WOODSTOWN SEWERAGE AUTHORITY
REPORT OF AUDIT
YEAR ENDED JUNE 30, 2013

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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 $1,000,000.00 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

Bunni S. Bouchard, CPA
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

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Woodstown Sewerage Authority, a component unit of the Borough of Woodstown, Woodstown, New Jersey, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Woodstown Sewerage Authority, Woodstown, New Jersey, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 inquiries 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Woodstown Sewerage Authority's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013, on our consideration of the Woodstown Sewerage Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is

to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Woodstown Sewerage Authority's internal control over financial reporting and compliance.

PETRONI & ASSOCIATES LLC

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

October 15, 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

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, in accordance with the 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, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Woodstown Sewerage Authority, a component unit of the Borough of Woodstown as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Woodstown Sewerage Authority's basic financial statements, and have issued our report thereon dated October 15, 2013.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations as item 2013-001 that we consider to be significant deficiencies.

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 prescribed by the Local Finance Board, State of New Jersey.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PETRONI & ASSOCIATES LLC

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

October 15, 2013

REQUIRED SUPPLEMENTARY INFORMATION – PART 1

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.

The System

Treatment Plant - 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. Improvements underway to increase efficiency include replacement screening at the headworks and new blower systems for the aeration tanks and grit/grease chamber. The raising of manhole rim elevations was performed in 2012-2013 along with replacement of the interceptor to the plant through the easement off of Mill Street and West Millbrooke Avenue. These improvements reduced the amount of clean water entering the collection/ conveyance system.

Collection System - The oldest collection lines in the Borough are well over fifty years old. There continues to be upgrades to the collection system, as evaluated by videotaping lines to identify problem areas. Based upon videotaping performed in 2008, a liner repair along Mill Street and open cut replacement along Colson Court and Borton Drive were performed in 2009 and 2010.

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. This piping was televised in conjunction with that along Green Street. Replacement of sanitary sewer along Green Street is scheduled for completion in 2013; sewer main replacement along East Millbrooke Avenue is anticipated for 2014.

A portion of sanitary sewer main that was existing beneath the high school gymnasium was realigned around the surface improvements and proposed building addition by the School District as part of their campus improvements project in 2013.

Proposed Development - Development projects completed in 2009/2010 are contributing flow to the Authority's system. The Authority's treatment capacity to serve potential future (re)development is under consideration. One project that has received TWA approval but has not begun construction is approximately 120 units of Townhouse Development on South Main Street. A development of approximately 50 single family homes has also been submitted to the Authority for review.

Capital Improvement Projects
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	1,800,000.00
c. Interceptor improvements	110,000.00
d. Misc sewer main replacements	280,000.00
e. East Millbrooke Ave sewer replacement	100,000.00

Total Capital Project Cost Estimate of $2,790,000.00

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

WOODSTOWN SEWERAGE AUTHORITY
Management's Discussion and Analysis
Fiscal Year ended June 30, 2013

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, 2013. 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 2012/2013
The Statement of Net Position 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 Position 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 2012-2013?" The Statement of Net Position 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 position and changes in those assets. This change in net position 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 Position provides the perspective of the Authority as a whole. Net position 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.

Reporting the Authority as a Whole (Continued)

The Authority as a Whole (Continued)

Table 1 provides a summary of the Authority's Net Position for FY 2013 compared to FY 2012.

Net Position

	FY 2013	FY 2012
Assets		
Cash and Cash Equivalents	1,767,517.03	2,035,629.40
Current and Other Assets	237,045.49	165,200.84
Restricted Cash and Cash Equivalents	1,768,858.27	824,028.09
Capital Assets	4,133,680.32	4,341,009.54
Total Assets	7,907,101.11	7,365,867.87
Liabilities		
Non-current Liabilities	334,522.34	
Other Liabilities	325,677.62	126,812.87
Total Liabilities	660,199.96	126,812.87
Net Position		
Invested in Capital Assets		
Net of Related Debt	4,133,680.32	4,277,274.93
Restricted	774,658.63	1,550,631.71
Unrestricted	2,338,562.20	1,411,148.36
Total Net Position	7,246,901.15	7,239,055.00
Total Liabilities and Net Position	7,907,101.11	7,365,867.87

The Authority's combined Net Position at June 30, 2013 and 2012, were $7,246,901.15 and $7,239,055.00, respectively. This was an increase of $7,846.15.

