

**DELRAN  
SEWERAGE AUTHORITY**

**REPORT OF AUDIT**

**WITH  
SUPPLEMENTARY INFORMATION**

**FOR THE PERIOD ENDING  
JULY 14, 2010**

**DELRAN SEWERAGE AUTHORITY**  
Table Of Contents

<u>Exhibit No.</u>		<u>Page</u>
	Roster of Officials	1
	<b><u>PART I – FINANCIAL SECTION</u></b>	
	Independent Auditor's Report	3
	Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	5
	Management's Discussion and Analysis	7
	Basic Financial Statements	
A	Comparative Statement of Net Assets	13
B	Comparative Statement of Revenues, Expenses and Changes in Net Assets	15
C	Comparative Statement of Cash Flows	16
	Notes to Financial Statements	17
 <u>Schedule No.</u>		
	Supplementary Schedules	
1	Combining Schedule of Revenues, Expenses and Changes in Net Assets	29
2	Schedule of Cash Receipts and Disbursements	30
3	Schedule of Anticipated Revenues, Operating Appropriations, Principal Payments and Non-Operating Appropriations Compared to Budget--Non-GAAP – Budgetary Basis	31
4	Analysis of Service Fees Receivable	34
5	Analysis of Accrued Investment Income Receivable	34
6	Analysis of Property, Plant and Equipment	35
7	Analysis of Construction in Progress	35
8	Analysis of Overpayments	36
9	Analysis of Accrued Interest Payable	36
10	Schedule of Loans Payable	37
11	Schedule of Sewer Revenue Bonds	38
	<b><u>PART II—FINDINGS AND RECOMMENDATIONS</u></b>	
	Schedule of Findings and Recommendations	40
	Summary Schedule of Prior Year Findings as Prepared by Management	41
	<b><u>APPRECIATION</u></b>	42

**DELRAN SEWERAGE AUTHORITY**

Roster of Officials

July 14, 2010

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MEMBERS

Harry Fox  
Greg Carlson  
James Hatzold  
Joe Stellwag  
Jon Hewko  
Gina Reed

Chairman  
Vice-Chairman  
Member  
Member  
Member  
Alternate

OFFICERS

Jeffrey Williams

Executive Director for Operations

CONSULTANTS

Christopher L. Baxter

Solicitor

Kevin L. Snowden  
of Alaimo & Associates

Engineer

TD Bank

Trustee

**DELRAN SEWERAGE AUTHORITY**

**PART 1**

**FINANCIAL SECTION**

**FOR THE PERIOD ENDED**

**JULY 14, 2010**

## INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of  
The Delran Sewerage Authority  
Delran, New Jersey

We have audited the accompanying statement of net assets of the Delran Sewerage Authority, State of New Jersey, a component unit of the Township of Delran, as of July 14, 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the period then ended. These financial statements are the responsibility of the Delran Sewerage Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States and in compliance with audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Delran Sewerage Authority as of July 14, 2010 and the respective changes in financial position and cash flows for the period then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 21, 2010 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our 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 and should be read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants



Stephen E. Ryan  
Certified Public Accountant  
Registered Municipal Accountant

Voorhees, New Jersey  
September 21, 2010

**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**

The Chairman and Members of  
The Delran Sewerage Authority  
Delran, New Jersey

We have audited the financial statements of the Delran Sewerage Authority, State of New Jersey, as of and for the period ended July 14, 2010, and have issued our report thereon dated September 21, 2010. We conducted our 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 Local Finance Board, Department of Community Affairs, State of New Jersey.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Recommendations we identified one deficiency in internal control over financial reporting that we consider to be material weaknesses.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the school district's financial statements will not be prevented, or detected and corrected on a timely basis. We consider Finding No. 2010-1 described in the accompanying Schedule of Findings and Recommendations, to be a material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey.

The Authority's response to the finding identified in our audit is described in the accompanying Findings and Recommendations. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of the Authority and the Local Finance Board, Department of Community Affairs, State of New Jersey and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants



Stephen E. Ryan  
Certified Public Accountant  
Registered Municipal Accountant

Voorhees, New Jersey  
September 21, 2010



# **Delran Sewerage Authority Management's Discussion and Analysis For the Period Ending July 14, 2010**

The Delran Sewerage Authority (the Authority) is a public agency providing wastewater services to Delran Township and 10 residential connections in Moorestown Township. This section of the Authority's annual financial report provides a discussion and analysis of the financial performance for period ending July 14, 2010.

## **DISSOLUTION**

In February 2010, the Delran Township Committee introduced an ordinance to dissolve the Delran Township Sewerage Authority. As required by N.J.S.A. 40:14B, the Township Committee made an application to the Local Finance Board and the application was approved. As of July 15, 2010, the Township assumed all Authority assets and liabilities and established a Sewer Department that is responsible for providing sewer service.

## **FINANCIAL HIGHLIGHTS**

- **Connection Fees:** There was no connection fee revenue collected during the period. At July 14, 2010, prepaid connections fees have held at \$56,331.36. and new home and business construction has continued to stayed stagnant. Because of economic circumstances, the Authority does not expect connection fee revenues to return to their level enjoyed in previous years.
- **Sewer Rates** – A sewer rate increase in the near future may be implemented to offset some of the decrease in connection fees and rises in operating costs due to inflation.
- **Total Assets** – Total assets at the end of the period was \$12,238,124.00. After deducting liabilities, net assets equal \$8,928,243.67.
- **Total Operating Revenue** – The period's operating revenues totaled \$1,612,581.10.
- **Total Operating Expenses** – The period's operating expenses totaled 2,136,278.78.
- **Interest Income** – In the period, the Authority generated \$3,948.43 in interest income from investments. The amount of interest income is down from last year's as a result of less investable funds on hand. The Authority had \$1,633,558.95 in cash and investments at December 31, 2009 but only \$500,497.27 at July 14, 2010.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts - Independent Auditor's Reports, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental schedules.

The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Authority's assets and liabilities. As the Authority follows the accrual method of accounting, the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. Net-assets – the difference between the Authority's assets and liabilities – are a measure of the Authority's financial health or position.

The statement of revenues, expenses and changes in net assets provides a breakdown of the various areas of revenues and expenses encountered during the current year.

The statement of cash flows provides a breakdown of the various sources of cash flow, categorized into three areas: Cash flows from operating activities, capital and related financing activities and investing activities.

## **FINANCIAL ANALYSIS OF THE AUTHORITY**

The Authority's total net assets were \$8,928,243.67 on July 14, 2010. Total assets, total liabilities and total net assets are detailed below.

A significant portion of the Authority's net assets (93.39%) represents its investment in capital assets (i.e. sewer lines, treatment plant, buildings, improvements and equipment); less the related debt outstanding used to acquire those capital assets. Although the Authority's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the Authority's net assets (6.62%) represents resources that are subject to external restrictions and how they can be used under the Bond Resolution covenants.

The remaining portion of net assets is a deficit in unrestricted net assets (\$828.75).

