

DELANCO TOWNSHIP SEWERAGE AUTHORITY
County of Burlington

REPORT OF AUDIT
For the Years Ended
December 31, 2018 and 2017

DELANCO TOWNSHIP SEWERAGE AUTHORITY

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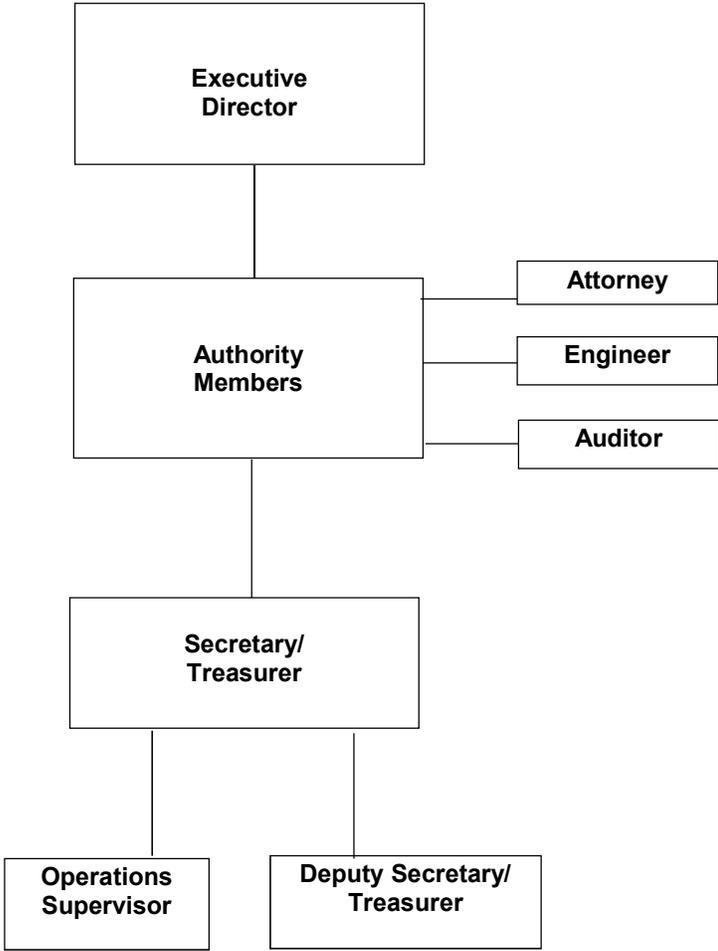
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Introductory Section

DELANCO TOWNSHIP SEWERAGE AUTHORITY

Organizational Chart



DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Roster of Officials
December 31, 2018**

Members of the Authority

Term Expires

Thomas Fynan, Chairperson	2023
Philip Jenkins	2021
Mancer Cyr	2019
Joan Hinkle	2020
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, Esquire
325 New Albany Road
Moorestown, NJ 08057

Engineer

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

Official Depository

Beneficial Bank
Burlington, NJ 08016

First Bank
Delanco, NJ 08075

Part I
Financial Section

INVERSO & STEWART, LLC
Certified Public Accountants

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American Institute of CPAs
New Jersey Society of CPAs

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Delanco Township Sewerage Authority in the County of Burlington, State of New Jersey, a component unit of the Township of Delanco, as of and for the fiscal years ended December 31, 2018 and December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Delanco Township Sewerage Authority in the County of Burlington, State of New Jersey, as of December 31, 2018 and December 31, 2017, and its changes in financial position and its cash flows thereof for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Principles

As discussed in Note 8 to the financial statements, during the fiscal year ended December 31, 2018, the Authority adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB): Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

The accompanying supplementary schedules as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and any other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 19, 2019 on my consideration of the Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
July 19, 2019

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, in the County of Burlington, State of New Jersey, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated July 19, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
July 19, 2019

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, 2018**

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, 2018. 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, 2018 and 2017

	2018	2017
Assets		
Current	\$ 1,646,118	\$ 1,405,400
Capital Assets	3,102,705	3,192,244
Total Assets	4,748,823	4,597,644
Deferred Outflows of Resources		
Deferred Outflows of Resources		
Pensions	115,411	148,594
Liabilities		
Current Liabilities	176,207	209,531
Noncurrent Liabilities	1,328,265	1,578,585
Total Liabilities	1,504,472	1,788,116
Deferred Inflows of Resources		
Deferred Inflows of Resources		
Pensions	140,220	100,557
Net Position		
	\$ 3,219,542	\$ 2,857,565
Net Position Consist of:		
Invested in Capital Assets	\$ 2,462,705	\$ 2,397,244
Accrued Unfunded Pension Liability	(453,662)	(445,834)
Deisgnated to Subsequent Year	243,368	314,300
Unrestricted	967,131	591,855
Net Position	\$ 3,219,542	\$ 2,857,565

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$3,219,542 (*net position*).
- The total net position of the Authority increased by \$361,977 or a 12.67% increase from the restated prior year-end balance. The increase is attributable to a reduction debt.