The Authority's total expenditures for fiscal year 2013 and 2012 (which includes interest on debt service and depreciation) (excluding capital expenditures) were $992,671.11 and $1,084,320.28 (See Exhibit A-2) which is an $91,649.17 decrease over fiscal year 2012. This is an 8% decrease over the prior year and is attributable to decrease in Machinery & Equipment repairs and decrease in interest on debt service.

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 31st of the proceeding year.

In the 2012-2013 budget, we anticipated $1,334,300.00 in Sewer service charges and actual bills were $1,427,047.61, which resulted in an excess of $92,747.61 as of June 30, 2013. The current year percentage of collections was 84.61% compared to 90.46% in the prior year.

Reporting the Authority as a Whole (Continued)

The Authority as a Whole (Continued)

Table 2 shows changes in Net Position for fiscal year 2013 and 2012.

Changes in Net Position

	FY 2013	FY 2012	Increase (Decrease)
Revenues:			
Sewer Service Charges	1,427,047.61	1,321,682.67	105,364.94
Connection Fees	26,470.00		26,470.00
Miscellaneous	1,538.49	3,912.71	(2,374.22)
USDA Grant	115,185.00		115,185.00
Interest on Delinquent Accounts	21,308.98	24,025.94	(2,716.96)
Escrow Fees	6,842.25	3,500.00	3,342.25
Earnings and Savings Credits	7,591.84	78,070.71	(70,478.87)
Interest on Investments	15,319.58	24,996.52	(9,676.94)
Total Revenue	1,621,303.75	1,456,188.55	165,115.20
Expenses:			
Administrative	72,666.85	84,319.65	(11,652.80)
Costs of Providing Service	710,755.04	745,008.32	(34,253.28)
Interest on Long-term Debt	1,999.22	43,106.67	(41,107.45)
Capital Outlays	610,795.75	151,835.71	458,960.04
Escrow Expenses	9,911.52	9,780.52	131.00
Depreciation Expense	207,329.22	207,279.39	49.83
Total Expenses	1,613,457.60	1,241,330.26	372,127.34
Increase (Decrease) in Net Position	7,846.15	214,858.29	(207,012.14)

Capital Assets

The Woodstown Sewerage Authority investment in capital assets for its governmental and business-type activities as of June 30, 2013 and 2012, amounts to $4,133,680.32 and $4,341,009.54, 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).

	Governmental & Business - Type Activities	
	6/30/2013	6/30/2012
Sewer Mains & Interceptors	1,104,953.82	1,151,670.94
Buildings & Improvements	2,821,924.32	2,955,265.56
Vehicles	17,728.58	21,274.29
Machinery & Equipment	189,073.60	212,798.75
	4,133,680.32	4,341,009.54

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 was paid off on February 1, 2013. The Authority has a debt balance as of June 30, 2013 and 2012, of $0 and $63,734.61.

On May 16, 2013, the Authority settled on a U.S, Department of Agriculture loan for $331,000.00. which is the balance as of June 30, 2013.

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

EXHIBIT A-1

WOODSTOWN SEWERAGE AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION
JUNE 30, 2013 AND 2012

	Total	
	FY 2013	FY 2012
ASSETS		
Current Assets:		
Cash and Cash Equivalents	2,435,384.87	1,912,551.75
Petty Cash and Change Funds	90.00	90.00
Accounts Receivable	237,045.49	142,044.02
Due from Borough of Woodstown		23,156.82
Total Nonrestricted Assets	2,672,520.36	2,077,842.59
Restricted Assets:		
Cash and Cash Equivalents	1,100,900.43	947,015.74
Total Restricted Assets	1,100,900.43	947,015.74
Capital Assets:		
Property, Plant and Equipment	10,331,490.90	10,331,490.90
Less: Accumulated Depreciation	(6,197,810.58)	(5,990,481.36)
Net Capital Assets	4,133,680.32	4,341,009.54
Total Assets	7,907,101.11	7,365,867.87
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accrued Interest on Bonds	879.22	800.00
Deferred Revenue	2,078.94	5,894.23
Current Portion of Long Term Debt	5,322.38	63,734.61
Total Current Liabilities	8,280.54	70,428.84
Current Liabilities Payable from Restricted Assets:		
Accounts Payable	326,241.80	56,384.03
Total Current Liabilities Payable from Restricted Assets	326,241.80	56,384.03

See accompanying notes to the basic financial statements.

