

**WOODSTOWN SEWERAGE AUTHORITY  
REPORT OF AUDIT  
YEAR ENDED JUNE 30, 2012**

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## WOODSTOWN SEWERAGE AUTHORITY

### ROSTER OF OFFICIALS

#### AUTHORITY MEMBERS

#### POSITION

Mark Robbins	Chairman
Brian Pokrzywa	Vice-Chairman
David Layton	Member
Matthew Nowicki	Member
Michael Quinnette	Member

#### OTHER OFFICIALS

John G. Hoffman	Solicitor
James R. Hackett	Treasurer
Wendy Williams	Deputy Treasurer
Cynthia Dalessio	Secretary
Danielle Farrell	Engineer
Ronald Ianola, Esquire	Bond Counsel

All employees are covered under a crime policy – excess public official bond in the amount of \$1,000,000 through the Utilities Authority Joint Insurance Fund.

## **FINANCIAL SECTION**

# PETRONI & ASSOCIATES LLC

Certified Public Accountants • Registered Municipal Accountants  
102 West High Street, Suite 100 • P.O. Box 279 • Glassboro, NJ 08028  
(856) 881-1600 • Fax (856) 881-6860

MEMBER: AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

Nick L. Petroni, CPA, RMA

Mary A. Carey, RMA  
Wendy G. Fama, CPA  
Denise R. Nevico, CPA  
Deanna L. Roller, CPA, RMA

## INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members  
of the Authority  
Woodstown Sewerage Authority  
P.O. Box 286  
Woodstown, New Jersey 08098

We have audited the accompanying financial statements of the Woodstown Sewerage Authority, a component unit of the Borough of Woodstown, in the County of Salem, State of New Jersey as of and for the year ended June 30, 2012 and 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Woodstown Sewerage Authority management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements as prescribed by the Division of Local Government Services, 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Woodstown Sewerage Authority as of June 30, 2012 and 2011, and the respective changes in financial position and, where applicable, cash flows thereof, for the year 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 January 10, 2013, on our consideration of the Woodstown Sewerage 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 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 considered in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the 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 statement, 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Woodstown Sewerage Authority's financial statements as a whole. The introductory section, combining and individual fund financial statements, long-term debt schedules and other supplementary information, are presented for purposes of additional analysis and are not a required part of financial statements. The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on them.

PETRONI & ASSOCIATES LLC



Nick L. Petroni  
Certified Public Accountant  
Registered Municipal Accountant #252

January 10, 2013

# PETRONI & ASSOCIATES LLC

Certified Public Accountants • Registered Municipal 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***

Honorable Chairman and Members  
of the Authority  
Woodstown Sewerage Authority  
P.O. Box 286  
Woodstown, New Jersey 08098

We have audited the financial statements of the Woodstown Sewerage Authority; a component unit of the Borough of Woodstown as of and for the year ended June 30, 2012, and have issued our report thereon dated January 10, 2013. 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 the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

### **Internal Control over Financial Reporting**

Management of the Woodstown Sewerage Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Woodstown Sewerage 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 the 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 deficiencies, 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 certain deficiencies in internal control over financial reporting, that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control over financial statements, described in the accompanying schedule of findings and recommendations as item 2012-1, to be material weaknesses.

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. We consider the deficiency in internal control over financial reporting, described in the accompanying schedule of findings and recommendations as item 2012-2, to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Woodstown Sewerage 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 or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as described by the Local Finance Board.

This report is intended solely for the information and use of the Woodstown Sewerage Authority's management and the Division of Local Government Services, 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.

PETRONI & ASSOCIATES LLC



Nick L. Petroni  
Certified Public Accountant  
Registered Municipal Accountant #252

January 10, 2013

**REQUIRED SUPPLEMENTARY INFORMATION – PART 1**

WOODSTOWN SEWERAGE AUTHORITY  
WOODSTOWN, NEW JERSEY

## **INTRODUCTION**

The Woodstown Sewerage Authority, hereafter referred to as the “Authority” is pleased to present the Annual Financial Report developed in compliance with Statement of Governmental Accounting Standard No. 34, entitled “Basic Financial Statements - Management’s Discussion and Analysis - For State and Local Governments” (hereafter “GASB 34”), and related standards.

### **Mission**

The mission of the Authority is to contribute toward the high quality of life expected and enjoyed by all residents of the Authority’s service area, the county and the region by creatively applying the Authority’s human, technical and financial resources. By following this general principle, the Authority will provide the facilities and services for meeting today’s and tomorrow’s environmental protection and economic development needs without compromising the accessibility to these resources for meeting the needs and desires of future customers, ratepayers and generations, at a reasonable cost.

### **Responsibility and Control**

The Authority has prepared and is responsible for the financial statements and related information in this report. The opinion of the independent auditors, Petroni & Associates LLC, is included in this report. In management’s opinion the financial statements represent fairly, in all material aspects, the financial position, results of operations and cash flows of the Authority for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Authority provides management’s analysis of the Authority’s financial condition for the year. This information should be read in conjunction with the financial statements.

### **Summary of Organization and Business**

The Authority is a public body corporate and politic of the State created under the name The Woodstown Sewerage Authority, pursuant to an Ordinance of the Borough of Woodstown adopted on August 11, 1947, and the Sewerage Authorities Law, constituting Chapter 138 of the Laws of 1946 of the State of New Jersey as amended and supplemented. The creating Ordinance was filed with the Secretary of State for the State of New Jersey on October 15, 1947.

The service area of the Authority is the entire geographical area of the Borough of Woodstown portions of Pilesgrove Township to the East of the Borough Line including the new Friends Home development, the Westerly edge of the Borough Line including Grandview Drive with residential homes approved in the 1970’s, and the South-Westerly edge of the Borough Line that includes a recycle sewer system at the new Commercial Development that includes an Acme Market. The County Complex located in Mannington Township that includes the Salem County Correctional Facility and the Salem County Vocational School is part of the service area.

The Authority has the power under the Act to acquire, construct, maintain, operate and use sanitation facilities for the relief of waters in bordering or entering the areas with the Borough of Woodstown from pollution or threatened pollution and for the improvement of conditions affecting the public health.

WOODSTOWN SEWERAGE AUTHORITY  
WOODSTOWN, NEW JERSEY

**The System**

The existing sewer and wastewater treatment facilities consist of collection sewer mains, pumping stations and 0.53 million gallons per day secondary treatment plant with sludge dewatering system. The existing treatment plant was built in 1993 and has been well maintained.

The Authority is in the process of updating its service area and evaluating its treatment efficiency. The improvements proposed to increase efficiency include replacement screening at the headworks and new blower systems for the aeration tanks. A selector tank is proposed along with site improvements including a new driveway, chemical storage areas, erosion control measures, and raising manhole rim elevations.