Statement of Net Assets  
As of July 14, 2010 compared with December 31, 2009 and 2008

	<u>2010*</u>	<u>2009</u>	<u>2008</u>
<b>Assets</b>			
Current Assets	\$ 875,180	\$ 1,539,681	\$ 3,037,294
Noncurrent Assets	235,602	986,219	880,827
Capital Assets	11,083,308	11,159,895	11,709,368
Unamortized Bond Issue Costs	44,034	50,324	62,905
<b>Total Assets</b>	<b>12,238,124</b>	<b>13,736,119</b>	<b>15,690,394</b>
<b>Liabilities</b>			
Current Liabilities	1,565,649	1,421,388	1,419,367
Long-Term Liabilities	1,744,231	2,798,790	4,006,633
<b>Total Liabilities</b>	<b>3,309,880</b>	<b>4,220,178</b>	<b>5,426,000</b>
<b>Net Assets</b>			
Invested in Capital Assets	8,337,932	7,331,713	6,801,296
Restricted	591,140	643,774	652,856
Unrestricted	(829)	1,540,454	2,810,242
<b>Total Net Assets</b>	<b>8,928,244</b>	<b>9,515,941</b>	<b>10,264,394</b>

Statement of Revenues, Expenses and Changes in Net Assets  
For the Period Ended July 14, 2010 compared with the  
Years Ended December 31, 2009 and 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Operating Revenues</b>			
Service Charges	\$ 1,594,608	\$ 3,192,018	\$ 2,999,454
Connection Fees		52,368	106,138
Other Operating Revenue	17,973	35,667	60,434
<b>Total Operating Revenues</b>	<b>1,612,581</b>	<b>3,280,053</b>	<b>3,166,027</b>
<b>Operating Expenses</b>			
Administration	312,331	397,469	445,535
Cost of Providing Services	1,110,365	1,864,243	1,747,217
Major Repairs and Other Expenses	19,642	70,018	27,709
Depreciation	693,640	1,348,025	874,960
<b>Total Operating Expenses</b>	<b>2,135,978</b>	<b>3,679,756</b>	<b>3,095,421</b>
<b>Net Non-Operating Inc. (Exp.)</b>	<b>(64,301)</b>	<b>(348,751)</b>	<b>(276,189)</b>
<b>Change in Net Assets</b>	<b>(587,697)</b>	<b>(748,453)</b>	<b>(205,583)</b>
<b>Net Assets--Jan. 1</b>	<b>9,515,941</b>	<b>10,264,394</b>	<b>10,469,977</b>
<b>Net Assets Dec. 31</b>	<b>8,928,244</b>	<b>9,515,941</b>	<b>10,264,394</b>

*\*Not a full year of operations*

## **OVERALL ANALYSIS**

Those charged with running the sewer utility will need to evaluate a rate increase in the near future to offset the decrease in connection fees in Delran. There are a few commercial properties planned for 2010, but the connection fee revenues, particularly at the level the Authority enjoyed in the past, are finite and at some future time the entity must be financially able to afford operating expenses, debt service and capital expenditures without a substantial portion of its connection fee revenue.

The Authority treats connection fee payments as liabilities until issuing the developer an Authority release form to acquire a Certificate of Occupancy (CO) from the Township. The release of a CO triggers the Authority's recognition of connection fee revenue.

In 2010, we billed approximately 6655 residential units, and 338 commercial units. The minimum rate for residential users is \$82.15 per quarter and the minimum rate for commercial users is \$143.35. The number of users should increase in the remaining portion of 2010, although not by many.

## **BUDGET VARIANCES**

Because the original budget was formulated in December 2009 and was intended to be for a full year of operations, certain actual events during the year resulted in budget variations:

The following is a narrative addressing the more significant overages:

- Auditor Fees – As a result of the dissolution, an audit of 2009 and the period ending July 14, 2010 had to be completed. As a result, fees were greater than budgeted for.

## **CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY**

During the year 2010, the Authority expended \$558,864.66 for capital activities. \$19,642.11 was expensed for major repairs and other expenses. The remaining \$539,222.55 was capitalized as construction in progress or additions to fixed assets.

The following construction projects are still underway:

UV Disinfection Equipment Upgrade  
Brown Street Pump Station

The proposed five-year Capital Program totals \$4,458,700. The major line items making up a portion of the Capital Budget are:

1. Garage and Plant Renovations
2. Information Technology Upgrades
3. POM Energy
4. Pump Station Upgrades
5. Collection and Treatment System Upgrades
6. Replace Combination Machine
7. Professional Services

## **CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY (CONT'D)**

Looking ahead to the second half of 2010, the following projects are currently being pursued:

1. Garage Renovations
2. Plant Repairs

The Authority has not experienced any change in its credit rating.

## **CONTACTING THE AUTHORITY'S MANAGEMENT**

This financial report is designed to provide Delran Township residents, investors, clients and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have any questions about this report or need additional financial information, contact Donna Ibbetson, Chief Financial Officer, Township of Delran, 900 Chester Avenue, Delran, NJ 08075.

## **BASIC FINANCIAL STATEMENTS**

**DELTRAN SEWERAGE AUTHORITY**  
Statement of Net Assets  
As of July 14, 2010

**ASSETS****CURRENT ASSETS**

## Unrestricted Assets:

Cash and Cash Equivalents	\$ 298,282.05
Service Fees Receivable, Net of Allowance for Doubtful Accounts of \$10,455.35	512,312.12
Prepaid Expenses	<u>96,000.00</u>
Total Unrestricted Assets	<u>906,594.17</u>

**NONCURRENT ASSETS**

## Restricted Assets:

Cash and Cash Equivalents	202,215.22
Accrued Investment Income Receivable	<u>1,973.02</u>
Total Restricted Assets	<u>204,188.24</u>

## Property, Plant and Equipment:

Completed	28,585,215.67
Accumulated Depreciation	(18,297,601.06)
Construction in Progress	<u>795,693.27</u>
Total Property, Plant and Equipment	<u>11,083,307.88</u>

## Deferred Assets:

Unamortized Bond Issue Costs	<u>44,033.71</u>
Total Assets	<u>12,238,124.00</u>

(Continued)

**DELRAN SEWERAGE AUTHORITY**  
Statement of Net Assets  
As of July 14, 2010

**LIABILITIES****CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS**

Accounts Payable	\$ 246,991.31
Payroll Deductions Payable	1,177.14
Overpaid Consumer Accounts Receivable	8,622.91
Deferred Connection Fee Revenue	56,331.36
Escrow Deposits	<u>46,254.99</u>
 Total Current Liabilities Payable from Unrestricted Assets	 <u>359,377.71</u>

**CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS**

Retainage Payable	8,392.40
Accrued Interest Payable	34,019.38
Loans Payable (Current Portion)	813,859.73
Sewer Revenue Bonds Payable (Current Portion)	<u>350,000.00</u>
 Total Current Liabilities Payable from Restricted Assets	 <u>1,206,271.51</u>

**LONG TERM LIABILITIES**

Loans Payable	946,736.58
Sewer Revenue Bonds Payable	678,812.90
Compensated Absences Payable	<u>118,681.63</u>
 Total Long Term Liabilities	 <u>1,744,231.11</u>
 Total Liabilities	 <u>3,309,880.33</u>

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	8,337,932.38
Restricted:	
Bond Resolution Covenants	584,408.33
State Unemployment Compensation	6,731.71
Unrestricted	<u>(828.75)</u>
 Total Net Assets	 <u>\$ 8,928,243.67</u>

See the accompanying Notes to Financial Statements.