WOODSTOWN SEWERAGE AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION
JUNE 30, 2013 AND 2012

	Total	
	FY 2013	FY 2012
Long Term Liabilities:		
Loans Payable - Due Beyond One Year	325,677.62	
Total Liabilities	660,199.96	126,812.87
NET POSITION		
Invested in Capital Assets, Net of Related Debt	4,133,680.32	4,277,274.93
Restricted for:		
Capital Projects	757,949.37	838,745.12
Debt Service		32,122.71
Unemployment Claims	6,518.83	6,504.18
Escrow Claims	10,190.43	13,259.70
Assigned to:		
Designed by the Authority for Subsequent Year's Expenditures		660,000.00
Unassigned	2,338,562.20	1,411,148.36
Total Net Position	7,246,901.15	7,239,055.00
Total Liabilities and Net Position	7,907,101.11	7,365,867.87

See accompanying notes to the basic financial statements.

EXHIBIT A-2

WOODSTOWN SEWERAGE AUTHORITY
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	Total	
	FY 2013	FY 2012
REVENUES:		
Sewer Service Charges	1,427,047.61	1,321,682.67
Miscellaneous	1,538.49	3,912.71
Connection Fee	26,470.00	
USDA Grant	115,185.00	
Interest on Delinquent Accounts	21,308.98	24,025.94
Total Revenues	1,591,550.08	1,349,621.32
EXPENDITURES:		
Administrative:		
Salaries and Wages	26,113.20	27,324.23
Fringe Benefits	12,664.33	14,078.84
Other Expenses	33,889.32	42,916.58
Cost of Providing Services:		
Salaries and Wages	224,137.28	219,251.54
Fringe Benefits	98,042.13	95,429.09
Other Expenses	388,575.63	430,327.69
Depreciation Expense	207,329.22	207,279.39
Total Expenditures	990,751.11	1,036,607.36
Excess (Deficiency) of Revenues Over Expenditures	600,798.97	313,013.96
Other Financing Sources (Uses)		
Capital Outlay	(610,795.75)	(157,106.71)
Debt Service - Interest Payments	(1,920.00)	(47,712.92)
Debt Service - Accrued Interest	(79.22)	4,606.25
Interest Earned on Investments	15,319.58	24,996.52
Earnings and Savings Credits - Principal	7,333.98	83,426.22
Earnings and Savings Credits - Interest	257.86	(5,355.51)
Escrow Deposits	6,842.25	3,500.00
Escrow Expenditures	(9,911.52)	(9,780.52)
Capital Contributions to Fixed Assets		5,271.00
Total Other Financing Sources and Uses	(592,952.82)	(98,155.67)
Net Change in Net Position	7,846.15	214,858.29
Net Position - July 1	7,239,055.00	7,024,196.71
Net Position - June 30	7,246,901.15	7,239,055.00

See accompanying notes to the basic financial statements.

EXHIBIT A-3

WOODSTOWN SEWERAGE AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 and 2012