There has been an ongoing plan of upgrades to the collection system. The collection system is evaluated by videotaping lines to identify problem areas. The oldest lines in the Borough are well over fifty years old.

A portion of the collection system was inspected and videotaped in July 2008. Several pipe defects were identified and the Authority performed upgrades in those identified areas. The improvements included a liner repair along Mill Street and the design of open cut replacement along Colson Court and Borton Drive performed in 2009 and 2010. Interceptor improvements through the easement off of Mill Street and West Millbrooke Avenue are in the planning phase.

Approximately 300 LF of main was replaced along Lotus Avenue in 2010 after a failure of the pipe resulted in a sink hole at the surface. In 2011 Hurricane Irene passed through the area washing away sections of sewer main, and undermining existing sewer infrastructure in the area downstream of Memorial Lake Dam. The sections affected by the hurricane, along with the sanitary sewer along Greene Street were reviewed in 2011 by video inspection. Improvements are anticipated and have been conceptually shown as part of grant funding applications.

Several development projects completed in 2009/2010 are currently contributing flow to the Authority's system. The Authority's treatment capacity to service potential future (re)development is under consideration. Those projects currently proposed include:

- a. D'Anastasio Corp. – Townhouse Development on South Main Street - 120 units.
- b. Pierson Properties – Development of approximately 50 single family homes.
- c. Bailey Corner – Commercial redevelopment of corner properties.

**Total of 170 new residential units plus commercial use**

The anticipated Capital Projects for the Authority over the next five to ten years are:

a. Plant equipment replacement	500,000.00
b. Plant site work and improvements	2,400,000.00
c. Interceptor improvements	110,000.00
d. Greene Street sewer main replacement	100,000.00
e. Miscellaneous sewer main replacements	280,000.00

WOODSTOWN SEWERAGE AUTHORITY  
WOODSTOWN, NEW JERSEY

The anticipated Capital Projects for the Authority over the next five to ten years are:

a. Plant equipment replacement	500,000.00
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c. Interceptor improvements	110,000.00
d. Greene Street sewer main replacement	100,000.00
e. Miscellaneous sewer main replacements	280,000.00

**Total Capital Project Cost Estimate of \$3,390,000.00**

It is anticipated that these projects will be funded with borrowing from NJDEP, USDA, FEMA, and/or local institutions.

WOODSTOWN SEWERAGE AUTHORITY  
Management's Discussion and Analysis  
Fiscal Year ended June 30, 2012

This section of the Woodstown Sewerage Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the Authority's financial statement.

**Financial Areas of Interest for 2011/2012**

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole Authority, presenting both an aggregate view of the Authority's finances and a longer-term view of those finances.

**Reporting the Authority as a Whole**

**Statement of Net Assets and the Statement of Activities**

While this document contains the funds used by the Authority to provide programs and activities, the view of the Authority as a whole, looks at all of the financial transactions and asks the question, "How did we do financially during 2011-2012?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector businesses. These bases of accounting take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Authority's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Authority as a whole, the financial position of the Authority and whether it has improved or diminished. The causes of this change may be the result of many factors, some financial and some non-financial.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Authority-wide and fund financial statements. The notes to the financial statements can be found listed in the table of contents.

**The Authority as a Whole**

The Statement of Net Assets provides the perspective of the Authority as a whole. Net assets may serve over time as a useful indicator of the Authority's financial position.

The Authority's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

WOODSTOWN SEWERAGE AUTHORITY  
Management's Discussion & Analysis  
Fiscal Year ended June 30, 2012

Table 1 provides a summary of the Authority's Net Assets for FY 2012 compared to FY 2011.

<b>Net Assets</b>		
	<u>FY 2012</u>	<u>FY 2011</u>
<b>Assets</b>		
Cash and Cash Equivalents	2,035,629.40	2,292,946.52
Current and Other Assets	165,200.84	161,241.52
Restricted Cash and Cash Equivalents	824,028.09	598,705.85
Capital Assets	<u>4,341,009.54</u>	<u>4,543,017.93</u>
Total Assets	<u><u>7,365,867.87</u></u>	<u><u>7,595,911.82</u></u>
<b>Liabilities</b>		
Non-current Liabilities		63,734.61
Other Liabilities	<u>126,812.87</u>	<u>507,980.50</u>
Total Liabilities	<u>126,812.87</u>	<u>571,715.11</u>
<b>Net Assets</b>		
Invested in Capital Assets		
Net of Related Debt	4,277,274.93	4,037,777.80
Restricted	1,550,631.71	1,518,672.25
Unrestricted	<u>1,411,148.36</u>	<u>1,467,746.66</u>
Total Net Assets	<u><u>7,239,055.00</u></u>	<u><u>7,024,196.71</u></u>
Total Liabilities and Net Assets	<u><u>7,365,867.87</u></u>	<u><u>7,595,911.82</u></u>

The Authority's combined Net assets at June 30, 2012 and 2011, were \$7,239,055.00 and \$7,024,196.71, respectively. This was an increase of \$214,858.29.

The Authority's total expenditures for fiscal year 2012 and 2011 (which includes interest on debt service and depreciation) (excluding capital expenditures) were \$1,084,320.28 and \$1,168,908.68 (See Exhibit A-2) which is an \$84,588.40 decrease over fiscal year 2011. This is a 7% decrease over the prior year.

The Authorities consumer accounts receivable fee is calculated using 60% of the dollar amount of the bills issued in January by the Woodstown Water Department. Therefore we have a good idea of what our revenues will be before we adopt our fiscal budget in June. We participate in the Borough of Woodstown's tax lien sale to collect delinquent rents. In September of each year, the Borough holds a tax lien sale on balances that are due and owing as of December 31<sup>st</sup> of the proceeding year.

In the 2011-2012 budget, we anticipated \$1,376,000.00 in Sewer service charges and actual bills were \$1,321,682.67, which resulted in a deficit of \$54,317.33 as of June 30, 2012. The current year percentage of collections was 90.46% compared to 89.8% in the prior year.

WOODSTOWN SEWERAGE AUTHORITY  
Management's Discussion & Analysis  
Fiscal Year ended June 30, 2012

Table 2 shows changes in net assets for fiscal year 2012 and 2011.

