856		317,856
Unrestricted (Deficit)	<u>302,530</u>	<u>(429,607)</u>	<u>(127,077)</u>
Total Net Position	<u>\$ 3,113,551</u>	<u>\$ (429,607)</u>	<u>\$ 2,683,944</u>

(1) Represents the change in the Authority's Net OPEB Liability as of December 31, 2019.

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 12. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS (CONTINUED)

The following represents the cumulative effects of the restatement on the respective financial statement balances of the Authority for the year ended December 31, 2020 (Continued):

Statement of Net Position - December 31, 2020

	<u>Previously Reported</u>	<u>Cumulative Effect - Increase/ (Decrease</u>	<u>Restated Balance</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to OPEB	\$ -	\$ 46,842	\$ 46,842
Total Deferred Outflows of Resources	<u>19,893</u>	<u>46,842</u>	<u>66,735</u>
LIABILITIES			
Long-term Liabilities:			
Net OPEB Liability	<u>-</u>	<u>172,287</u>	<u>172,287</u>
Total Long-term Liabilities	<u>554,786</u>	<u>172,287</u>	<u>727,073</u>
Total Liabilities	<u>746,134</u>	<u>172,287</u>	<u>918,421</u>
DEFERRED INFLOWS OF RESOURCES			
Related to OPEB	<u>-</u>	<u>270,130</u>	<u>270,130</u>
Total Deferred Inflows of Resources	<u>316,607</u>	<u>270,130</u>	<u>586,737</u>
NET POSITION			
Unrestricted (Deficit)	<u>800,216</u>	<u>(395,575)</u>	<u>404,641</u>
Total Net Position	<u>3,639,898</u>	<u>(395,575)</u>	<u>3,244,323</u>

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 12. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS (CONTINUED)

The following represents the cumulative effects of the restatement on the respective financial statement balances of the Authority for the year ended December 31, 2020 (Continued):

Statement of Revenues, Expenses and Changes in Net Position - December 31, 2020

	Previously Reported	Cumulative Effect - Increase/ (Decrease)	Restated Balance
Operating Expenses:			
Cost of Providing Service:			
Other	\$ 480,039	\$ (34,032)	\$ 446,007
Total Operating Expenses	777,574	(34,032)	743,542
Operating Income (Loss)	524,218	34,032	558,250
Change in Net Position	526,347	34,032	560,379
Net Position - Beginning	3,113,551	(429,607)	2,683,944
Net Position - Ending	\$ 3,639,898	\$ (395,575)	\$ 3,244,323

Required Supplementary Information - Part II

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, 2021**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Operating Revenues:					
Service Fees	\$ 860,344	\$ -	\$ 860,344	\$ 1,006,021	\$ 145,677
Connection Fees	10,000		10,000	141,539	131,539
Reserve for Debt Service	61,000		61,000	61,000	
Penalties on Delinquent Service Fees	20,000		20,000	16,441	(3,559)
Fair Share Contribution				45,768	45,768
Miscellaneous				10,743	10,743
Total Operating Revenues	951,344		951,344	1,281,512	330,168
Non-Operating Revenues:					
Interest on Investments and Deposits	5,000		5,000	3,997	(1,003)
Total	\$ 956,344	\$ -	\$ 956,344	\$ 1,285,509	\$ 329,165
Expenses:					
Administration:					
Salaries and Wages:					
Authority Members	\$ 7,000	\$ -	\$ 7,000	\$ 6,650	\$ 350
Secretary/Treasurer	52,000		52,000	52,036	(36)
Deputy Secretary/Treasurer	2,000		2,000	500	1,500
Total Salaries and Wages	61,000		61,000	59,186	1,814
Employee Benefits:					
Public Employees Retirement System	21,000		21,000	5,781	15,219
Social Security	12,000		12,000	8,233	3,767
Unemployment Compensation Insurance	500		500	385	115
Workers Compensation Insurance	13,000		13,000	3,871	9,129
Hospitalization Insurance	28,000		28,000	16,290	11,710
Total Employee Benefits	74,500		74,500	34,560	39,940
Other Expenses:					
Legal Services and Costs	8,500		8,500	4,573	3,927
Auditing Fees	12,600		12,600	12,500	100
Office Expenses	25,000		25,000	18,347	6,653
Telephone	3,500		3,500	2,513	987
Other Insurance Premiums	24,000		24,000	20,525	3,475
Inspection Fees	500		500		500
Education, Training & Conferences	1,000		1,000		1,000
Codification	2,000		2,000		2,000
Total Other Expenses	77,100		77,100	58,458	18,642
Total Administration	212,600		212,600	152,204	60,396