	Total	
Cash Flows from Operating Activities:	FY 2013	FY 2012
Cash Received from Customers	1,417,036.83	1,413,489.72
Cash Paid to Suppliers	(438,796.64)	(518,288.87)
Cash Paid to Employees	(250,250.48)	(246,575.77)
Cash Paid for Employee Benefits	(110,706.46)	(109,507.93)
Cash Paid for Due Borough of Woodstown		(23,156.82)
Cash Received from USDA Grant	115,185.00	
Net Cash Provided (Used) by Operating Activities	732,468.25	515,960.33
Cash Flows from Investing Activities:		
Interest Income	15,319.58	24,996.52
Cash Flows from Non-Capital Financing Activities:		
Escrow Fees Received	6,842.25	3,500.00
Escrow Fees Disbursed	(9,911.52)	(9,780.52)
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	(3,069.27)	(6,280.52)
Cash Flows from Capital & Related Financing Activities:		
Capital Projects	(340,937.98)	(155,523.48)
Principal Payments on Debt	(63,734.61)	(441,505.52)
Proceeds on USDA Loan	331,000.00	
Interest Paid on Debt	(1,920.00)	(47,712.92)
Earnings, Project Fund and Savings Credits	7,591.84	78,070.71
Net Cash Provided (used) by Capital and Related Financing Activities	(68,000.75)	(566,671.21)
Net Increase in Cash and Cash Equivalents	676,717.81	(31,994.88)
Cash and Cash Equivalents at Beginning of Year	2,859,657.49	2,891,652.37
Cash and Cash Equivalents at End of Year	3,536,375.30	2,859,657.49
Reconciliation to Balance Sheet:		
Unrestricted Cash and Cash Equivalents	2,435,474.87	1,912,641.75
Restricted Cash and Cash Equivalents	1,100,900.43	947,015.74
Total Cash and Cash Equivalents	3,536,375.30	2,859,657.49
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used) for Operating Activities:		
Operating Income (Loss)	600,798.97	313,013.96
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:		
Depreciation Expense	207,329.22	207,279.39
(Increase) Decrease in Accounts Receivable	(95,001.47)	19,197.50
(Increase) Decrease in Other Receivables	23,156.82	(23,156.82)
Increase (Decrease) in Sewer Overpayments	(3,815.29)	994.79
Increase (Decrease) in Unallocated Deposits		(1,368.49)
Net Cash Provided (Used) by Operating Activities	732,468.25	515,960.33

See accompanying notes to the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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.

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 Position, 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 position is reported in three parts: invested in capital assets, net of related debt; assigned net position; and unassigned net position. 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. NJSA17:9-41 et seq. provides a list of permissible investments that may be purchased by New Jersey authorities.

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.

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 Position, 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.

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 Position

Net position represents the difference between assets and liabilities. Net position 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 position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or 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 position is 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 nonspenable 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.

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.

O. Recent Accounting Pronouncements Not Yet Effective

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65 "Items Previously Reported as Assets and Liabilities." This statement, which clarifies the reporting requirements related to deferred assets and liabilities, is effective for fiscal periods beginning after December 15, 2012, is not anticipated to have any effect on the Authority's financial reporting.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 66 "Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62." This statement, which resolves conflicts between Statements No. 10 and No. 54 provides more flexibility in fund classifications for risk based activities, is effective for fiscal periods beginning after December 15, 2012, is not anticipated to have any effect on the Authority's financial reporting.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27." This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the Authority's financial reporting.

In January 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 69 "Government Combinations and Disposals of Government Operations." This statement, which is effective for fiscal periods beginning after December 15, 2013, will not have any effect on the Authority's financial reporting.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Recent Accounting Pronouncements Not Yet Effective (Continued)

In April 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees." This statement is effective for fiscal periods beginning after June 15, 2013, will not have any effect on the Authority's financial reporting.

P. Accounting Changes

The District has implemented GASB 63, which modified the terminology of net assets to net position. This change did not result in any monetary restatement, but the authority has restated prior years to reflect net position instead of net assets.

NOTE 2: RESTRICTED ASSETS

Restricted assets represent cash, investments and receivables maintained in accordance with formal actions of the Authority or by agreement for the purpose of funding certain improvements and extensions to the utility system.

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 Statue NJSA 18A:20-37 that are treated as cash equivalents. The carrying amount of the Authority's cash and cash equivalents at June 30, 2013 and 2012, was $3,536,375.30 and $2,859,657.49, respectively. As of June 30, 2013 and 2012, $0 of the Authority's bank balance of $3,552,456.74 and $2,891,633.32, respectively, was exposed to Custodial Credit Risk.

NOTE 4: INVESTMENTS

The Authority did not have any investments as of June 30, 2013 and 2012.

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, NJSA 18A:20-37 limits the length of time for most investments to 397 days.