**DELRAN SEWERAGE AUTHORITY**  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Period Ended July 14, 2010

<b>OPERATING REVENUES:</b>	
Service Fees	\$ 1,594,607.96
Other Operating Revenues	16,576.05
Employee Deductions	<u>1,397.09</u>
Total Operating Revenues	<u>1,612,581.10</u>
<b>OPERATING EXPENSES:</b>	
Administration:	
Salaries and Wages	93,487.18
Employee Benefits	49,191.74
Other Expenses	169,651.92
Cost of Providing Service:	
Salaries and Wages	410,658.20
Employee Benefits	143,824.39
Other Expenses	555,882.19
Major Repairs and Other Expenses	19,642.11
Depreciation	<u>693,640.06</u>
Total Operating Expenses	<u>2,135,977.78</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(523,396.68)</u>
<b>NON-OPERATING INCOME (EXPENSE):</b>	
Investment Income	3,948.43
Bad Debt Expense	5,765.32
Interest Expense	(67,723.73)
Amortization of Bond Issuance Costs	<u>(6,290.53)</u>
Net Non-operating Income (Expenses)	<u>(64,300.51)</u>
<b>CHANGE IN NET ASSETS</b>	(587,697.19)
<b>NET ASSETS JAN. 1</b>	<u>9,515,940.86</u>
<b>NET ASSETS JUL. 14</b>	<u><u>\$ 8,928,243.67</u></u>

See the accompanying Notes to Financial Statements

**DELRAN SEWERAGE AUTHORITY**  
Statement of Cash Flows  
For the Period Ended July 14, 2010

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from Customers and Users	\$ 1,881,568.59
Payments to Employees	(612,750.25)
Payments to Suppliers	(725,211.27)
Other Operating Receipts and Payments	<u>18,665.34</u>
Net Cash Provided by Operating Activities	<u>562,272.41</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Interest on Debt Service	(55,617.08)
Principal Paid on Bonds Payable	(345,000.00)
Principal Paid on Loans Payable	(757,497.91)
Acquisition of Capital Assets	(326,745.56)
Construction in Progress	<u>(212,476.99)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,697,337.54)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Investment Income	<u>2,003.45</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,133,061.68)
<b>CASH AND CASH EQUIVALENTS--JAN. 1</b>	<u>1,633,558.95</u>
<b>CASH AND CASH EQUIVALENTS--JUL. 14</b>	<u><u>\$ 500,497.27</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH</b>	
Provided by Operating Activities:	
Operating Income (Loss)	\$ (523,396.68)
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities:	
Depreciation Expense	693,640.06
Changes in Operating Assets and Liabilities:	
Service Fees Receivable	282,500.71
Prepaid Expenses	1,500.00
Accrued Payroll	(2,436.09)
Change in Allowance for Doubtful Accounts	5,765.32
Accounts Payable	18,464.94
Overpaid Consumer Accounts Receivable	4,459.92
Compensated Absences Payable	81,082.03
Escrow and Retained Funds	<u>692.20</u>
Net Cash Provided by Operating Activities	<u><u>\$ 562,272.41</u></u>

See the accompanying Notes to Financial Statements

**DELRAN SEWERAGE AUTHORITY**  
Notes to Financial Statements  
For the Period Ended July 14, 2010

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**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Financial Reporting Entity and Dissolution**

The Delran Sewerage Authority ("Authority") is a public body corporate and politic of the State of New Jersey and was originally created as a sewerage authority by an ordinance adopted on January 27, 1955 by the Township of Delran's governing body, pursuant to the Sewerage Authority Law, Chapter 138 of the Laws of 1946, as amended. The terms of the members of the Authority are staggered so that at least one member's term expires each year, and the Delran Township Committee, in accordance with the Act, reappoints the member or appoints a successor.

The Act permits the Authority to charge and collect rents, rates, fees or other charges for direct or indirect connection with, or the use of services of its sewer system. The Act also permits the Authority to enter into agreements with other municipalities for the collection and treatment of sewerage.

In February 2010, the Delran Township Committee introduced an ordinance to dissolve the Delran Township Sewerage Authority. As required by N.J.S.A. 40:14B, the Township Committee made an application to the Local Finance Board. The application was approved on April 14, 2010. As required, the Delran Township Committee held a public hearing and adopted its ordinance to complete the dissolution of the Authority on April 27, 2010. As of July 15, 2010, the Township assumed all Authority assets and liabilities and established a Sewer Department that is responsible for providing sewer service.

**Component Unit**

The Delran Sewerage Authority is a component unit of the Township of Delran ("Township") as described in Government Accounting Standards Board Statement No. 14. These financial statements would be either blended or discreetly presented as part of the Township's financial statements if the Township followed generally accepted accounting principles applicable to governmental entities.

**Basis of Presentation**

The financial statements of the Authority have been prepared in accordance with generally accepted accounting principles 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 assets (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, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish 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.

**Basis of Accounting**

Enterprise funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned; their expenses are recognized when they are incurred. Sewer service charges are recognized as revenue when services are provided. Connection fees are collected in advance and, accordingly, the Authority defers these revenues until the municipality issues a release for certificate of occupancy and determines that sewage collection services are being provided to the properties.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Governmental Accounting Standards Board - Statement No. 20 (Cont'd)**

The Authority is required to follow all statements of the Governmental Accounting Standards Board (GASB). GASB Statement No. 20 was issued to give guidance in determining Generally Accepted Accounting Principles (GAAP) for governmental proprietary funds. It provides that all proprietary fund activities follow all Financial Accounting Standards Board (FASB) Statements issued prior to November 30, 1989, unless they conflict with GASB standards. It also provides that the governmental unit must elect whether to follow FASB Statements issued after that date.

The Authority has elected not to follow any FASB pronouncements issued after November 30, 1989.

**Budgets and Budgetary Accounting**

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal 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, amortization of bond issue costs, bond discounts and deferred loss on defeasance 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 Assets. 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 Authority adopted an amending budget resolution during the year.

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.

Local units are required by N.J.S.A. 40A:5-14 to annually adopt a cash management plan and must deposit its funds pursuant to that plan. The cash management plan includes a designation of a depository or depositories as defined in section 1 of P.L. 1970, c.236 (C. 17.9-41). In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

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.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Cash, Cash Equivalents and Investments (Cont'd)**

The cash management plan adopted by the Authority requires it to deposit funds in public depositories protected from loss under the provisions of GUDPA.

**Inventory**

The costs of inventories of supplies are recorded as expenditures at the time the individual items are purchased. The Authority has determined that the inventories are immaterial and are not recorded in the financial statements.