<b>Changes in Net Assets</b>			
	FY 2012	FY 2011	Increase (Decrease)
<b>Revenues:</b>			
Sewer Service Charges	1,321,682.67	1,290,964.11	30,718.56
Connection Fees		134,818.77	(134,818.77)
Miscellaneous	3,912.71	7,982.23	(4,069.52)
Application Fees		500.00	(500.00)
Interest on Delinquent Accounts	24,025.94	20,943.35	3,082.59
Escrow Fees	3,500.00	17,094.05	(13,594.05)
Earnings and Savings Credits	78,070.71	21,324.84	56,745.87
Other		665.00	(665.00)
Interest on Investments	24,996.52	40,775.48	(15,778.96)
<b>Total Revenue</b>	<b>1,456,188.55</b>	<b>1,535,067.83</b>	<b>(78,879.28)</b>
<b>Expenses:</b>			
Administrative	84,319.65	106,377.02	(22,057.37)
Costs of Providing Service	745,008.32	835,383.16	(90,374.84)
Interest on Long-term Debt	43,106.67	31,220.62	11,886.05
Capital Outlays	151,835.71	137,118.82	14,716.89
Escrow Expenses	9,780.52	29,812.95	(20,032.43)
Prior Year Refund		2,000.00	(2,000.00)
Capital Projects		(439,422.20)	439,422.20
Depreciation Expense	207,279.39	191,556.00	15,723.39
<b>Total Expenses</b>	<b>1,241,330.26</b>	<b>894,046.37</b>	<b>347,283.89</b>
<b>Increase (Decrease) in Net Assets</b>	<b>214,858.29</b>	<b>641,021.46</b>	<b>(426,163.17)</b>

**Capital Assets**

The Woodstown Sewerage Authority investment in capital assets for its governmental and business-type activities as of June 30, 2012 and 2011, amounts to \$4,341,009.54 and \$4,543,017.93, respectively (net of accumulated depreciation). This investment in capital assets includes buildings, equipment and furniture, and vehicles (more detailed information about capital assets can be found in Note 6 to the financial statements).

<b>Governmental &amp; Business - Type Activities</b>		
	6/30/2012	6/30/2011
Sewer Mains & Interceptors	1,151,670.94	1,198,405.89
Buildings & Improvements	2,955,265.56	3,088,606.80
Vehicles	21,274.29	24,820.00
Machinery & Equipment	212,798.75	231,185.24
	<b>4,341,009.54</b>	<b>4,543,017.93</b>

WOODSTOWN SEWERAGE AUTHORITY  
Management's Discussion & Analysis  
Fiscal Year ended June 30, 2012

**Long-term Debt**

The New Jersey Wastewater Treatment Plant was constructed in 1993 with the following funding: 1992 NJ Wastewater Trust Fund in the amount of \$5,437,513.00 including interest; 1993 Supplemental Wastewater Treatment Trust \$942,112.00; and a \$1,200,000.00 bond from The Woodstown National Bank. The New Jersey Waste Water Infrastructure Bond of 1992 was refinanced by the Wastewater Trust in 1998; and the 1993 Bond was refinanced in 2003. The Bond issue with the Woodstown National Bank was paid off in the 2003-2004 budget year. The Wastewater Trust Bonds will be paid off n February 1, 2013. The Authority has a debt balance as of June 30, 2012 and 2011, of \$63,734.61 and \$505,240.00.

**Contacting the Authority**

This financial report is designed to provide the Authority's customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability of the money it receives. If you have any questions about this report or need additional information, contact the Members, Woodstown Sewerage Authority, P.O. Box 286, Woodstown, NJ 08098, (856) 769-2200.

## **FINANCIAL STATEMENTS**

WOODSTOWN SEWERAGE AUTHORITY  
COMPARATIVE STATEMENT OF NET ASSETS  
JUNE 30, 2012 AND 2011

	Total	
	FY 2012	FY 2011
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	2,035,539.40	2,292,856.52
Petty Cash and Change Funds	90.00	90.00
Accounts Receivable	142,044.02	161,241.52
Interfunds Receivable	33.22	83.45
Due from Borough of Woodstown	23,156.82	
Total Current Assets	<u>2,200,863.46</u>	<u>2,454,271.49</u>
Restricted Assets:		
Cash and Cash Equivalents	824,028.09	598,705.85
Interfunds Receivable	123,020.87	479,127.65
Total Restricted Assets	<u>947,048.96</u>	<u>1,077,833.50</u>
Capital Assets		
Property, Plant and Equipment	10,331,490.90	10,326,219.90
Less: Accumulated Depreciation	(5,990,481.36)	(5,783,201.97)
Net Cash Assets	<u>4,341,009.54</u>	<u>4,543,017.93</u>
Total Assets	<u><u>7,488,921.96</u></u>	<u><u>8,075,122.92</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accrued Interest on Bonds	800.00	5,406.25
Deferred Revenue	5,894.23	4,899.44
Unallocated Deposit		1,368.49
Interfunds Payable	123,020.87	479,127.65
Current Portion of Long Term Debt	63,734.61	441,505.52
Total Current Liabilities	<u>193,449.71</u>	<u>932,307.35</u>
Current Liabilities Payable from Restricted Assets:		
Accounts Payable	56,384.03	54,800.80
Interfunds Payable	33.22	83.45
Total Current Liabilities Payable from Restricted Assets	<u>56,417.25</u>	<u>54,884.25</u>

See accompanying notes to the basic financial statements.

WOODSTOWN SEWERAGE AUTHORITY  
COMPARATIVE STATEMENT OF NET ASSETS  
JUNE 30, 2012 AND 2011

	Total	
	FY 2012	FY 2011
Long Term Liabilities:		
Loans Payable - Due Beyond One Year		63,734.61
Total Liabilities	249,866.96	1,050,926.21
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	4,277,274.93	4,037,777.80
Restricted for:		
Capital Projects	838,745.12	995,851.83
Debt Service	32,122.71	1,069.11
Unemployment Claims	6,504.18	6,488.09
Escrow Claims	13,259.70	19,540.22
Assigned to:		
Designed by the Authority for		
Subsequent Year's Expenditures	660,000.00	495,723.00
Unassigned	1,411,148.36	1,467,746.66
Total Net Assets	7,239,055.00	7,024,196.71
Total Liabilities and Net Assets	7,488,921.96	8,075,122.92

See accompanying notes to the basic financial statements.