Delanco Township Sewerage Authority
Changes in Net Position
For the Year Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Program Revenues		
Charges for services	\$ 915,252	\$ 912,490
Connection Fees	186,124	
Penalties on Delinquent Rents	22,589	30,322
Reserve for Debt Service	61,000	61,000
Fair Share Contribution	63,566	1,695
Other revenue	49,845	2,390
Nonoperating Revenues:		
Amortization of premium	6,981	6,981
Interest revenue	10,911	12,769
Total Revenues	<u>1,316,268</u>	<u>1,027,647</u>
Expenses		
Administration		
Salaries	49,402	45,613
Fringe Benefits	60,933	85,555
Other Expenses	68,296	52,193
Cost of Providing Services		
Salaries	69,292	63,764
Operating and Maintenance	587,762	602,393
Depreciation	89,539	93,614
Interest on Debt	29,067	34,011
Total Expenses	<u>954,291</u>	<u>977,143</u>
Increase in Net Position	361,977	50,504
Net Position, January 1,	2,857,565	2,807,061
Net Position, December 31,	<u>\$ 3,219,542</u>	<u>\$ 2,857,565</u>

The sewer collection rate increased from 89.55% in 2017 to 88.26% in 2018.

The Authority is relying on the Unrestricted Net Position to balance the budget. In 2018 the Authority appropriated \$314,300 or 34.68% of available unrestricted net position, whereas in 2019 the Authority appropriated \$243,368 or 20.10% of available unrestricted net position.

**Delanco Township Sewerage Authority
Capital Assets (net of accumulated depreciation)
For the Year Ended December 31, 2018 and 2017**

The Authority’s capital assets as of December 31, 2018, totaled \$3,102,705 (net of accumulated depreciation) which represents a decrease of \$89,539 when compared to December 31, 2017. The total decrease resulted from depreciation expense.

	2018	2017
Capital Assets	\$ 3,102,705	\$ 3,192,244
Total	\$ 3,102,705	\$ 3,192,244

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, 2018.

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, 2018 was \$734,035, a decrease of \$157,581 when compared to the balance at December 31, 2017 in the amount of \$891,616. The decrease is primarily due to the repayment of debt principal and the expensing of premium.

The outstanding debt consists of \$640,000 funded by the Burlington County Bridge Commission (BCBC), \$30,831 of unamortized premium on the loan with BCBC and \$63,204 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 \$1,199,712 for 2019 which is a decrease of \$30,588 when compared to 2018 Budget. User rates for 2019 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, 2018 and 2017

	December 31,	
	2018	2017
ASSETS:		
Current Assets:		
Revenue/Operating Account:		
Cash and Cash Equivalents	\$ 1,505,578	\$ 1,147,766
Consumer Accounts Receivable	120,667	114,104
Due from the City of Beverly Sewerage Authority	19,873	143,530
Total Current Assets	1,646,118	1,405,400
Non-Current Assets:		
Property, Plant and Equipment:	5,052,477	5,052,477
Less Accumulated Depreciation	(1,949,772)	(1,860,233)
Total Property, Plant and Equipment:	3,102,705	3,192,244
 Total Assets	 4,748,823	 4,597,644
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows of resources from pension	115,411	148,594
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,864,234	\$ 4,746,238

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Comparative Statements of Net Position
As of December 31, 2018 and 2017

	December 31,	
	2018	2017
LIABILITIES:		
Current liabilities:		
Accounts Payable - Operations	\$ 3,734	\$ 2,306
Accounts payable related to pensions	20,623	18,902
Due to the City of Beverly Sewerage Authority		-
Service Charges Overpayments	4,372	1,366
Capital Lease Payable - Current Portion	120,000	115,000
N.J. Environmental Infrastructure Loan Payable - Current Portion		40,000
Accrued Bond and Loan Interest Payable	11,733	14,667
Payroll Deductions Payable	5,358	7,467
Escrow Deposits	10,387	9,823
Total Current Liabilities	176,207	209,531
Non-Current Liabilities		
Reserve for Debt Service	306,000	367,000
Capital Lease Payable	520,000	640,000
Unamortized Premium on BCBC Lease	30,831	37,812
Compensated Absences Payable	63,204	58,804
Net Pension Liability	408,230	474,969
Total Non-Current Liabilities	1,328,265	1,578,585
Total Liabilities	1,504,472	1,788,116
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows of resources from pension	140,220	100,557
NET POSITION:		
Net Investment in Capital Assets	2,462,705	2,397,244
Unrestricted:		
Accrued unfunded pension liability	(453,662)	(445,834)
Designated to Subsequent Year's Budget	243,368	314,300
Undesignated	967,131	591,855
Total Unrestricted	756,837	460,321
Total Net Position	3,219,542	2,857,565
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 4,864,234	\$ 4,746,238