**Property, Plant and Equipment**

Property, Plant, and Equipment primarily consists of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased prior to January 1, 2001 are stated at estimated cost. Assets purchased since are stated at actual cost.

Costs incurred are recorded as construction in progress. In the year that the project is completed, these costs are transferred to Property, Plant and Equipment - Completed. Interest costs incurred during construction are not capitalized into the cost of the asset.

Expenditures are capitalized when they meet the following requirements:

- 1) Cost of \$1,000.00 or more
- 2) Useful life of more than one year
- 3) Asset is not affected by consumption

**Depreciation**

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

	<u>Years</u>
Buildings	30-40
Major Moveable Equipment	7-20
Vehicles	8-15
Infrastructure	25

A half-year of depreciation is taken in the year of acquisition.

**Bond Issuance Costs, Bond Premium and Deferred Loss on Refunding**

Bond issuance costs, bond premium and deferred loss on refunding arising from the issuance of the revenue bonds are deferred and amortized by the straight-line method from the issue date to maturity. Bond premium and deferred loss on refunding are presented as an adjustment of the face amount on the bonds payable whereas issuance costs are recorded as other assets.

**Net Assets**

Net assets comprise the various earnings from operating income, non-operating revenues, expenses, and capital contributions. Net assets are classified in the following three components:

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Net Assets (Cont'd)**

**Invested in Capital Assets, net of Related Debt** - This component of net assets consists of capital assets, net of accumulated depreciation, reduced, by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

**Restricted** - This component of net assets consists of external constraints imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restricts the use of net assets.

**Unrestricted** - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." This component includes net assets that may be allocated for specific purposes by the Board.

**Income Taxes**

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

**Operating and Non-Operating Revenues and Expenses**

Operating revenues include all revenues derived from sewer collection facilities (e.g., sewer rents and connection fees) and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and on investments in debt securities.

Operating expenses include expenses associated with the operation, maintenance and repair of the sewer collection system and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt and contributions to the Township.

**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.

**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.

**Bond Resolution**

The Authority is subject to the provisions and restrictions of a Bond Resolution adopted July 30, 1992 as supplemented on November 24, 2003. A summary of the activities of each account created by the Bond Resolution is covered below.

**Revenue Account** – All Revenues collected by the Authority are deposited daily into the Revenue Account. The funds in the account are then transferred monthly in this order; the Operating Account, the Bond Service Account, the Bond Reserve Account, the Renewal and Replacement Account and finally into the General Account in the amounts described below.

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**Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)****Bond Resolution (Cont'd)**

**Operating Account** – All amounts paid for the operation of the system are withdrawn from this account. Funds are transferred from the Revenue Account on a monthly basis so that the account balance equals one-twelfth of the amount budgeted for operating expenses in the annual budget.

**Bond Service Account** – The Interest and Sinking accounts are maintained to pay maturing interest and principal on the Sewer Revenue Bonds and Loans. The balance on deposit must be sufficient to enable the Trustee to withdraw amounts equal to interest due on debt, principal amounts maturing, accrued interest included in the purchase price of the Bonds purchased for retirement, and sinking fund installments when such payments are required.

**Bond Reserve Account** - The amount of funds on deposit must be maintained in an amount equal to the lesser of (a) 10% of the principal amount of the bonds, (b) Maximum Annual Debt Service or (c) 125% of the Average Annual Debt Service on the Bonds to insure funds are available for payment of Debt Service. The balance of \$144,000 on July 14, 2010 does not meet the requirements of the Bond Resolution. Whenever the amount in this account exceeds the Bond Reserve Requirement, the excess is transferred to the General Fund.

**Renewal and Replacement Account** - These funds are maintained for reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements or maintenance items of a type not recurring annually. The balance of \$50,000 on July 14, 2010 meets the requirements of the Bond Resolution. Whenever the amount in this account exceeds the Renewal and Replacement Fund Requirement, the excess is transferred to the General Fund.

**General Account** - All excess funds of the Authority are recorded in the General Account. If the Authority is not in default in the payment of bond principal or interest and all fund requirements are satisfied, the Authority may use the excess funds for any lawful purpose.

**Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)****Debt Service Coverage**

Section 615.2 of the Bond Resolution requires the computation of sufficiency of revenues and that Net Revenues equal at least 110% of the annual debt service. Compliance with this covenant for 2010 has been calculated on a pro rated basis, not in conformity with the Bond Resolution. It is presented for informational purposes only.

	<u>2010</u>	<u>2009</u>
Operating Revenues:		
Sewer Service Charges	\$ 1,594,607.96	\$ 3,192,018.31
Connection Fees		52,367.50
Other Operating Revenues	17,973.14	35,667.47
Investment Income	3,948.43	9,374.52
Section 615.2(b) Deposits		<u>699,106.42</u>
 Total Revenues	 <u>1,616,529.53</u>	 <u>3,988,534.22</u>
Operating Expenses:		
Administrative	312,330.84	397,469.13
Cost of Providing Service	<u>1,110,364.78</u>	<u>1,864,243.41</u>
 Total Operating Expenses	 <u>1,422,695.62</u>	 <u>2,261,712.54</u>
 Net Revenues	 193,833.91	 1,726,821.68
110% of Current Fiscal Year's Annual Bond Service Requirement	 <u>726,194.28</u>	 <u>1,418,769.90</u>
 Excess (Deficit) in Revenues	 <u>\$ (532,360.37)</u>	 <u>\$ 308,051.78</u>
 Coverage	 <u>29%</u>	 <u>134%</u>

This ratio as of December 31, 2009 met the required debt service coverage of 110% for the Series 2003 Bonds.

**Note 3: DETAIL NOTES - ASSETS****Cash and Cash Equivalents**

**Custodial Credit Risk** – Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's formal policy regarding custodial credit risk is the same as described in Note 1, N.J.S.A. 17:9-41 et seq. and included in its cash management plan. The Authority shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. As of July 14, 2010 all of the Authority's bank balance of \$653,773.59 was either insured or collateralized as follows:

Insured	\$ 250,000.00
Collateralized under GUDPA	<u>403,773.59</u>
	<u>\$ 653,773.59</u>



**Note 3: DETAIL NOTES – ASSETS (CONT'D)****Service Fees**

The following is a three-year comparison of service charge billings and collections for all types of accounts maintained by the Authority:

Fiscal Year	Beginning Balance	Billings	Total Collections	Percentage of Collections
2010*	\$ 811,033.50	\$ 1,594,607.96	\$ 1,882,873.99	78.27%
2009	708,334.49	3,192,018.31	3,089,319.30	79.21%
2008	655,434.78	2,999,454.32	2,986,905.00	81.72%

*\*Not a full year of operations*

**Property, Plant and Equipment**

During the period ended July 14, 2010, the following changes in Property, Plant and Equipment occurred:

	Balance Jan. 1, 2010	Additions	Deletions	Balance Jul. 14, 2010
Land	\$ 4,444,542.35			\$ 4,444,542.35
Land Improvements	132,336.00			132,336.00
Buildings	6,496,621.16			6,496,621.16
Machinery and Equipment	8,988,965.54	\$ 326,745.56		9,315,711.10
Sewer Mains & Truck Lines	8,196,005.06			8,196,005.06
	28,258,470.11	326,745.56	---	28,585,215.67
Depreciation	17,603,961.00	693,640.06		18,297,601.06
	<u>\$ 10,654,509.11</u>	<u>\$ (366,894.50)</u>	---	<u>\$ 10,287,614.61</u>
Disbursed		<u>\$ 326,745.56</u>		

**Note 4: DETAIL NOTES - LIABILITIES****Compensated Absences**

Authority employees may accumulate unused sick days with no restrictions. Employees are compensated for accumulated sick leave upon retirement or resignation at their then current hourly rate of pay times the number of days accumulated. One week of vacation time may be carried over until the following fiscal year. Upon separation from the Authority, the employee will be paid for all accrued vacation time at their then current hourly rate. The accrued liability for accumulated sick leave and vacation time at July 14, 2010 is estimated at \$118,681.63.

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Retirement Systems**

The Authority contributes to a cost-sharing multiple-employer defined benefit pension plan, the Public Employees' Retirement System (PERS), which is administered by the New Jersey Division of Pensions and Benefits. In addition, Authority employees may also participate in the Defined Contribution Retirement Program, which is a defined contribution pension plan. This too is administered by the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey  
Division of Pensions and Benefits  
P.O. Box 295  
Trenton, New Jersey 08625-0295

**Public Employees' Retirement System** - The PERS was established as of January 1, 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2007, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2007, the increase is effective with the payroll period that begins immediately after July 1, 2007. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Authority is billed annually for its normal contribution plus any accrued liability.

<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Pension Deferral</u>	<u>Funded by State *</u>	<u>Paid by Authority</u>
2010	\$ 19,744.00	\$ 25,369.00	\$ 45,113.00			\$ 45,113.00
2009	18,389.00	21,269.00	39,658.00	\$ 19,829.00		19,829.00
2008	23,369.00	18,009.00	41,378.00		\$ 8,275.60	33,102.40

*\*Funded by the State of New Jersey in accordance with the Pension Security Credit Act*

**Related Party Investments** - The Division of Pensions and Benefits does not invest in securities issued by the Delran Sewerage Authority.

**Post-employment Benefits**

The Delran Sewerage Authority provides extended healthcare coverage to one retired employee on a pay-as-you-go basis authorized by Board resolution 2002-51. The resolution provides a monthly premium of \$400.00 payable to said employee to assist with health insurance expenses. The payment of this premium is authorized until June 24, 2012. As of July 14, 2010 the liability for post employment benefit is \$9,600. Current year healthcare reimbursements totaled \$2,400.00.

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Sewer Revenue Bonds Payable - Series 2003**

The Sewer Revenue Bonds, Series of 2003 ("2003 Bonds"), are limited obligations of the Authority. The 2003 Bonds are secured by a pledge of revenues of the sewer system. The 2003 Bonds are further secured by a service agreement between the Authority and the Township of Delran (Note 6).

The 2003 Bonds were issued in order to advance refund the Series 1993 Bonds and to pay certain costs related to the issuance of the 2003 Bonds. The 2003 Bonds carry interest rates ranging from 2.0% to 3.4% with a final maturity in 2013.

The following schedule reflects the Debt Requirements until 2013.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010		\$ 20,447.50	\$ 20,447.50
2011	\$ 350,000.00	30,251.25	380,251.25
2012	365,000.00	18,851.25	383,851.25
2013	<u>380,000.00</u>	<u>6,460.00</u>	<u>386,460.00</u>
	1,095,000.00	<u>\$ 76,010.00</u>	<u>\$ 1,171,010.00</u>
Adjustments:			
Add: Premium on Bonds	362.85		
Deferred Loss on Defeasance	<u>(66,549.95)</u>		
	<u>\$ 1,028,812.90</u>		

**New Jersey Wastewater Management Treatment Trust Loans (NJWMT)**

The Authority has four loans outstanding through the New Jersey Wastewater Treatment (NJWMT) program. Two of the loans originally totaling \$6,640,000.00 were interest bearing at remaining imputed rates of between 4.30% and 4.70% payable over four years. The other two loans totaling \$6,514,636.00 are interest free and are also payable over four years.

In 1998, the 1992 interest bearing Trust loan was refinanced through the NJWMT program. The resulting payment schedule did not reflect the economic reality of the transaction. Therefore, the Authority has imputed a principal and interest payment schedule from information received from the Trust.

On May 7, 2003 the Wastewater Treatment Trust issued Refunding Bonds, Series 2003, to refund a portion of the Wastewater Treatment Trust Loan, Series 1993 dated October 15, 1993. The resulting payment schedule did not reflect the economic reality of the transaction. Therefore, the Authority has imputed a principal and interest payment schedule from information received from the Trust.

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****New Jersey Wastewater Management Treatment Trust Loans (NJWMT) (Cont'd)**

The remaining maturities on these loans are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 14,818.11	\$ 35,018.23	\$ 49,836.34
2011	799,041.62	45,349.38	844,391.00
2012	824,602.49	18,998.05	843,600.54
2013	108,833.42	2,700.81	111,534.23
	<u>1,747,295.64</u>	<u>\$ 102,066.47</u>	<u>\$ 1,849,362.11</u>
Adjustments:			
Add: Premium on Bonds	17,473.25		
Deferred Loss on Defeasance	<u>(4,172.58)</u>		
	<u>\$ 1,760,596.31</u>		

**Note 5: DETAIL NOTES – NET ASSETS****Net Assets Appropriated**

The Authority's balance in unrestricted net assets was a deficit of (\$828.75) as of period ending July 14, 2010.

**Note 6: INTERGOVERNMENTAL AGREEMENTS****Township of Delran Service Agreement**

A Service Agreement was entered into on May 1, 1987, between the Authority and the Township of Delran. Under the Service Agreement, the Township agrees to pay any shortfall the Authority may encounter in making payments for either operating expenses and/or debt service.

Were a shortfall to occur, the Authority would be required to repay any amounts advanced by the Township plus interest at 1% per year above the highest rate paid by the Authority on any outstanding bonds. The Authority has never been in the position where it was necessary to call on the provisions of the Service Agreement.

**Note 7: COMMITMENTS AND CONTINGENCIES****Commitments**

The Authority had two single ongoing construction projects as of July 14, 2010. These projects are evidenced by contractual commitments with contractors and include:

<u>Project</u>	<u>Awarded</u>	<u>Commitment Remaining</u>
Brown Street Pump Station	\$ 149,200.00	\$ 51,335.24
UV Disinfection Equipment Improvement	317,350.00	6,257.16
	<u>\$ 466,550.00</u>	<u>\$ 57,592.40</u>

**Note 7: COMMITMENTS AND CONTINGENCIES (CONT'D)****Litigation**

The Authority is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Authority, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

**Note 8: RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is a member of Burlington County Joint Insurance Fund which is administered by Commerce National Insurance. The Fund provides the Authority with the following coverage:

Property - Blanket Building and Grounds  
Boiler and Machinery  
General and Automobile Liability

Contributions to the Fund, including a reserve for contingencies are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Authority's agreement with the pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance for claims for each insured event.