WOODSTOWN SEWERAGE AUTHORITY  
 COMPARATIVE STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN NET ASSETS  
 FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	Total	
	FY 2012	FY 2011
<b>REVENUES:</b>		
Sewer Service Charges	1,321,682.67	1,290,964.11
Connection Fees		134,818.77
Miscellaneous	3,912.71	7,982.23
Application Fee		500.00
Interest on Delinquent Accounts	24,025.94	20,943.35
Total Revenues	<u>1,349,621.32</u>	<u>1,455,208.46</u>
<b>EXPENDITURES:</b>		
Administrative:		
Salaries and Wages	27,324.23	34,300.36
Fringe Benefits	14,078.84	20,617.77
Other Expenses	42,916.58	51,458.89
Cost of Providing Services:		
Salaries and Wages	219,251.54	274,889.39
Fringe Benefits	95,429.09	103,299.94
Other Expenses	430,327.69	457,193.83
Depreciation Expense	207,279.39	191,556.00
Total Expenditures	<u>1,036,607.36</u>	<u>1,133,316.18</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>313,013.96</u>	<u>321,892.28</u>
Other Financing Sources (Uses)		
Capital Outlay	(157,106.71)	(181,848.82)
Capital Projects		439,422.20
Debt Service - Interest Payments	(47,712.92)	(35,592.50)
Debt Service - Accrued Interest	4,606.25	4,371.88
Interest Earned on Investments	24,996.52	40,775.48
Earnings and Savings Credits - Principal	83,426.22	76,896.09
Earnings and Savings Credits - Interest	(5,355.51)	(55,571.25)
Prior Year Refund		(2,000.00)
Accounts Payable Canceled		665.00
Escrow Deposits	3,500.00	17,094.05
Escrow Expenditures	(9,780.52)	(29,812.95)
Capital Contributions to Fixed Assets	5,271.00	44,730.00
Total Other Financing Sources and Uses	<u>(98,155.67)</u>	<u>319,129.18</u>
Net Change in Net Assets	214,858.29	641,021.46
Net Assets - July 1	<u>7,024,196.71</u>	<u>6,383,175.25</u>
Net Assets - June 30	<u><u>7,239,055.00</u></u>	<u><u>7,024,196.71</u></u>

See accompanying notes to the basic financial statements.

WOODSTOWN SEWERAGE AUTHORITY  
COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2012 and 2011

	Total	
	FY 2012	FY 2011
Cash Flows from Operating Activities:		
Cash Received from Customers	1,413,489.72	1,465,428.18
Cash Paid to Suppliers	(518,288.87)	(546,778.91)
Cash Paid to Employees	(246,575.77)	(309,189.75)
Cash Paid for Employee Benefits	(109,507.93)	(123,917.71)
Cash Paid for Due Borough of Woodstown	(23,156.82)	
Net Cash Provided (Used) by Operating Activities	515,960.33	485,541.81
Cash Flows from Investing Activities:		
Interest Income	24,996.52	40,775.48
Cash Flows from Non-Capital Financing Activities:		
Escrow Fees Received	3,500.00	17,094.05
Escrow Fees Disbursed	(9,780.52)	(29,812.95)
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	(6,280.52)	(12,718.90)
Cash Flows from Capital & Related Financing Activities:		
Capital Projects	(155,523.48)	(452,557.55)
Principal Payments on Debt	(441,505.52)	(427,298.30)
Interest Paid on Debt	(47,712.92)	(35,592.50)
Earnings, Project Fund and Savings Credits	78,070.71	21,324.84
Net Cash Provided (used) by Capital and Related Financing Activities	(566,671.21)	(894,123.51)
Net Increase in Cash and Cash Equivalents	(31,994.88)	(380,525.12)
Cash and Cash Equivalents at Beginning of Year	2,891,652.37	3,272,177.49
Cash and Cash Equivalents at End of Year	2,859,657.49	2,891,652.37
Reconciliation to Balance Sheet:		
Unrestricted Cash and Cash Equivalents	2,035,629.40	2,292,946.52
Restricted Cash and Cash Equivalents	824,028.09	598,705.85
Total Cash and Cash Equivalents	2,859,657.49	2,891,652.37
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used) for Operating Activities:		
Operating Income (Loss)	313,013.96	321,892.28
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:		
Depreciation Expense	207,279.39	191,556.00
(Increase) Decrease in Accounts Receivable	19,197.50	(12,976.00)
(Increase) Decrease in Other Receivables	(23,156.82)	
Increase (Decrease) in Accounts Payable		(665.00)
Increase (Decrease) in Sewer Overpayments	994.79	(4,545.00)
Increase (Decrease) in Unallocated Deposits	(1,368.49)	1,368.49
Increase in Interfund Accounts Payable		(11,088.96)
Net Cash Provided (Used) by Operating Activities	515,960.33	485,541.81

See accompanying notes to the basic financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

WOODSTOWN SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012 AND 2011

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

**Introduction**

The Woodstown Sewerage Authority is an instrumentality of the State of New Jersey, established to function as a sewerage authority. The Board consists of officials who are appointed by the Borough of Woodstown and are responsible for the fiscal control of the Authority. A treasurer is appointed by the Board and is responsible for the financial aspect of the Authority.

The financial statements of the Woodstown Sewerage Authority have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict (GASB) pronouncements. Although the Authority has the option to apply (FASB) pronouncements issued after that date to its business-type activities and enterprise funds, the Authority has chosen not to do so. The more significant accounting policies established in (GAAP) and used by the Authority are discussed below.

**Reporting Entity**

The Woodstown Sewerage Authority was created by an ordinance under the Sewerage Authorities Law of the State of New Jersey, (Chapter 138 of the Pamphlet Laws of 1946, approved April 23, 1946).

The Authority's corporate existence began on August 11, 1947, and was created to acquire, construct, maintain and operate or improve works for the collection and treatment or disposal of sewerage or other wastes.

The primary criterion for including activities within the Authority's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the Authority holds the corporate powers or the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is a fiscal dependency by the organization on the Authority

Based on the aforementioned criteria, the Authority is a component unit of the Borough of Woodstown. The Authority does issue separate financial statements from the Borough.

However, if the Borough presented its financial statements in accordance with (GAAP), these financial statements would be included with the Borough's on a blended basis.

Based on the aforementioned criteria, the Authority has no component units.

WOODSTOWN SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012 AND 2011

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reporting Entity (Continued)**

The financial statements of the Authority have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles (GAAP) applicable to enterprise funds of state and local governments.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expense) of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user costs.

In June 1999 the Governmental Accounting Standards Board (GASB) unanimously approved Basic Financial Statements and Management Discussion and Analysis for State and Local Governments (Statement No. 34). The Statement provides for the most significant change in financial reporting in over twenty years. The Authority implemented the requirements of Statement No. 34, effective July 1, 2003. The Authority also implemented (GASB) Statement No. 37, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments: Omnibus and Statement No. 38, Certain Financial Statement Note Disclosures.

In the Statement of Net Assets, the business-type activity column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net assets are reported in three parts: invested in capital assets, net of related debt; assigned net assets; and unassigned net assets. The Authority first utilizes restricted resources to finance qualifying activities.

The Authority does not allocate indirect costs such as depreciation expense.

The government-wide focus is more on the sustainability of the Authority as an entity and the change in the Authority's net assets resulting from the current year's activities.

**A. Cash and Cash Equivalents**

Cash and cash equivalents include petty cash, change funds, cash in banks, money market accounts and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

For purposes of determining cash equivalents, the Authority considers all investments with an original maturity of three months or less as cash equivalents.