Credit Risk - 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: CAPITAL ASSETS

The following is a summary of changes in the Capital Assets for the year ending June 30, 2013:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Sewer Mains & Interceptors	1,868,684.94			1,868,684.94
Pump Station	5,325,857.30			5,325,857.30
Machinery & Equipment	3,112,128.66			3,112,128.66
Vehicles	24,820.00			24,820.00
Totals at Historical Cost	10,331,490.90	None	None	10,331,490.90
Accumulated Depreciation:				
Sewer Mains & Interceptors	717,014.00	46,717.12		763,731.12
Pump Station	2,370,591.74	133,341.24		2,503,932.98
Equipment	2,899,329.91	23,725.15		2,923,055.06
Vehicles	3,545.71	3,545.71		7,091.42
Total Accumulated Depreciation	5,990,481.36	207,329.22		6,197,810.58
Business-Type Capital Assets, Net	4,341,009.54	207,329.22	None	4,133,680.32

Depreciation was charged as unallocated.

NOTE 6: 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, 2013 and 2012, were $0 and $63,734.61.

On May 16, 2013, the Authority settled on a U.S. Department of Agriculture loan in the amount of $331,000.00 for the Harris Acres project. The loan has an interest rate of 2.125% payable over 40 years. Principle payments are due in May 15 and November 15. The remaining balance as of June 30, 2013, was $331,000.00.

During the fiscal year 2013, the following changes occurred in the Authority debt:

NOTE 6: BONDS PAYABLE AND LOANS PAYABLE (CONTINUED)

Bonds and Loans Payable

	Balance July 1, 2012	Issued/ Authorized	Retired/ Reduction	Balance June 30, 2013
Issued:				
USDA Loan		331,000.00		331,000.00
NJWWTT 1993/2004	23,734.61		23,734.61	
NJWWTT 1993/2004	40,000.00		40,000.00	
Net Debt Issued	63,734.61	331,000.00	63,734.61	331,000.00
Authorized But Not Issued				
Bond and Notes	2,677,000.00		331,000.00	2,346,000.00
Net Bonds and Notes Issued and Authorized But Not Issued	2,740,734.61	331,000.00	394,734.61	2,677,000.00

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

Year Ended	Principal	Interest	Total
6/30/2014	5,322.38	7,005.62	12,328.00
6/30/2015	5,436.08	6,891.92	12,328.00
6/30/2016	5,552.20	6,775.80	12,328.00
6/30/2017	5,670.82	6,657.18	12,328.00
6/30/2018	5,791.96	6,536.03	12,327.99
2019-2023	30,869.53	30,770.47	61,640.00
2024-2028	34,310.77	27,329.23	61,640.00
2029-2033	38,135.62	23,504.38	61,640.00
2034-2038	42,386.86	19,253.14	61,640.00
2039-2042	47,112.00	14,528.00	61,640.00
2043-2047	52,363.90	9,276.10	61,640.00
2048-2052	58,047.88	3,592.12	61,640.00
	331,000.00	162,119.99	493,119.99

As of June 30, 2013, the Authority has approved a loan resolution of $2,346,000.00 through the United States Department of Agriculture. No funds have been drawn down on this loan.

NOTE 7: 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

NOTE 7: PENSION PLANS (CONTINUED)

Description of Plans (Continued)
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/actuarial-rpts.shtml.

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, 2013, 2012 and 2011, were $23,697.00, $26,237.00 and $27,168.00, 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 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.

NOTE 7: PENSION PLANS (CONTINUED)

The Authority did not make any contributions for the fiscal year 2013, 2012 and 2011, as no employees participated in this plan.

NOTE 8: POST-RETIREMENT BENEFITS

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

NOTE 9: ACCUMULATED ABSENCE BENEFITS

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

NOTE 10: LABOR CONTRACTS

As of June 30, 2013, there are no collective bargaining units for the Woodstown Sewerage Authority. All salaries were paid through an Interlocal Agreement with the Borough of Woodstown.

NOTE 11: NET POSITION APPROPRIATED

Net Position for the Authority at June 30, 2013 and 2012, was $7,246,901.15 and $7,239,055.00, respectively; $757,949.37 has been restricted for capital projects; $16,709.26 has been restricted for other purposes and $2,338,562.20 is unassigned.

NOTE 12: 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 13: 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.