The Fund publishes its own financial report for the year ended December 31, 2009, which can be obtained from:

Commerce National Insurance  
8 Lacey Road  
PO Box 1058  
Forked River NJ, 080731

## **SUPPLEMENTAL EXHIBITS**

**DELTRAN SEWERAGE AUTHORITY**  
Combining Schedule of Revenues, Expenses and Changes in Net Assets  
For the Period Ended July 14, 2010

	Unrestricted		Restricted			Total
	Operating	General	Bond Service	Bond Reserve	Renewal and Replacement	
Operating Revenues:						
Service Revenues	\$ 1,594,607.96					\$ 1,594,607.96
Connection Fees						
Other Operating Revenues	16,576.05					16,576.05
Employee Deductions		\$ 1,397.09				1,397.09
	<u>1,611,184.01</u>	<u>1,397.09</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>1,612,581.10</u>
Operating Expenses:						
Administration:						
Salaries and Wages	93,487.18					93,487.18
Employee Benefits	49,191.74					49,191.74
Other Expenses	158,097.92	11,554.00				169,651.92
Cost of Providing Service:						
Salaries and Wages	410,658.20					410,658.20
Employee Benefits	143,824.39					143,824.39
Other Expenses	555,882.19					555,882.19
Major Repairs and Other Expenses		19,642.11				19,642.11
Depreciation		693,640.06				693,640.06
	<u>1,411,141.61</u>	<u>724,836.17</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>2,135,977.78</u>
Operating Income (Loss)	200,042.40	(723,439.08)				(523,396.68)
Non-operating Income (Expenses):						
Investment Income	505.87	115.17	\$ 2,910.28	\$ 312.17	\$ 104.94	3,948.43
Interest on Bonds		(13,400.45)	(54,323.28)			(67,723.73)
Bad Debt Expense	5,765.32					5,765.32
Amortization of Bond Issuance Costs		(6,290.53)				(6,290.53)
Increase (Decrease) before Transfers & Contributions	206,313.59	(743,014.89)	(51,413.00)	312.17	104.94	(587,697.19)
Transfers	(245,795.26)	194,799.37	51,413.00	(312.17)	(104.94)	---
Increase (Decrease) in Net Assets	(39,481.67)	(548,215.52)	---	---	---	(587,697.19)
Net Assets Jan. 1, 2010	236,890.00	8,892,050.86	---	337,000.00	50,000.00	9,515,940.86
Net Assets Jul. 14, 2010:						
Invested in Capital Assets, Net of Related Debt		\$ 8,337,932.38				\$ 8,337,932.38
Restricted:						
Bond Covenants	\$ 197,408.33			\$ 337,000.00	\$ 50,000.00	584,408.33
Unemployment Compensation		6,731.71				6,731.71
Unrestricted	---	(828.75)	---	---	---	(828.75)

**DELTRAN SEWERAGE AUTHORITY**  
 Schedule of Cash Receipts and Disbursements  
 For the Period Ended July 14, 2010

	Operating Accounts	Revenue	General Reserve	Restricted			Unemployment Compensation	Total
				Debt Service	Bond Reserve	Renewal and Replacement		
Cash and Cash Equivalents Jan. 1, 2010	\$ 398,149.38	\$ 245,016.40	\$ 125,996.63	\$ 619,083.23	\$ 177,500.00	\$ 50,000.00	\$ 17,813.31	\$ 1,633,558.95
Cash Receipts:								
Service Fees Receivable		1,878,711.00						1,878,711.00
Overpayments		8,622.91						8,622.91
Other Operating Revenues		16,576.05						16,576.05
Investment Income	232.44	273.43	101.62	965.30	312.17	104.94	13.55	2,003.45
Developer's Escrow Deposits	15,500.00							15,500.00
Transfers In	956,296.18	106,263.36	509,181.59	549,786.73	72,346.25		1,397.09	2,195,271.20
Total Cash Receipts, Cash and Cash Equivalents	1,370,178.00	2,255,463.15	635,279.84	1,169,835.26	250,158.42	50,104.94	19,223.95	5,750,243.56
Cash Disbursements:								
Budgetary	921,445.19			11,175.00				932,620.19
Interest Payments				55,617.08				55,617.08
Bond Principal				345,000.00				345,000.00
Loans Payable				757,497.91				757,497.91
Accounts Payable	154,279.61							154,279.61
Accrued Wages Payable	2,436.09							2,436.09
Payroll Deductions Payable	226,855.75							226,855.75
Major Repairs and Other Expenses			19,642.11				11,554.00	31,196.11
Acquisition of Fixed Assets			326,745.56					326,745.56
Construction in Progress			212,476.99					212,476.99
Developer's Escrow Payments	9,749.80							9,749.80
Transfers Out	1,397.09	2,042,610.75	45,000.00		106,158.42	104.94		2,195,271.20
Total Cash, Cash Equivalents, and Cash Receipts	1,316,163.53	2,042,610.75	603,864.66	1,169,289.99	106,158.42	104.94	11,554.00	5,249,746.29
Cash and Cash Equivalents Jul. 14, 2010	\$ 54,014.47	\$ 212,852.40	\$ 31,415.18	\$ 545.27	\$ 144,000.00	\$ 50,000.00	\$ 7,669.95	\$ 500,497.27



**DELRAN SEWERAGE AUTHORITY**

Schedule of Anticipated Revenues, Operating Appropriations, Principal Payments and  
Non-Operating Appropriations Compared to Budget -- Non-GAAP Budgetary Basis  
For the Period Ended July 14, 2010