New Jersey authorities are limited to the types of investments and types of financial institutions they may invest in. New Jersey statute NJSA17:9-41 et seq. provides a list of permissible investments that may be purchased by New Jersey authorities.

WOODSTOWN SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012 AND 2011

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Cash and Cash Equivalents (Continued)**

Additionally, the Authority has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

NJSA 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 depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least 5% 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 full amount of their deposits to the Governmental Units.

**B. Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000.00 or more are reported at historical costs or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is computed using the straight-line method over the estimated useful lives:

Buildings and Improvements	40 Years
Sewer Mains and Interceptors	40 Years
Pump Station	40 Years
Other Equipment	5-15 Years

**C. Revenues – Exchange and Non-exchange Transactions**

Substantially all proprietary fund revenue is accrued. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non operating revenue based on GASB No. 33. In applying GASB 33 to grant revenues, the provider recognizes liabilities and expenses and recipient recognizes receivables and revenue when the applicable eligibility requirements, including requirements are met are reported as advances by the provider and deferred revenue by the recipient.

**D. Expenditures**

Expenses are recognized when the related fund liability is incurred. Inventory costs reported in the period when inventory items are used, rather than in the period purchased.

**E. Compensated Absences**

The Authority's policy regarding vacation and sick time does not allow for the accumulation of time from one year to the next. The only employees of the Authority are the members.

WOODSTOWN SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012 AND 2011

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Interfund Receivables/Payables**

Transfers between governmental and business-type activities on the Authority-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the Enterprise Fund. Repayment from funds responsible for particular expenditures/expenses to the funds, that initially paid for them, are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the Statement of Net Assets, except for amounts due between governmental and business-type activities or governmental and agency funds, which are presented as internal balances.

**G. Budgets/Budgetary Control**

The Woodstown Sewerage Authority must adopt an annual budget in accordance with NJAC 5:31-2. NJAC 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 time during the year. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board.

**H. Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

**I. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the Authority-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**J. Allocation of Indirect Expenses**

The Authority reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

WOODSTOWN SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012 AND 2011

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Extraordinary and Special Items**

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

**L. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are 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 laws or regulations of other governments. The Authority's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Fund Balance Reserves**

**Fund Balance** - The Authority reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Authority's classifications, and policies for determining such classifications, are as follows:

**Nonspendable** - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

**Restricted** - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

**Committed** - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Authority's highest level of decision-making authority, which, for the Authority, is the Board. Such formal action consists of an affirmative vote by the Board, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

WOODSTOWN SEWERAGE AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2012 AND 2011

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Fund Balance Reserves (Continued)**

**Assigned** - The assigned fund balance classification includes amounts that are constrained by the Authority's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board, to which the Board has delegated the authority to assign amounts to be used for specific purposes. Such authority of the Treasurer is established by way of a formal job description for the position, approved by the Board.

**Unassigned** - The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances, are available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

**NOTE 2: RESTRICTED ASSETS**

Restricted assets represent cash, investments and receivables maintained in accordance with the 1992 bond resolutions, loan agreements and other resolutions and formal actions of the Authority or by agreement for the purpose of funding certain debt service payments and improvements and extensions to the utility system. The following cash and investment accounts for the deposit, in the priority of the order listed, of all revenue received by the Authority:

<b>Account</b>	<b>Source</b>	<b>Use for Which Restricted</b>
Revenue Fund	All revenues received by the Authority.	On the first day of business of each month transfers to the various accounts described below.
Operating Fund	Amount needed to increase the balance to equal the operating reserve and operating requirements as defined by resolution.	Payments for the authorized operating expenses.
Bond Service Fund	Amount needed to increase the balance to equal the cumulative portion of the Bond Service Requirement.	Payment of principal and interest on bonds.
General Fund	Any excess funds available after required distribution to operating and bond service fund.	Any lawful purpose as authorized by the bond resolution.

WOODSTOWN SEWERAGE AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2012 AND 2011

**NOTE 3: CASH AND CASH EQUIVALENTS**

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 policy is based on New Jersey statutes requiring cash to be deposited only in New Jersey banking institutions that participate in the Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in New Jersey Statute N.J.S.A. 18A:20-37 that are treated as cash equivalents. The carrying amount of the Authority's cash and cash equivalents at June 30, 2012 and 2011, was \$2,859,657.49 and \$2,891,652.37, respectively. As of June 30, 2012 and 2011, \$0 of the Authority's bank balance of \$2,891,633.32 and \$2,934,742.00, respectively, was exposed to Custodial Credit Risk.

**NOTE 4: INVESTMENTS**

The Authority did not have any investments as of June 30, 2012 and 2011.

**Interest Rate Risk** - The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statute NJSA 18A:20-37 limits the length of time for most investments to 397 days.

**Credit Risk** - New Jersey Statute NJSA 18A:20-37 limits Authority investments to those specified in the Statutes. The type of allowable investments are: Bonds of the United States of America or of the Authority or the local units in which the Authority is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**Concentration of Credit Risk** - The Authority places no limit on the amount the Authority may invest in any one issuer.

**NOTE 5: INTERFUND RECEIVABLES AND PAYABLES**

The following schedule reconciles interfund receivables and payables for the year ended June 30, 2012.

	Due from	Due to
Proprietary Fund:		
Capital Projects		123,020.87
Escrow Trust Funds	33.22	
Fiduciary Funds:		
Operating Fund		33.22
Capital Projects:		
Operating Fund	123,020.87	
	123,054.09	123,054.09

WOODSTOWN SEWERAGE AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2012 AND 2011

**NOTE 5: INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)**

Interfunds to capital funds are created as a result of timing, the full capital budget amount was not transferred from the proprietary fund and capital expenditures were paid out of the proprietary fund. The interfund from the escrow trust funds is the result of interest earned and not transferred. It is anticipated that all interfunds will be liquidated during the next fiscal year.

**NOTE 6: CAPITAL ASSETS**

The following is a summary of changes in the Capital Assets for the year ending June 30, 2012:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Sewer Mains & Interceptors	1,868,684.94			1,868,684.94
Pump Station	5,325,857.30			5,325,857.30
Machinery & Equipment	3,106,857.66	5,271.00		3,112,128.66
Vehicles	24,820.00			24,820.00
Totals at Historical Cost	<u>10,326,219.90</u>	<u>5,271.00</u>	None	<u>10,331,490.90</u>
Accumulated Depreciation				
Sewer Mains & Interceptors	670,279.05	46,734.95		717,014.00
Pump Station	2,237,250.50	133,341.24		2,370,591.74
Equipment	2,875,672.42	23,657.49		2,899,329.91
Vehicles		3,545.71		3,545.71
Total Accumulated Depreciation	<u>5,783,201.97</u>	<u>207,279.39</u>		<u>5,990,481.36</u>
Business-Type Capital Assets, Net	<u>4,543,017.93</u>	<u>(202,008.39)</u>	None	<u>4,341,009.54</u>

Depreciation was charged as unallocated.