(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, 2021**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Operating and Maintenance Expenses:					
Salaries	\$ 50,000	\$ -	50,000	\$ 48,441	\$ 1,559
Electric Power	25,000		25,000	19,529	5,471
Equipment and Supplies	25,000		25,000	1,472	23,528
Repairs and Maintenance - Contractual	20,000		20,000	7,357	12,643
Repairs and Maintenance - Lines	10,000		10,000	3,824	6,176
Repairs and Maintenance - Equipment	10,000		10,000	14,418	(4,418)
Beverly Sewerage Authority - Contractual	650,000		650,000	598,003	51,997
Engineer Services	15,000		15,000	6,577	8,423
Other Expenses	4,000		4,000	2,520	1,480
Total Operating and Maintenance Expenses	809,000		809,000	702,141	106,859
Capital Outlay:					
Acquisition of Equipment	100,000		100,000		100,000
Total Capital Outlay	100,000		100,000		100,000
Total Cost of Providing Service	1,121,600		1,121,600	854,345	267,255
Debt Service:					
Principal on loans:					
Revenue Loan	130,000		130,000	130,000	
Interest on loans:					
Revenue Loan	15,800		15,800	13,692	2,108
Total Debt Service	145,800		145,800	143,692	2,108
Total Operating Expenses and Debt Service	1,267,400		1,267,400	998,037	269,363
Non-Operating Appropriations:					
Contribution to Delanco Township					
Unrestricted Net Position to Balance Budget	(311,056)		(311,056)		(311,056)
Total Appropriations and Unrestricted Net Position	956,344		956,344	998,037	(41,693)
Excess Operating Expenses and Debt Service over Anticipated Revenues	\$ -	\$ -	\$ -	\$ 287,472	\$ 287,472

Reconciliation to Operating Income:

Excess Operating Expenses and Debt Service over Anticipated Revenues		\$ 287,472
Increased by:		
GASB 68 Expense	79,270	
GASB 75 Expense	34,191	
Loan Principal	130,000	
Loan Interest	13,692	
	<u>257,153</u>	
		544,625
Decreased by:		
Depreciation	89,539	
Interest Earned on Deposits	3,997	
	<u>93,536</u>	
Operating Income (Exhibit A-2)		<u>\$ 451,089</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 Seven Fiscal Years

	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Authority's proportionate share of the net pension liability (asset)	0.0005374360%	0.0005284522%	0.0020489245%	0.0020733365%	0.0020403863%	0.0019838230%	0.0020248175%
Authority's proportionate share of the net pension liability (asset)	\$ 63,667	\$ 86,177	\$ 369,185	\$ 408,230	\$ 474,969	\$ 587,551	\$ 454,531
Authority's covered-employee payroll	40,275	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	158.08%	218.81%	555.58%	280.38%	326.21%	415.65%	354.30%
Plan fiduciary net position as a percentage of the total pension liability	51.52%	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 Seven Fiscal Years

	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Contractually required contribution	\$ 6,294	\$ 5,781	\$ 19,930	\$ 20,623	\$ 18,902	\$ 17,624	\$ 17,408
Contributions in relation to the contractually required contributions	<u>(6,294)</u>	<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>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 40,275	\$ 39,384	\$ 66,450	\$ 145,600	\$ 145,600	\$ 141,356	\$ 121,972
Contributions as a percentage of covered-employee payroll	15.63%	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 Five Fiscal Years

	December 31, 2021	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	0.000947%	0.000894%	0.000894%	0.001931%	0.001906%
Authority's proportionate share of the other postemployment employee benefits liability (asset) - value	\$ 170,458	\$ 172,287	\$ 121,102	\$ 302,522	\$ 389,125
State's proportionate share of the other postemployment employee benefits liability (asset) associated with the Authority					
Total	\$ 170,458	\$ 172,287	\$ 121,102	\$ 302,522	\$ 389,125
Authority's covered-employee payroll	40,275	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	423.24%	437.45%	182.25%	207.78%	267.26%
Plan fiduciary net position as a percentag of the total other post employment employees benefits liability	0.00%	0.00%	0.00%	0.00%	0.00%

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 Five Years

	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contributions	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	40,275	39,384	66,450	145,600	145,600
Contributions as a percentage of covered-employee payroll	0.00%	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 Sewerage Authority
Notes to Required Supplementary Information
For the Fiscal Year Ended December 31, 2021

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 of 7.00% and the long-term rate of 7.00% remained the same as the previous year.