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, 2018 and 2017

	December 31,	
	2018	2017
Operating Revenues:		
Service Charges	\$ 915,252	\$ 912,490
Connection Fees	186,124	
Penalties on Delinquent Rents	22,589	30,322
Reserve for Debt Service	61,000	61,000
Fair Share Contribution	63,566	1,695
Miscellaneous	49,845	2,390
Total Operating Revenue	1,298,376	1,007,897
Operating Expenses:		
Administration Expenses:		
Salaries and Wages	49,402	45,613
Fringe Benefits	60,933	85,555
Other	68,296	52,193
Total Administration Expenses	178,631	183,361
Cost of Providing Services:		
Salaries and Wages	69,292	63,764
Other	587,762	602,393
Total Cost of Providing Services	657,054	666,157
Depreciation	89,539	93,614
Total Operating Expenses	925,224	943,132
Operating Income (Loss)	373,152	64,765
Non-Operating Revenue (Expenses):		
Amortization of Premium on Capital Lease	6,981	6,981
Bond Interest	(29,067)	(34,011)
Investment Income	10,911	12,769
Total Non-Operating Revenue (Expenses)	(11,175)	(14,261)
Change in Net Position	361,977	50,504
Net Position - Beginning of Year	2,857,565	2,807,061
Net Position - End of Year	\$ 3,219,542	\$ 2,857,565

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, 2018 and 2017**

	December 31,	
	2018	2017
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 911,695	\$ 926,916
Receipts from Other Operating Revenue	458,898	46,798
Payments to Employees	(124,385)	(124,979)
Payments for Employee Benefits	(57,801)	(44,017)
Payments to Suppliers	(654,506)	(822,896)
	533,901	(18,178)
Net Cash Provided by Operating Activities		
Cash Flows from Capital and Related Financing Activities:		
Capital Acquisitions		
Prepaid Debt Service		
Debt Service:		
Principal	(155,000)	(150,000)
Interest	(32,000)	(18,025)
	(187,000)	(168,025)
Net Cash Used in Capital and Related Financing Activities		
Cash Flows from Investing Activities:		
Interest and dividends	10,911	11,194
	357,812	(175,009)
Net Increase (Decrease) in Cash and Cash Equivalents		
Cash and Cash Equivalents - Beginning	1,147,766	1,322,775
	\$ 1,505,578	\$ 1,147,766
Cash and Cash Equivalents - Ending		
	\$ 1,505,578	\$ 1,147,766
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 373,152	\$ 64,765
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	89,539	93,614
(Increase) Decrease in Consumer Accounts Receivable	(6,563)	17,247
(Increase) Decrease in Due from Beverly Sewerage Authority	123,657	(128,488)
(Increase) Decrease in Reserve for Debt Service	(61,000)	(61,000)
Increase (Decrease) in Escrow Deposits	564	(2,652)
Increase (Decrease) in Overpayments	3,006	(2,820)
Increase (Decrease) in Accounts Payable	1,428	(3,432)
Increase (Decrease) in Due to Beverly Sewerage Authority		(30,901)
Increase (Decrease) in Compensated Absences Payable	4,400	(2,912)
Increase (Decrease) in Payroll Deductions Payable	(2,110)	921
Increase (Decrease) in Pension Liability	7,828	37,480
	\$ 533,901	\$ (18,178)
Net Cash Provided by (Used for) Operating Activities		
	\$ 533,901	\$ (18,178)

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, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity - The Township of Delanco is located in the western portion of the County of Burlington, State of New Jersey. The present population according to the 2013 State population estimate is 4,558.

The Township, by ordinance, created the Delanco Township Sewerage Authority (the Authority). The Authority is organized under the provisions of P.L. 1957 C. 138 of the Laws of the State of New Jersey (the Act). The Act grants power to every municipality of the State by means and through agency of a municipal utilities authority to acquire, construct, maintain, operate or improve works for the accumulation, supply or distribution of water and works for the collection, treatment, purification or disposal of sewerage or other wastes. A five-member board governs the Authority. The Township Committee of the Township of Delanco appoints the members to the Sewerage Authority Board for a term of five years on a staggered basis. The members of the Board oversee the Authority's operations.

The Authority operates and maintains a sewage collection system within the municipal boundaries of the Township of Delanco. The sewerage is then passed on to the City of Beverly Sewer Authority system for treatment of all waste materials.

The Authority bills and collects for its services from all customers and is entitled to a connection fee for new hook-ups.

Component Unit

The Delanco Township Sewerage Authority is a component unit of the Township of Delanco as described in Governmental accounting standards Board statement No. 14, *The Financial reporting Entity* 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, 2018

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, 2018

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, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation - Depreciation is provided using the straight-line method over the following estimated useful life of the assets:

	<u>Years</u>
Buildings	30-40
Major Moveable Equipment	5-20
Vehicles	7
Infrastructure	40

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

<u>Balance</u> <u>December 31, 2018</u>	<u>Premium</u>
Premium Received	\$ 139,612
Accumulated Amortization	108,781
Unamortized Balance	\$ 30,831
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, 2018

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 November 2016, the GASB issued Statement 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements.