	Adopted <u>Budget</u> <sup>1</sup>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u> <sup>1</sup>
<b>Budget Revenues:</b>			
<b>Operating Revenues:</b>			
Service Fees	\$ 3,615,147.00	\$ 1,594,607.96	\$ (2,020,539.04)
Connection Fees	50,000.00		(50,000.00)
Other Operating Revenues	50,000.00	16,576.05	(33,423.95)
<b>Total Operating Revenues</b>	<b>3,715,147.00</b>	<b>1,611,184.01</b>	<b>(2,103,962.99)</b>
<b>Non-Operating Revenues:</b>			
Interest on Investments and Deposits	100,000.00	3,934.88	(96,065.12)
<b>Total Budget Revenues</b>	<b>3,815,147.00</b>	<b>1,615,118.89</b>	<b>(2,200,028.11)</b>
<b>Operating Appropriations:</b>			
<b>Administration:</b>			
Salaries and Wages	121,400.00	93,487.18	27,912.82
<b>Employee Benefits:</b>			
Health Insurance	39,000.00	29,896.68	9,103.32
Social Security Tax	27,750.00	8,045.06	19,704.94
PERS	11,250.00	11,250.00	
<b>Total Employee Benefits</b>	<b>78,000.00</b>	<b>49,191.74</b>	<b>28,808.26</b>
<b>Other Expenses:</b>			
Office Supplies	4,000.00	1,832.24	2,167.76
Office Equipment	2,000.00	9,804.56	(7,804.56)
Billing Costs	6,000.00	3,467.14	2,532.86
Authority Expenses	4,000.00	250.00	3,750.00
Trustee Fees	15,000.00	23,025.00	(8,025.00)
Insurance	20,000.00	21,310.00	(1,310.00)
Miscellaneous Supplies and Expenses	6,000.00	3,702.60	2,297.40
Settlement Fees	15,000.00	15,000.00	
Engineer Fees	25,000.00	8,596.85	16,403.15
Legal Fees	40,000.00	9,986.38	30,013.62
Auditor Fees	35,000.00	61,123.15	(26,123.15)
<b>Total Other Expenses</b>	<b>172,000.00</b>	<b>158,097.92</b>	<b>13,902.09</b>
<b>Total Administration</b>	<b>371,400.00</b>	<b>300,776.84</b>	<b>70,623.17</b>
<b>Cost of Providing Service:</b>			
Salaries and Wages	530,500.00	410,658.20	119,841.80

<sup>1</sup> - Budget was intended to be for a full year of operations.

(Continued)

**DELRAN SEWERAGE AUTHORITY**

Schedule of Anticipated Revenues, Operating Appropriations, Principal Payments and  
Non-Operating Appropriations Compared to Budget -- Non-GAAP Budgetary Basis  
For the Period Ended July 14, 2010

	Adopted <u>Budget</u> <sup>1</sup>	<u>Actual</u>	Variance Favorable (Unfavorable) <sup>1</sup>
Cost of Providing Service (Cont'd):			
Employee Benefits:			
Health Insurance	\$ 98,000.00	\$ 76,341.54	\$ 21,658.46
Social Security	108,250.00	24,733.30	83,516.70
PERS	33,750.00	41,352.46	(7,602.46)
Unemployment Compensation	3,000.00	1,397.09	1,602.91
Total Employee Benefits	<u>243,000.00</u>	<u>143,824.39</u>	<u>99,175.61</u>
Other Expenses:			
Electric, Power and Heat	400,000.00	199,911.45	200,088.55
Emergency Repairs	20,000.00		20,000.00
Plant Office Supplies	7,000.00	970.66	6,029.34
Plant Maintenance Supplies	10,000.00	5,328.77	4,671.23
Telephone	19,000.00	8,900.28	10,099.72
Repairs and Maintenance	80,000.00	36,852.13	43,147.87
Mechanical Contractor Fees	70,000.00	21,023.36	48,976.64
Electrical Contractor Fees	50,000.00	18,685.05	31,314.95
Insurance	60,000.00	63,929.99	(3,929.99)
Uniforms	19,000.00	9,061.22	9,938.78
Training	8,000.00	2,218.99	5,781.01
Tools and Equipment	3,000.00	414.00	2,586.00
Permits and Fees	28,000.00	24,753.89	3,246.11
Chlorine and Chemicals	28,000.00	2,546.70	25,453.30
Water	10,000.00	3,031.41	6,968.59
Transportation Expense	25,000.00	11,543.23	13,456.77
Laboratory Fees	25,000.00	8,554.98	16,445.02
Riverside Sewerage Authority	215,000.00	85,143.30	129,856.70
Riverside Marina Storage	12,000.00	5,400.00	6,600.00
Sludge Disposal	135,000.00	47,612.78	87,387.22
Total Other Expenses	<u>1,224,000.00</u>	<u>555,882.19</u>	<u>668,117.82</u>
Total Cost of Providing Service	<u>1,997,500.00</u>	<u>1,110,364.78</u>	<u>887,135.23</u>
Principal Payments on Debt in lieu of Depreciation	<u>1,117,316.00</u>	<u>1,102,497.91</u>	<u>14,818.09</u>
Total Operating Appropriations	<u>3,486,216.00</u>	<u>2,513,639.52</u>	<u>972,576.48</u>
Non-Operating Appropriations:			
Interest on Bonds	110,931.00	54,323.28	56,607.72
Other Reserves	50,000.00	19,642.11	30,357.89
Contribution to Delran Township	168,000.00		168,000.00
Total Non-Operating Appropriations	<u>328,931.00</u>	<u>73,965.39</u>	<u>254,965.61</u>

<sup>1</sup> - Budget was intended to be for a full year of operations.

(Continued)

**DELRAN SEWERAGE AUTHORITY**

Schedule of Anticipated Revenues, Operating Appropriations, Principal Payments and  
Non-Operating Appropriations Compared to Budget -- Non-GAAP Budgetary Basis  
For the Period Ended July 14, 2010

	Adopted <u>Budget</u> <sup>1</sup>	<u>Actual</u>	Variance Favorable (Unfavorable) <sup>1</sup>
Total Budget Appropriations	\$ 3,815,147.00	\$ 2,587,604.91	\$ 1,227,542.09
Excess Budget Appropriations Over Budget Revenues	---	\$ (972,486.02)	\$ (3,427,570.20)
<u>Reconciliation:</u>			
Excess Expenditures over Revenues to Operating Loss		\$ (972,486.02)	
Add:			
Non-Budgetary Operating Revenues	\$ 1,397.09		
Bond Principal	1,102,497.91		
Bond Interest	<u>54,323.28</u>		
		1,158,218.28	
Less:			
Interest on Investments	3,934.88		
Non Budgetary Expenses	11,554.00		
Depreciation	<u>693,640.06</u>		
		<u>709,128.94</u>	
Operating Loss (Exhibit B)		<u>\$ (523,396.68)</u>	
<u>Analysis of Charges to Appropriations</u>			
Cash Disbursed		\$ 932,620.19	
Major Repairs and Other Expenses		19,642.11	
Payroll Deductions Payable		226,855.75	
Employee Unemployment Deductions		1,397.09	
Accounts Payable		167,686.55	
Prepaid Rent Applied		1,500.00	
Increase in Compensated Absences		81,082.03	
Bond Principal		1,102,497.91	
Bond Interest		<u>54,323.28</u>	
Total Budget Appropriations		<u>\$ 2,587,604.91</u>	

<sup>1</sup> - Budget was intended to be for a full year of operations.