**NOTE 7: BONDS PAYABLE AND LOANS PAYABLE**

**Bonds Payable**

The Authority issued \$5,437,513.00 of permanent bonds through the NJ Waste Water Treatment Trust Fund in 1992. In 1993 Supplemental NJ Waste Water Treatment Trust bonds were issued for \$942,112.00. Payments are due February 1 and August 1 for the Supplemental NJ Waste Water Treatment Trust Bonds of 1993. Payments are due February 1 and August 1 for the Fund portion of the 1992 bonds and April 1 and October 1 for the Trust portion of the 1992 bonds. The Fund portion of bonds bears interest at 0%, whereas the Trust portion bears varying interest rates from 4.2% to 6.25% over the life of the bonds. There was an advance refunding of the 1992 bonds on March 17, 1998, and the 1993 bonds on April 15, 2003. The advance refunding was undertaken to pass onto the Authority savings on future payments which are to be recorded as revenue in the year of payment and not to restructure the future amortization schedule. The bonds payable on June 30, 2012 and 2011, were \$63,734.61 and \$505,240.13.

WOODSTOWN SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012 AND 2011

**NOTE 7: BONDS PAYABLE AND LOANS PAYABLE (CONTINUED)**

During the fiscal year 2012, the following changes occurred in the Authority debt:

**Bonds Payable**

	Balance July 1, 2011	Issued/ Authorized	Retired/ Reduction	Balance June 30, 2012
<b>Issued:</b>				
NJWWTT 1992/1998	250,000.00		250,000.00	
NJWWTT 1992/1998	134,650.65		134,650.65	
NJWWTT 1993/2004	45,589.48		21,854.87	23,734.61
NJWWTT 1993/2004	75,000.00		35,000.00	40,000.00
Net Debt Issued	<u>505,240.13</u>		<u>441,505.52</u>	<u>63,734.61</u>
<b>Authorized But Not Issued</b>				
Bond and Notes	<u>2,677,000.00</u>			<u>2,677,000.00</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>3,182,240.13</u>	<u>None</u>	<u>441,505.52</u>	<u>2,740,734.61</u>

The approximate aggregate maturities of the long-term debt in the future years are as follows:

Year Ended	Fund Principal	Trust Principal	Interest	Total
6/30/2013	<u>23,734.61</u>	<u>40,000.00</u>	<u>1,920.00</u>	<u>65,654.61</u>

As of June 30, 2012, the Authority has approved loan resolutions of \$2,346,000.00 and \$331,000.00, through the United States Department of Agriculture. No funds have been drawn down on these loans.

**NOTE 8: AMOUNTS REQUIRED BY BOND RESOLUTION**

**Bond Service Fund**

The Bond Resolution requires that any remaining moneys in the Revenue Fund after providing for the reserve for operating expenses, be transferred first into the Bond Service Fund to the extent, if any, needed to increase the amount in the Bond Service Fund to the greater of one-twelfth of the Bond Service Requirement for the fiscal year. The "Bond Service Requirement" means in any Fiscal Year and with respect to an amount which is equal to any unpaid interest or principal then due, plus, all interest which is payable on the interest payment dates during such fiscal year and all principal which is payable on the date established for the payment of such principal during such fiscal year; less any amounts which are held by the Trustee and which are available for such purpose. At June 30, 2012 and 2011, the "Bond Service Requirement" was \$32,122.71 and \$1,069.11.

WOODSTOWN SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012 AND 2011

**NOTE 9: PENSION PLANS**

**Description of Plans** - All eligible employees of the Authority are covered by the Public Employees' Retirement System, (PERS), a cost-sharing, multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees' Retirement System. The reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625 or can be accessed on the internet at [http://www.state.nj.us/treasury/pensions/annrpts\\_archieve.htm](http://www.state.nj.us/treasury/pensions/annrpts_archieve.htm).

**Public Employees' Retirement System (PERS)** - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of NJSA 43:15A to provide retirement, death disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing, multiple-employer plan. Membership is generally required for substantially all full-time employees of the State or any county, municipality, Authority or public agency provided the employee is not a member of another state-administered retirement system or other state or local jurisdiction.

**Funding Policy** - The contribution policy is set by NJSA 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997, and NJSA 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Effective with the first payroll to be paid on or after October 1, 2011, the employee contributions for PERS increased from 5.5% of employees' annual compensation, as defined, to 6.5%. Subsequent increases will be phased in over 7 years (each July 1) to bring the total pension contribution rate to 7.5% as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for, cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The Authority's contributions to PERS paid through the Interlocal Agreement with the Borough of Woodstown for the years ending June 30, 2012, 2011 and 2010, were \$26,237.00, \$27,168.00 and \$13,418.00, respectively, equal to the required contributions for each year.

**Defined Contribution Retirement Program** - The Defined Contribution Retirement Program (DCRP) is a cost-sharing, multiple-employer defined contribution pension fund which was established on July 1, 2007, under provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (NJAC 43:15C-1 et. seq.). 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 provision are established by NJSA 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. 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, state statute also requires the return to the normal rate when such surplus pension assets no longer exist. In addition to the employee

WOODSTOWN SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012 AND 2011

**NOTE 9: PENSION PLANS (CONTINUED)**

**Defined Contribution Retirement Program (Continued)** - contributions, the Authority's contributes amounts for each pay period to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period. The Authority did not make any contributions for the fiscal year 2012, 2011 and 2010, as no employees participated in this plan.

**NOTE 10: POST-RETIREMENT BENEFITS**

The Authority does not provide for any post-retirement benefits to retirees.

**NOTE 11: ACCUMULATED ABSENCE BENEFITS**

The Authority does not permit employees to accrue unused vacation and sick benefits.

**NOTE 12: LABOR CONTRACTS**

As of June 30, 2012, there are not any collective bargaining units for the Woodstown Sewerage Authority. All salaries were paid through an Interlocal Agreement with the Borough of Woodstown.

**NOTE 13: NET ASSETS APPROPRIATED**

Net Assets for the Authority at June 30, 2012 and 2011, was \$7,239,055.00 and \$7,024,196.71, respectively, of that amount \$660,000.00 has been appropriated and also included as anticipated revenue for the year ending June 30, 2013; \$838,745.12 has been restricted for capital projects; \$51,886.59 has been restricted for other purposes and \$1,411,148.36 is unassigned.

**NOTE 14: JOINT VENTURES**

On March 22, 2005, Woodstown Sewerage Authority entered into an Interlocal Agreement with the Borough of Woodstown to provide employees to the Sewerage Authority effective April 1, 2005. The total expenditures for compensation, fringe benefits, insurance and computer services are billed to the Sewerage Authority based on the actual costs.