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements.

In 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 December 15, 2019. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements.

In April 2018, the GASB issued Statement 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements.

In June 2018, the GASB issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued) - In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*. This Statement is designed to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the Authority’s financial statements.

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 \$1,505,474 as of December 31, 2018, \$250,000 was insured under FDIC and the remaining balance of \$1,255,474 was collateralized under GUDPA.

NOTE 4. SEWER SERVICE CHARGES

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

Year Ending Dec. 31,	Beginning Balance	Consumer Charges	Total	Collections	Percentage of Collections
2018	\$ 114,104	\$ 915,252	\$ 1,029,356	\$ 908,689	88.28%
2017	131,351	912,490	1,043,841	929,737	89.07%
2016	144,071	937,921	1,081,992	950,641	87.86%
2015	176,793	944,819	1,121,612	977,541	87.16%
2014	157,332	957,911	1,115,243	938,450	84.15%

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

During the year ended December 31, 2018, the following changes in Property, Plant and Equipment occurred:

	<u>Balance Dec. 31, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance Dec. 31, 2018</u>
Machinery and Equipment	\$ 46,695	\$ -	\$ -	\$ 46,695
Infrastructure	5,005,782	-	-	5,005,782
	<u>5,052,477</u>	<u>-</u>	<u>-</u>	<u>5,052,477</u>
Depreciation	(1,860,233)	(89,539)	-	(1,949,772)
Completed (Net of Accumulated Depreciation)	<u>\$ 3,192,244</u>	<u>\$ (89,539)</u>	<u>\$ -</u>	<u>\$ 3,102,705</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, 2018 is estimated at \$63,204.

NOTE 7. PENSION PLANS

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.

Vesting and Benefit Provisions - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. 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.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2018**

7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for their respective tier.

Contributions - The contribution requirements of plan members are determined by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase is being phased-in over seven years beginning on July 1, 2012. The member contribution rate was 7.34% in State fiscal year 2018. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 336, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The Authority's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

The Authority's contractually required contribution rate for the year ended December 31, 2018 was 14.16% of the Authority's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2018, the Authority's contractually required contribution to the pension plan for the fiscal year ended December 31 2018 was \$20,623 and is payable by April 1, 2019. Based on the PERS measurement date of June 30, 2017, the Authority's contractually required contribution to the pension plan for the year ended December 31, 2017 was \$18,902, which was paid by April 1, 2018. Employee contributions to the pension plan during the year ended December 31, 2018 were \$10,804.

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

<u>Fiscal Year</u>	<u>Normal Contributions</u>	<u>Accrued Liability</u>	<u>Non Contributory Life</u>	<u>Total Liability Paid by Authority</u>
2018	\$ 2,488	\$ 15,493	\$ 921	\$ 18,902
2017	2,757	14,029	838	17,624
2016	2,947	13,576	885	17,408

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, 2018, the Authority's proportionate share of the PERS net pension liability was \$408,230. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017.

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2018

7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

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, 2018, the Authority's proportionate share of the PERS pension expense, calculated by the plan as of the June 30, 2018 measurement date is \$28,450. At December 31, 2018, the Authority proportionate share of the PERS net pension liability was \$408,230 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	\$ 7,785	\$ 2,105
Changes of assumptions	67,269	130,530
Net Difference between projected and actual earnings on pension plan investments		3,829
Changes in proportion	19,734	3,756
Authority contributions subsequent to the measurement date	20,623	
Total	\$ 115,411	\$ 140,220

\$20,623 included in deferred outflows of resources, will be included as a reduction of the net pension liability in the year ending December 31, 2019. 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
2019	\$ 1,085
2020	765
2021	(25,562)
2022	(12,770)
2023	(8,950)
Total	\$ (45,432)

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2018

7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

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, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	-	5.63
Changes of assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
Net Difference between projected and actual earnings on pension plan investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	5.00
Changes in proportion		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57

Additional Information

Collective balances at June 30, 2018 and 2017 are as follows:

	<u>6/30/2018</u>	<u>6/30/2017</u>
Collective deferred outflows of resources	\$ 4,684,852,302	\$ 6,424,455,842
Collective deferred inflows of resources	\$ 7,646,736,226	\$ 5,700,625,981
Collective net pension liability	\$ 19,689,501,539	\$ 23,278,401,588
Authority's Proportion	.0000207334%	.0020403863%

Actuarial assumptions – The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2018**