**DELRAN SEWERAGE AUTHORITY**  
 Analysis of Service Fees Receivable  
 For the Period Ended July 14, 2010

Balance Jan. 1, 2010		\$	811,033.50
Increased by:			
Service Charges			1,594,607.96
			2,405,641.46
Decreased by:			
Collections	\$	1,878,711.00	
Overpayment Applied		4,162.99	
			1,882,873.99
Balance Jul. 14, 2010		\$	522,767.47

## Schedule 5

**DELRAN SEWERAGE AUTHORITY**  
 Analysis of Accrued Investment Income Receivable  
 For the Period Ended July 14, 2009

	<u>Balance</u> <u>Jan. 1, 2010</u>	<u>Investment</u> <u>Earnings</u>	<u>Cash</u> <u>Received</u>	<u>Balance</u> <u>Jul. 14, 2010</u>
Unrestricted Earnings:				
Operating Account	---	\$ 232.44	\$ 232.44	---
Restricted Earnings:				
Revenue Fund		273.43	273.43	
Bond Sinking Funds:				
Reserve Account		312.17	312.17	
Debt Service Account	\$ 28.04	2,910.28	965.30	\$ 1,973.02
Renewal and Replacement Fund		104.94	104.94	
Unemployment Account		13.55	13.55	
General Account		101.62	101.62	
	28.04	3,715.99	1,771.01	1,973.02
	\$ 28.04	\$ 3,948.43	\$ 2,003.45	\$ 1,973.02

**DELTRAN SEWERAGE AUTHORITY**  
 Analysis of Property, Plant and Equipment  
 For the Period Ended July 14, 2010

	Balance Jan. 1, 2010	Additions	Deletions	Balance Jul. 14, 2010
Land	\$ 4,444,542.35			\$ 4,444,542.35
Land Improvements	132,336.00			132,336.00
Buildings	6,496,621.16			6,496,621.16
Machinery and Equipment	8,988,965.54	\$ 326,745.56		9,315,711.10
Sewer Mains and Trunk Lines	8,196,005.06			8,196,005.06
	28,258,470.11	326,745.56	---	28,585,215.67
Less: Depreciation	17,603,961.00	693,640.06	---	18,297,601.06
	<u>\$ 10,654,509.11</u>	<u>\$ (366,894.50)</u>	---	<u>\$ 10,287,614.61</u>
Disbursed		<u>\$ 326,745.56</u>		

## Schedule 7

**DELTRAN SEWERAGE AUTHORITY**  
 Analysis of Construction in Progress  
 For the Period Ended July 14, 2010

Balance Jan. 1, 2010	\$ 505,385.84
Increased by:	
Disbursements	\$ 212,476.99
Retainage	3,583.68
Accounts Payable	74,246.76
	<u>290,307.43</u>
Balance Jul. 14, 2010	<u>\$ 795,693.27</u>

**DELRAN SEWERAGE AUTHORITY**  
 Analysis of Overpayments  
 For the Period Ended July 14, 2010

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	<u>Total</u>
Balance Jan. 1, 2010	\$ 4,162.99
Increased by:	
Cash Received	8,622.91
	12,785.90
Decreased by:	
Applied to Service Fees Receivable	4,162.99
Balance Jul. 14, 2010	\$ 8,622.91

## Schedule 9

**DELRAN SEWERAGE AUTHORITY**  
 Analysis of Accrued Interest Payable  
 For the Period Ended July 14, 2010

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Balance Jan. 1, 2010	\$ 35,313.18
Increased by:	
Interest Expense	67,723.73
	103,036.91
Decreased by:	
Cash Disbursed	\$ 55,617.08
Bond Premium Amortized	(76.95)
Loan Premium Amortized	(2,247.41)
Deferred Loss Amortized	15,724.81
	69,017.53
Balance Jul. 14, 2010	\$ 34,019.38

**DELRAN SEWERAGE AUTHORITY**

Schedule of Loans Payable  
For the Period Ended July 14, 2010

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities Date/Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Balance Jan. 1, 2010</u>	<u>Principal Paid</u>	<u>Balance Jul. 14, 2010</u>
New Jersey Wastewater Management Treatment Trust:								
Series of 1992								
Fund Loan	10/15/92	\$ 5,104,735	10/1/2010	\$ 14,818.11				
			4/1/2011	252,285.85	N/A			
			4/1/2012	251,983.44	N/A			
				<u>519,087.40</u>		\$ 755,950.32	\$ 236,862.92	\$ 519,087.40
Series of 1998E	04/30/98	5,155,000	04/01/11	446,932.00	4.60%			
			04/01/12	467,882.00	4.70%			
				<u>914,814.00</u>		1,340,518.00	425,704.00	914,814.00
Series of 2003 Trust Loan	05/01/03	889,372.46	02/01/11	99,823.77	4.96%			
			02/01/12	104,737.05	4.97%			
			02/01/13	108,833.42	4.96%			
				<u>313,394.24</u>		408,325.23	94,930.99	313,394.24
						<u>\$ 2,504,793.55</u>	<u>\$ 757,497.91</u>	1,747,295.64
						Premium on Loans		17,473.25
						Deferred Loss on Refunding		(4,172.58)
								<u>\$ 1,760,596.31</u>

**DELRAN SEWERAGE AUTHORITY**  
 Schedule of Sewer Revenue Bonds  
 For the Period Ended July 14, 2010

	Date of <u>Issue</u>	Original <u>Issue</u>	<u>Maturities</u>		<u>Rate</u>	Balance <u>Jan. 1, 2010</u>	<u>Decreased</u>	Balance <u>Jul. 14, 2010</u>	
			<u>Date</u>	<u>Amount</u>					
Series of 2003	04/01/04	\$ 3,370,000	04/01/11	\$ 350,000.00	3.13%	\$ 1,440,000.00	\$ 345,000.00	\$ 1,095,000.00	
			04/01/12	365,000.00	3.25%				
			04/01/13	380,000.00	3.40%				
				<u>1,095,000.00</u>					
								Premium on Bonds	362.85
								Deferred Loss on Refunding	<u>(66,549.95)</u>
									<u>\$ 1,028,812.90</u>



**DELRAN SEWERAGE AUTHORITY**

**PART II**

**FINDINGS AND RECOMMENDATIONS**

**REPORT OF AUDIT**

**FOR THE PERIOD ENDED**

**JULY 14, 2010**

**DELRAN SEWERAGE AUTHORITY**  
Schedule of Findings and Recommendations  
For The Period Ended July 14, 2010

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This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey.

**Finding No. 2010-1**

**Condition**

There was a deficiency in internal controls due to inadequate segregation of duties while the administrative assistant was out on disability for the period April 2010 until July 2010. The administrative director was handling all accounting duties including billings, collections, deposits, disbursements and reconciliations.

**Criteria**

A good system of internal controls requires a proper segregation of incompatible duties such as billings collections, and reconciliations.

**Effect**

The Authority lacked adequate controls over revenues and disbursements.

**Cause**

These errors are a result of the Authority not getting someone to assist the administrative director in the tasks of receipts and disbursements for the Authority.

**Recommendation**

That those charge with directing the activities previously conducted by the Authority ensure the proper segregation of duties regarding revenue collection and the payment of claims.

**View of Responsible Officials and Planned Corrective Action**

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**32100**

**DELRAN SEWERAGE AUTHORITY**  
Summary Schedule Of Prior Year Findings As Prepared By Management

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This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

**None**

APPRECIATION

I express my appreciation for the courtesies extended and assistance rendered to me during the course of this audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stephen E. Ryan". The signature is fluid and cursive, with a large initial "S" and a long, sweeping tail.

Stephen E. Ryan  
Certified Public Accountant  
Registered Municipal Accountant