**NOTE 15: RISK MANAGEMENT**

The Authority is exposed to various risks or loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Borough maintains commercial insurance coverage for property, liability and surety bonds. The Woodstown Sewerage Authority is a member of the Gloucester, Salem and Cumberland Counties Utilities Authority Joint Insurance Fund and the Authority Excess Liability Fund which includes other municipalities throughout the region. The Authority is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Gloucester, Salem and Cumberland Counties Utilities Authority Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. There have not been any claims in excess of coverage and no reduction in coverage during the year.

WOODSTOWN SEWERAGE AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2012 AND 2011

**NOTE 15: RISK MANAGEMENT (CONTINUED)**

**New Jersey Unemployment Compensation Insurance**

The Authority has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Authority is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. This Authority is billed quarterly for amounts due to the State. The following is a summary of Authority Contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Authority's expendable trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>Authority Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-2012	None	None	None	6,504.18
2010-2011	None	None	None	6,488.09
2009-2010	None	None	None	6,467.10

**NOTE 16: CONTINGENCIES**

It is the counsel's opinion that the Woodstown Sewerage Authority there is litigation and/or contingent liability that is pending against the Woodstown Sewerage Authority regarding a developer. It does not appear there will be a dollar judgment imposed against the Authority.

**NOTE 17: SUBSEQUENT EVENTS**

Management has reviewed and evaluation all events and transactions that occurred between June 30, 2012 and January 10, 2013, the date which the financial statements were issued for possible disclosure and recognition in the financial statements, and no additional items have come to the attention of the Authority that would require disclosure.

## **SUPPLEMENTARY INFORMATION**

WOODSTOWN SEWERAGE AUTHORITY  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance of Actual Data to Budget	
	Original	Transfers		Final	Dollars
<b>Revenues:</b>					
Sewer Service Charges:					
Residential/Commercial	1,194,000.00		1,194,000.00	1,171,436.23	22,563.77 1.89%
Interlocal	182,000.00		182,000.00	150,246.44	31,753.56 17.45%
Miscellaneous Income:					
Miscellaneous			3,912.71	(3,912.71)	
Interest on Delinquent Accounts			24,025.94	(24,025.94)	
<b>Total Revenues</b>	<b>1,376,000.00</b>		<b>1,376,000.00</b>	<b>1,349,621.32</b>	<b>26,378.68 1.92%</b>
<b>Expenditures:</b>					
Administrative:					
Interlocal Service Agreement:					
Salaries	31,000.00		31,000.00	20,424.23	10,575.77 34.12%
Members Salaries	7,500.00		7,500.00	6,900.00	600.00 8.00%
<b>Total Administrative Salaries</b>	<b>38,500.00</b>		<b>38,500.00</b>	<b>27,324.23</b>	<b>11,175.77 42.12%</b>
Fringe Benefits:					
Social Security System	2,400.00		2,400.00	1,319.36	1,080.64 45.03%
Medicare	600.00		600.00	292.49	307.51 51.25%
Unemployment Compensation	150.00		150.00	16.60	133.40 88.93%
Public Employees' Retirement System	4,000.00		4,000.00	4,000.00	
Health Benefits	12,000.00		12,000.00	8,450.39	3,549.61 29.58%
<b>Total Administrative Fringe Benefits</b>	<b>19,150.00</b>		<b>19,150.00</b>	<b>14,078.84</b>	<b>5,071.16 214.79%</b>
Other Expenses:					
Auditor	20,000.00		20,000.00	15,900.00	4,100.00 20.50%
Solicitor	20,000.00		20,000.00	7,236.25	12,763.75 63.82%
Trustee	10,350.00		10,350.00	10,350.00	
Office Supplies	10,000.00		10,000.00	7,504.46	2,495.54 24.96%
Mail/Postage	2,000.00		2,000.00	1,925.87	74.13 3.71%
Memberships/Dues/Subscriptions	3,200.00		3,200.00	3,200.00	100.00%
<b>Total Administrative Other Expenses</b>	<b>65,550.00</b>		<b>65,550.00</b>	<b>42,916.58</b>	<b>22,633.42 34.53%</b>
<b>Total Administrative</b>	<b>123,200.00</b>		<b>123,200.00</b>	<b>84,319.65</b>	<b>38,880.35 31.56%</b>

WOODSTOWN SEWERAGE AUTHORITY  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance of Actual Data to Budget	
	Original	Transfers		Dollars	%
Cost of Providing Services:					
Interlocal Service Agreement:					
Salaries	240,000.00	(10,000.00)	193,394.33	36,605.67	15.92%
Overtime	40,000.00		25,857.21	14,142.79	35.36%
Total Salaries and Wages	280,000.00	(10,000.00)	219,251.54	50,748.46	51.27%
Fringe Benefits:					
Social Security System	17,500.00		13,309.38	4,190.62	23.95%
Medicare	4,100.00		3,112.46	987.54	24.09%
Unemployment Compensation	1,000.00		198.72	801.28	80.13%
Public Employees' Retirement System	23,000.00		22,237.00	763.00	3.32%
Health Benefits	58,000.00		56,571.53	1,428.47	2.46%
Total Fringe Benefits	103,600.00		95,429.09	8,170.91	133.94%
Other Expenses:					
Communications	6,000.00		3,303.42	2,696.58	44.94%
Schooling	5,000.00		306.00	4,694.00	93.88%
Road Expenses	8,000.00		3,104.34	4,895.66	61.20%
Vehicle Expense	5,000.00		1,770.72	3,229.28	64.59%
Sludge Disposal	75,000.00		58,940.80	16,059.20	21.41%
Chlorine/Chemicals	68,000.00		67,217.73	782.27	1.15%
Natural Gas	11,000.00		9,037.99	1,962.01	17.84%
Operating Supplies	20,000.00		19,811.59	188.41	0.94%
Sewer Samples	11,000.00		9,416.50	1,583.50	14.40%
Electric	100,000.00		91,413.81	8,586.19	8.59%
Video Lines	10,000.00		6,370.00	3,630.00	36.30%
Machinery & Equipment Repair	60,000.00		48,419.32	11,580.68	19.30%
Construction/Improvement	20,000.00		2,800.00	17,200.00	86.00%
Miscellaneous	2,000.00		2,000.00	2,000.00	100.00%
Insurance	42,000.00		28,656.20	13,343.80	31.77%
Licenses/Permits	20,000.00		7,870.61	12,129.39	60.65%
Property Upkeep	5,000.00		5,000.00	5,000.00	100.00%
Plant Equipment	30,000.00		7,698.70	22,301.30	74.34%
Consulting Engineer	40,000.00	(15,000.00)	5,050.00	19,950.00	79.80%
Contract Services	35,000.00	25,000.00	59,139.96	860.04	1.43%
Total Other Expenses	573,000.00	10,000.00	430,327.69	152,672.31	26.19%
Total Cost of Providing Services	956,600.00		745,008.32	211,591.68	2.11