7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

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

- Inflation rate: 2.25%
- Salary Increases:
 - Through 2026: 1.65-4.15% based on age
 - Thereafter: 2.65-5.15% based on age
- Investment Rate of Return: 7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active employees. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disables Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	05.00%	05.51%
Cash equivalents	05.50%	01.00%
U.S. Treasuries	03.00%	01.87%
Investment grade credit	10.00%	03.78%
Public high yield	02.50%	06.82%
Global diversified credit	05.00%	07.10%
Credit oriented hedge funds	01.00%	06.60%
Debt related private equity	02.00%	10.63%
Debt related real estate	01.00%	06.61%
Private real assets	02.50%	11.83%
Equity related real estate	06.25%	09.23%
U.S. Equity	30.00%	08.19%
Non-U.S. developed markets equity	11.50%	09.00%
Emerging markets equity	06.50%	11.64%
Buyouts/venture capital	08.25%	13.08%
	<u>100.00%</u>	

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2018**

7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Discount rate. The discount rate used to measure the State's total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The state employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate. The following presents the Authority's proportionate share of the net pension liability measured as of June 30, 2018, calculated using the discount rate of 5.66%, 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 (4.66%) or 1 percentage point higher (6.66%) than the current rate:

	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Authority's proportionate share of the net pension liability	\$ 513,302	\$ 408,230	\$ 320,081

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.

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 District'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, 2018, 2017 and 2016.

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Authority contributes to the State Health Benefit Program, a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) administered by the State of New Jersey Division of Pensions and Benefits. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of (GASB Statement No. 75), therefore, assets are accumulated to pay associated benefits. 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.

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, 2018 and 2017 were \$-0- and \$-0- respectively, which equaled the required benefit contribution for each year. There was no retired participants eligible at December 31, 2018 and 2017.

Delanco Township Sewerage Authority
Notes to Financial Statements
December 31, 2018

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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 December 31, 2018 and 2017, were \$308,595 and \$393,190, 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, 2017 through June 30, 2018.

Components of net OPEB liability

The components of the collective net OPEB liability of the participating employers in the SHBP as of December 31, 2018 and 2017 were as follows:

	2018	2017
Total OPEB liability	\$ 308,595	\$ 393,190
Plan fiduciary net position	6,073	4,065
Net OPEB liability	\$ 302,522	\$ 389,125

Plan fiduciary net position as a percentage of the total OPEB liability	1.97%	1.03%
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Actuarial assumptions and other imputes - The total OPEB liability as of the December 31, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. 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	2.50%
Salary increases*	
Through 2026	1.65% to 8.98%
Thereafter	2.65% to 9.98%

Delanco Township Sewerage Authority
Notes to Financial Statements
December 31, 2018

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of pension plans' experience studies for which the members are eligible for coverage under this Plan - the Police and Firemen Retirement System (PFRS) and the Public Employees Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 – June 30, 2013 and July 1, 2011 – June 30, 2014, respectively.

Health Care Trend Assumptions - For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5%.

Discount Rate - The discount rate for June 30, 2018 was 3.87%. 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.

Sensitivity of the Net OPEB liability to changes in the discount rate - The following presents the collective net OPEB liability to the Authority as of December 31, 2018 and December 31, 2017, calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

December 31, 2018	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Proportionate Share Attributable to the Authority	\$ 354,938	\$ 302,522	\$ 260,653
December 31, 2017	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Proportionate Share Attributable to the Authority	\$ 458,985	\$ 389,125	\$ 333,693

Delanco Township Sewerage Authority
Notes to Financial Statements
December 31, 2018

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates - The following presents the net OPEB liability as of December 31, 2018 and June 30, 2017, 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:

December 31, 2018	<u>1% Decrease</u>	<u>Healthcare cost trend rate</u>	<u>1% Increase</u>
Proportionate Share Attributable to the Authority	\$ 252,352	\$ 302,522	\$ 367,450

December 31, 2017	<u>1% Decrease</u>	<u>Healthcare cost trend rate</u>	<u>1% Increase</u>
Proportionate Share Attributable to the Authority	\$ 458,985	\$ 389,125	\$ 333,693

At December 31, 2018 and 2017, the Authority reported deferred outflows of resources and referred inflows of resources related to OPEB from the following sources:

	<u>2018</u>		<u>2017</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Net differences between projected and actual investment earnings on OPEB plan investments	\$ 160	\$ -	\$ 67	\$ -
Changes in proportion	4,973			
Differences between expected and actual experience		61,423		
Changes of assumptions		76,739		43,190
Changes in proportion		32,794		38,223
Total	<u>\$ 5,133</u>	<u>\$ 170,956</u>	<u>\$ 67</u>	<u>\$ 81,413</u>

Delanco Township Sewerage Authority
Notes to Financial Statements
December 31, 2018

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

For the year ended: December 31, 2018		
2019	\$	24,349
2020		24,349
2021		24,349
2022		24,369
2023		24,402
Thereafter		44,005
Total	\$	165,823

The components of allocable OPEB expense, which exclude OPEB expense related to specific liabilities of individual employers, for the year ended December 31, 2018 and 2017 are as follows:

	2018	2017
Service cost	\$ 17,306	\$ 20,290
Interest on total OPEB liability	14,754	12,359
Expected investment return	(181)	(98)
Administrative expense	158	170
Current period recognition (amortization) of deferred inflows/outflows of resources	(8,603)	
Changes of assumptions	(11,706)	(6,136)
Differences between projected and actual investment earnings on OPEB plan investments	44	17
Total OPEB expense	\$ 11,772	\$ 26,602

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2018, the Authority recognized OPEB expense of \$7,042 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.