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 2.16% as of June 30, 2021, from 2.21% as of June 30, 2020.

Supplemental Schedules

DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Schedule of Cash
Unrestricted and Restricted
For the Year Ended December 31, 2021**

Analysis of Cash Balance, December 31, 2021

Unrestricted Cash:

Delanco Federal Savings Bank:

Checking Accounts	\$ 1,196,253
Certificate of Deposits	748,018
Payroll Account	22,110

Cash on Hand	100
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Total Unrestricted Cash		\$ 1,966,481
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Restricted Cash:

Delanco Federal Savings Bank:

Escrow Control Account	20,693
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Total Cash		\$ 1,987,174
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DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Schedule of Consumer Accounts Receivable
For the Fiscal Year Ended December 31, 2021**

Balance December 31, 2020		\$ 98,860
Increased by:		
2021 Consumer Charges Billed		<u>1,006,021</u>
		1,104,881
Decreased by:		
Cash Received	\$ 995,840	
Overpayments Applied	<u>2,824</u>	<u>998,664</u>
Balance December 31, 2021		<u><u>\$ 106,217</u></u>

**Schedule of Consumer Charge Components
For the Fiscal Year Ended December 31, 2021
(With comparative actual amounts for the year ended December 31, 2020)**

<u>Classification</u>	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Residential	2,132	\$ 906,934	1,840	\$ 882,991
Schools/Churches	4	2,745	4	3,956
Commercial	115	78,307	45	66,246
Other	16	18,035	16	16,342
	<u>2,267</u>	<u>\$ 1,006,021</u>	<u>1,905</u>	<u>\$ 969,535</u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Schedule of Accounts Payable
For the Year Ended December 31, 2021

Balance December 31, 2020		\$ 26,038
Increased by:		
Operating Expenditures		<u>24,092</u>
Subtotal		50,130
Decreased by:		
Disbursed	\$ 26,038	
Canceled	<u>-</u>	<u>26,038</u>
Balance December 31, 2021		<u><u>\$ 24,092</u></u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY

Schedule of Escrow Deposits on Account
For the Year Ended December 31, 2021

Balance December 31, 2020	\$	19,380
Increased by:		
Cash Received		<u>18,957</u>
Subtotal		38,337
Decreased by:		
Cash Paid for Escrow Expenses		<u>17,644</u>
Balance December 31, 2021	\$	<u><u>20,693</u></u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Schedule of Accrued Interest Payable
For the Year Ended December 31, 2021**

Balance December 31, 2020		\$ 7,242
Increased by:		
Interest charges for the Year Ended December 31, 2021:		
Budget - NJ Infrastructure Trust Loan	\$ 15,800	
	15,800	
Less - paid from cash on hand with trustee	(2,109)	
		13,691
Subtotal		20,933
Decreased by:		
Cash Disbursed		15,800
Balance December 31, 2021		\$ 5,133

DELANCO TOWNSHIP SEWERAGE AUTHORITY

Schedule of Property Plant and Equipment - Completed
For the Year Ended December 31, 2021

	Balance December 31, 2020	Additions	Disposals	Balance December 31, 2021
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>(2,128,851)</u>	<u>(89,539)</u>		<u>(2,218,390)</u>
Total	<u>\$ 2,923,626</u>	<u>\$ (89,539)</u>	<u>\$ -</u>	<u>\$ 2,834,087</u>

Findings and Recommendations - Part IV

**DELANCO TOWNSHIP SEWERAGE AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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 X no

2) Significant deficiencies identified?

_____ yes X none reported

Noncompliance material to basic financial statements noted?

_____ yes X 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, 2021**

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, 2021**

**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

December 28, 2022