WOODSTOWN SEWERAGE AUTHORITY  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance of Actual Data to Budget		
	Original	Transfers		Final	Dollars	%
Total Operating Expenses	1,079,800.00		1,079,800.00	829,327.97	250,472.03	23.20%
Operating Income (Loss)	296,200.00		296,200.00	520,293.35	(224,093.35)	-75.66%
Non-Operating Revenue (Expense)						
Debt Service:						
Principal	(358,080.00)		(358,080.00)	(358,079.30)	(0.70)	0.00%
Interest	(83,843.00)		(83,843.00)	(53,068.43)	(30,774.57)	36.70%
Earnings & Savings Credits:						
Allocated to:						
Principal				(83,426.22)	83,426.22	
Interest				5,355.51	(5,355.51)	
Interest on Investments				24,996.52	(24,996.52)	
	(441,923.00)		(441,923.00)	(464,221.92)	22,298.92	-5.05%
Increase (Decrease) in Budgeted Net Assets	(145,723.00)		(145,723.00)	984,515.27	(246,392.27)	

WOODSTOWN SEWERAGE AUTHORITY  
SCHEDULE OF BONDS AND LOANS PAYABLE  
FOR THE YEAR ENDED JUNE 30, 2012

**SERIES 1992/1998E WASTEWATER TREATMENT TRUST**

Date of Issue	Amount of Issue	Description	Balance July 1, 2011	Redeemed	Balance June 30, 2012
05/01/93	2,940,000.00	Improvement, Upgrading and Expansion of Treatment Plant	250,000.00	250,000.00	

**SERIES 1992/1998E WASTEWATER TREATMENT TRUST**

Date of Issue	Amount of Issue	Description	Balance July 1, 2011	Redeemed	Balance June 30, 2012
05/01/93	2,497,513.01	Improvement, Upgrading and Expansion of Treatment Plant	134,650.65	134,650.65	

**SERIES 1993/2004 WASTEWATER TREATMENT TRUST**

Date of Issue	Amount of Issue	Description	Balance July 1, 2011	Redeemed	Balance June 30, 2012
08/01/94	432,112.00	Improvement, Upgrading and Expansion of Treatment Plant	45,589.48	21,854.87	23,734.61

Schedule of Annual Maturities

	Due August 1	Due Feb. 1	Payment
2013	543.54	23,191.07	23,734.61

**SERIES 1993/2004 WASTEWATER TREATMENT TRUST**

Date of Issue	Amount of Issue	Description	Balance July 1, 2011	Redeemed	Balance June 30, 2012
08/01/94	510,000.00	Improvement, Upgrading and Expansion of Treatment Plant	75,000.00	35,000.00	40,000.00

Schedule of Annual Maturities

	Due Feb. 1	Interest Rate	Payment
2013	40,000.00	4.80%	40,000.00

Schedule of Annual Maturities

Year	Annual Principal Payment
2013	63,734.61

	Balance July 1, 2011	Redeemed	Balance June 30, 2012
Summary Total of all Bonds and Loans	505,240.13	441,505.52	63,734.61

Budget	358,079.30
Earnings Credits	83,426.22
	<u>441,505.52</u>

## **GENERAL COMMENTS**

### **Contracts and Agreements Required to be Advertised for NJSA 40A:11-4**

NJSA 40A:11-4 states "Every contract or agreement awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law."

The members of the Authority have the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per NJSA 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the bid threshold "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisements or where a resolution had been previously adopted under the provisions of NJSA 40A:11-6.

NJSA 40A:11-6.1 requires that at least two competitive quotations be obtained for all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount.

### **Collection of Interest on Delinquent Taxes and Assessments**

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of assessments on or before the date when they would become delinquent.

The governing body on February 14, 1980, adopted the following resolution authorizing interest to be charged on delinquent assessments:

BE IT RESOLVED, by the Authority Members of the Woodstown Sewerage Authority, County of Salem, State of New Jersey, that in accordance with Chapter 435 Laws of 1979, approved February 14, 1980, that all Sewer Bills are due and payable when presented for payment and that interest at the rate of 8% per annum be charged on all delinquent Sewer Rents after September 30<sup>th</sup> of the year presented for payment until the date paid.

### **Collection of Interest on Delinquent Taxes and Assessments (Continued)**

This resolution was revised on December 26, 1990, to allow for quarterly collections on sewer rents. This resolution was further revised effective January 1, 1997, for interest to be charged at the rate of 18% per annum.

It appears from the examination of the collector's records that interest was collected in accordance with the foregoing resolution.

### **Treasurer**

There are some significant deficiencies in procedures that need to be corrected.

1. The General Ledger does not contain journal entries to record billings, depreciation, and encumbrances, which are required to prevent the financial statements from being materially misstated.
2. The subsidiary cash receipts ledger for Sewer Rents is not integrated with the General Ledger. A monthly reconciliation was not performed during the year between the subsidiary ledgers and the General Ledger. Numerous errors were made in the recording of billings and cash receipts.

### **Fixed Assets**

A fixed asset accounting and reporting system has been established as required and depreciation is being properly calculated.

### **Payment of Claims**

Bills were found to be paid with the required claimant's certification, and acknowledgment of receipt as required by NJSA 40A:5-16.

### **Escrow Funds**

Statements have been sent to escrow applicants showing an accounting of funds as required by Chapter 54, P.L. 1995.

### **Follow-up on Prior Year Findings**

A Corrective Action Plan was filed with the governing body for the prior year but corrective action was not taken.

## FINDINGS AND RECOMMENDATIONS

### MATERIAL WEAKNESS

\*2012-1 Finding: The General Ledger does not contain journal entries to record billings, depreciation, and encumbrances which are required to prevent the financial statements from being materially misstated.

Recommendation: The Treasurer make required journal entries and closing entries to prevent the financial statements from being materially misstated.

### SIGNIFICANT DEFICIENCY

\*2012-2 Finding: The subsidiary cash receipts ledger for Sewer Rents is not integrated with the General Ledger. A monthly reconciliation was not performed during the year between the subsidiary ledgers and the General Ledger. Numerous errors were made in the recording of billings and cash receipts.

Recommendation: Procedures established to ensure cash receipts are reconciled monthly between the subsidiary ledger and the General Ledger.

\*These recommendations appeared in prior reports and corrective action was not taken.

### Acknowledgment

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any question arise as to our comments or recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.

We received the complete cooperation of all the officials of the Authority and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

PETRONI & ASSOCIATES LLC



Nick L. Petroni  
Certified Public Accountant  
Registered Municipal Accountant #252