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 9. CAPITAL LEASE PAYABLE

The Authority entered into a lease agreement dated May 21, 2003 with the Burlington County Bridge Commission Pooled-Lease Program for the financing of Cooperstown Road Sewer Line Extension. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the date of inception.

The following schedule reflects the Debt Service Requirements until 2023:

<u>Year Ending Dec. 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 120,000	\$ 25,600	\$ 145,600
2020	125,000	20,800	145,800
2021	130,000	15,800	145,800
2022	130,000	10,600	140,600
2023	135,000	5,400	140,400
		-	-
Total	<u>\$ 640,000</u>	<u>\$ 78,200</u>	<u>\$ 718,200</u>
Current Portion	<u>120,000</u>		
Long-Term	<u>\$ 520,000</u>		

NOTE 10. NET POSITION

Net Position Appropriated

The Authority ended the year with an unrestricted net position of \$1,210,499; however, \$243,368 has been appropriated and included as support in the operating and capital budgets for the year ending December 31, 2019.

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, 2018 and 2017 the Delanco Township Sewerage Authority paid the City of Beverly Sewerage Authority \$468,893 and \$475,462 respectively, in accordance with this agreement.

NOTE 12. SUBSEQUENT EVENTS

In 2019 the Authority appropriated \$50,000.00 to the Township of Delanco to support their 2019 Municipal Budget. The maximum allowable appropriation to the Municipality for 2019 is \$58,706.

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, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Operating Revenues:					
Service Fees	\$ 870,000	\$ -	\$ 870,000	\$ 915,252	\$ 45,252
Connection Fees	10,000		10,000	186,124	176,124
Reserve for Debt Service	61,000		61,000	61,000	
Penalties on Delinquent Service Fees	20,000		20,000	22,589	2,589
Fair Share Contribution				63,566	63,566
Miscellaneous				42,803	42,803
Total Operating Revenues	961,000		961,000	1,291,334	330,334
Non-Operating Revenues:					
Interest on Investments and Deposits	5,000		5,000	10,911	5,911
Total	\$ 966,000	\$ -	\$ 966,000	\$ 1,302,245	\$ 336,245
Expenses:					
Administration:					
Salaries and Wages:					
Authority Members	\$ 7,000	\$ -	\$ 7,000	\$ 7,000	\$ -
Secretary/Treasurer	42,000		42,000	41,902	98
Deputy Secretary/Treasurer	2,000		2,000	500	1,500
Total Salaries and Wages	51,000		51,000	49,402	1,598
Employee Benefits:					
Public Employees Retirement System	20,000		20,000	27,051	(7,051)
Social Security	16,000		16,000	10,751	5,249
Unemployment Compensation Insurance	500		500	475	25
Workers Compensation Insurance	10,000		10,000	11,020	(1,020)
Hospitalization Insurance	27,000		27,000	11,636	15,364
Total Employee Benefits	73,500		73,500	60,933	12,567
Other Expenses:					
Legal Services and Costs	8,500	(2,000)	6,500	4,713	1,787
Auditing Fees	11,900		11,900	11,900	
Office Expenses	18,000	12,000	30,000	24,944	5,056
Telephone	3,500		3,500	2,931	569
Other Insurance Premiums	24,000		24,000	16,766	7,234
Inspection Fees	500		500	500	
Education, Training & Conferences	1,000		1,000	1,000	
Codification	2,000		2,000	2,000	
Total Other Expenses	69,400	10,000	79,400	61,254	18,146
Total Administration	193,900	10,000	203,900	171,589	32,311

(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, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Operating and Maintenance Expenses:					
Salaries	\$ 70,000	\$ -	70,000	\$ 69,292	\$ 708
Electric Power	25,000		25,000	17,889	7,111
Equipment and Supplies	25,000		25,000	15,989	9,011
Repairs and Maintenance - Contractual	20,000		20,000	5,411	14,589
Repairs and Maintenance - Lines	10,000		10,000		10,000
Repairs and Maintenance - Equipment	10,000		10,000	7,892	2,108
Beverly Sewerage Authority - Contractual	650,000	(20,000)	630,000	468,893	161,107
Engineer Services	15,000		15,000	5,135	9,865
Sub-Contractor	20,400		20,400	21,012	(612)
Other Expenses	4,000	10,000	14,000	6,524	7,476
Total Operating and Maintenance Expenses	849,400	(10,000)	839,400	618,037	221,363
Capital Outlay:					
Sewer System Upgrades	50,000		50,000	39,017	10,983
Total Capital Outlay	50,000		50,000	39,017	10,983
Total Cost of Providing Service	1,093,300		1,093,300	828,643	264,657
Debt Service:					
Principal on loans:					
NJEIT Loan	40,000		40,000	40,000	
Revenue Loan	115,000		115,000	115,000	
Interest on loans:					
NJEIT Loan	1,800		1,800	975	825
Revenue Loan	30,200		30,200	28,092	2,108
Total Debt Service	187,000		187,000	184,067	2,933
Total Operating Expenses and Debt Service	1,280,300		1,280,300	1,012,710	267,590
Excess Operating Expenses and Debt Service over Anticipated Revenues	\$ (314,300)	\$ -	\$ (314,300)	\$ 289,535	\$ 603,835
Reconciliation to Operating Income:					
Excess Operating Expenses and Debt Service over Anticipated Revenues					\$ 603,835
Increased by:					
Loan Principal			\$ 155,000		
Loan Interest			29,067		
					184,067
					787,902
Decreased by:					
Net Assets Appropriated			314,300		
Depreciation			89,539		
Interest Earned on Deposits			10,911		
					414,750
Operating Income (Exhibit A-2)					\$ 373,152

DELANCO TOWNSHIP SEWERAGE AUTHORITY

Schedule of Cash
Unrestricted and Restricted
For the Year Ended December 31, 2018

Analysis of Cash Balance, December 31, 2018

Unrestricted Cash:

Delanco Federal Savings Bank:

Checking Accounts	\$ 750,330
Certificate of Deposits	720,851
Payroll Account	23,910

Cash on Hand	<u>100</u>
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Total Unrestricted Cash		\$ 1,495,191
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Restricted Cash:

Delanco Federal Savings Bank:

Escrow Control Account	<u>10,387</u>
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Total Cash		<u>\$ 1,505,578</u>
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DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Schedule of Consumer Accounts Receivable
For the Fiscal Year Ended December 31, 2018**

Balance December 31, 2017	\$ 114,104
Increased by:	
2018 Consumer Charges Billed	<u>915,252</u>
	1,029,356
Decreased by:	
Cash Received	<u>908,689</u>
Balance December 31, 2018	<u><u>\$ 120,667</u></u>

**Schedule of Consumer Charge Components
For the Fiscal Year Ended December 31, 2018
(With comparative actual amounts for the year ended December 31, 2017)**

<u>Classification</u>	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Residential	1,820	\$ 834,466	1,820	\$ 812,266
Schools	2	2,909	2	2,866
Churches	2	1,320	2	1,320
Commercial	40	66,782	40	84,184
Other	<u>12</u>	<u>9,775</u>	<u>12</u>	<u>11,854</u>
	<u><u>1,876</u></u>	<u><u>\$ 915,252</u></u>	<u><u>1,876</u></u>	<u><u>\$ 912,490</u></u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Schedule of Accounts Payable
For the Year Ended December 31, 2018

Balance December 31, 2017		\$ 2,306
Increased by:		
Operating Expenditures		<u>3,734</u>
Subtotal		6,040
Decreased by:		
Disbursed	\$ 2,028	
Canceled	<u>278</u>	<u>2,306</u>
Balance December 31, 2018		<u><u>\$ 3,734</u></u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY

Schedule of Escrow Deposits on Account
For the Year Ended December 31, 2018

Balance December 31, 2017	\$	9,823
Increased by:		
Cash Received		<u>15,765</u>
Subtotal		25,588
Decreased by:		
Cash Paid for Escrow Expenses		<u>15,201</u>
Balance December 31, 2018	\$	<u><u>10,387</u></u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Schedule of Accrued Interest Payable
For the Year Ended December 31, 2018**

Balance December 31, 2017	\$	14,667
Increased by:		
Interest charges for the Year Ended December 31, 2018:		
Budget - NJ Infrastructure Trust Loan	\$	30,200
Budget - Burlington County Bridge Commission Loan		<u>1,800</u>
		32,000
Less - paid from cash on hand with trustee		<u>(2,934)</u>
		<u>29,066</u>
Subtotal		43,733
Decreased by:		
Cash Disbursed		<u>32,000</u>
Balance December 31, 2018	\$	<u><u>11,733</u></u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Schedule of Property Plant and Equipment - Completed
For the Year Ended December 31, 2018

	Balance December 31, 2017	Additions	Disposals	Balance December 31, 2018
Sewer Lines	\$ 5,013,929	\$ -	\$ -	\$ 5,013,929
Machinery and Equipment	38,547			38,547
	5,052,476			5,052,476
Less Accumulated Depreciation	(1,860,232)	(89,539)		(1,949,771)
Total	<u>\$ 3,192,244</u>	<u>\$ (89,539)</u>	<u>\$ -</u>	<u>\$ 3,102,705</u>

Required Supplementary Information - Part III

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

	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Authority's proportion of the net pension liability (asset)	0.0000207334%	0.0020403863%	0.0019838230%	0.0020248175%	0.0019774727%
Authority's proportionate share of the net pension liability (asset)	\$ 408,230	\$ 474,969	\$ 587,551	\$ 454,531	\$ 370,237
Authority's covered-employee payroll	145,600	145,600	141,356	128,290	139,672
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	280.38%	326.21%	415.65%	354.30%	265.08%
Plan fiduciary net position as a percentage of the total pension liability	40.45%	36.78%	31.20%	38.21%	42.74%

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

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

	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Contractually required contribution	\$ 20,623	\$ 18,902	\$ 17,624	\$ 17,408	\$ 16,302
Contributions in relation to the contractually required contributions	<u>(20,623)</u>	<u>(18,902)</u>	<u>(17,624)</u>	<u>(17,408)</u>	<u>(16,302)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Authority's covered-employee payroll	\$ 145,600	\$ 145,600	\$ 141,356	\$ 121,972	\$ 139,672
Contributions as a percentage of covered-employee payroll	14.16%	12.98%	12.47%	14.27%	11.67%

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

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of the Authority's Proportionate Share of
Other Postemployment Employee Benefits Liability
Last Three Fiscal Years

	December 31, 2018	December 31, 2017	December 31, 2016
Authority's proportionate share of the other postemployment employee benefits liability (asset) - percentage	0.001931%	0.001906%	0.002107%
Authority's proportionate share of the other postemployment employee benefits liability (asset) - value	\$ 302,522	\$ 389,125	\$ 457,587
State's proportionate share of the other postemployment employee benefits liability (asset) associated with the Authority	6,073	4,065	3,169
Total	<u>\$ 308,595</u>	<u>\$ 393,190</u>	<u>\$ 460,756</u>
Authority's covered-employee payroll	145,600	145,600	141,356
Authority's proportionate share of the employee liability (asset) as a percentage of its covered-employee payroll	207.78%	267.26%	323.71%
Plan fiduciary net position as a percentag of the total other post employment employees benefits liability	4.17%	2.79%	2.24%

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 Fiscal Years

	December 31, 2018	December 31, 2017	December 31, 2016
	<u> </u>	<u> </u>	<u> </u>
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contributions	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	145,600	145,600	141,356
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%

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

Delanco Township Sewerage Authority
Notes to Required Supplementary Information
For the Fiscal Year Ended September 30, 2018

Note 1. Changes in benefit term assumptions – pension

There were no changes in benefit terms.

Note 2. Changes in assumptions – pension

For 2018, the discount rate changed to 5.66% and the long-term rate of return remained at 7.00%. For 2017, the discount rate changed to 5.00% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 3.98% and the long-term rate of return changed to 7.65% from 7.90%. Also, for 2016, demographic assumptions were revised in accordance with the results of the July 1, 2011 – June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further salary increases were assumed to increase between 1.65% and 4.15% (based on age) through year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90% and the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(1)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

Note 3. Changes in assumptions – other postretirement employee benefits

The decrease in the liability from June 30, 2016 to June 30, 2017 is due to the increase in the assumed discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017. The decrease in the liability from June 30, 2017 to June 30, 2018 is due to the increase in the assumed discount rate from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018 and a decrease in the assumed health care cost trend and excise tax assumptions.

Note 4. Changes in health care assumptions – other postretirement employee benefits

For pre-Medicare Preferred Provider Organization (PPO) and Health Maintenance Organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO benefits, the trend rate is 4.5%. For HMO medical benefits, the trend rate is 5.8% and decreases to a 5.0% long-term trend rate after eight years. For prescription drug benefits, the initial trend rate is 8% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Note 5. Changes in benefit term assumptions – other postretirement employee benefits

There were no changes in benefit terms.

Note 6. Changes in plan members covered – other postretirement employee benefits

There were 2 plan members covered in 2017 and 2 plan members covered in 2018.

Single Audit Section

**DELANCO TOWNSHIP SEWERAGE AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

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 FISCAL YEAR ENDED DECEMBER 31, 2018**

Section 2 -- Schedule of Financial Statement Findings

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

No findings identified.

**DELANCO TOWNSHIP SEWERAGE AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

**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

There were no prior year audit findings.

STATE AWARDS

There were no prior year audit findings.

ACKNOWLEDGMENT

I express my appreciation for the assistance and courtesies extended to us by the Authority Officials during the course of the audit.

Respectfully submitted,

INVERSO STEWART, LLC
Certified Public Accountants

A handwritten signature in black ink, appearing to read "R. Inverso", written in a cursive style.

Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

July 19, 2019