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

NOTE 13: RISK MANAGEMENT (CONTINUED)

New Jersey Unemployment Compensation Insurance (Continued)
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:

Fiscal Year	Authority Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2012-2013	None	None	None	6,518.83
2011-2012	None	None	None	6,504.18
2010-2011	None	None	None	6,488.09

NOTE 14: 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 15: SUBSEQUENT EVENTS

Management has reviewed and evaluation all events and transactions that occurred between June 30, 2013 and October 15, 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, 2013

	Budget				Variance of Actual Data to Budget	
	Original	Transfers	Final	Actual	Dollars	%
Revenues:						
Sewer Service Charges:						
Residential/Commercial	1,225,000.00		1,225,000.00	1,313,530.53	(88,530.53)	-7.23%
Interlocal	109,330.00		109,330.00	113,517.08	(4,187.08)	-3.83%
Miscellaneous Income:						
Miscellaneous				143,193.49	(143,193.49)	
Interest on Delinquent Accounts				21,308.98	(21,308.98)	
Total Revenues	1,334,330.00		1,334,330.00	1,591,550.08	(257,220.08)	-19.28%
Expenditures:						
Administrative:						
Interlocal Service Agreement:						
Salaries	29,500.00		29,500.00	19,213.20	10,286.80	34.87%
Members Salaries	7,500.00		7,500.00	6,900.00	600.00	8.00%
Total Administrative Salaries	37,000.00		37,000.00	26,113.20	10,886.80	42.87%
Fringe Benefits:						
Social Security System	2,300.00		2,300.00	1,728.43	571.57	24.85%
Medicare	600.00		600.00	374.25	225.75	37.63%
Unemployment Compensation	150.00		150.00	15.08	134.92	89.95%
Public Employees' Retirement System	5,000.00		5,000.00	2,844.00	2,156.00	43.12%
Health Benefits	9,450.00		9,450.00	7,702.57	1,747.43	18.49%
Total Administrative Fringe Benefits	17,500.00		17,500.00	12,664.33	4,835.67	214.03%
Other Expenses:						
Auditor	20,000.00		20,000.00	16,985.00	3,015.00	15.08%
Solicitor	20,000.00		20,000.00	7,227.43	12,772.57	63.86%
Trustee	10,350.00		10,350.00	1,530.00	8,820.00	85.22%
Office Supplies	10,000.00		10,000.00	7,344.39	2,655.61	26.56%
Mail/Postage	2,000.00		2,000.00	802.50	1,197.50	59.88%
Memberships/Dues/Subscriptions	2,000.00		2,000.00		2,000.00	100.00%
Total Administrative Other Expenses	64,350.00		64,350.00	33,889.32	30,460.68	47.34%
Total Administrative	118,850.00		118,850.00	72,666.85	46,183.15	38.86%

EXHIBIT B-1
(Continued)

WOODSTOWN SEWERAGE AUTHORITY
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013

	Budget				Variance of Actual Data to Budget	
	Original	Transfers	Final	Actual	Dollars	%
Cost of Providing Services:						
Interlocal Service Agreement:						
Salaries	218,000.00		218,000.00	203,534.25	14,465.75	6.64%
Overtime	35,000.00		35,000.00	20,603.03	14,396.97	41.13%
Total Salaries and Wages	253,000.00		253,000.00	224,137.28	28,862.72	47.77%
Fringe Benefits:						
Social Security System	16,000.00		16,000.00	13,568.22	2,431.78	15.20%
Medicare	4,000.00		4,000.00	3,173.07	826.93	20.67%
Unemployment Compensation	1,000.00		1,000.00	201.18	798.82	79.88%
Public Employees' Retirement System	25,000.00		25,000.00	20,853.00	4,147.00	16.59%
Health Benefits	63,000.00		63,000.00	60,246.66	2,753.34	4.37%
Total Fringe Benefits	109,000.00		109,000.00	98,042.13	10,957.87	136.71%
Other Expenses:						
Communications	6,000.00	(600.00)	5,400.00	2,864.06	2,535.94	46.96%
Schooling	3,000.00	(1,000.00)	2,000.00	899.50	1,100.50	55.03%
Road Expenses	8,000.00		8,000.00	214.47	7,785.53	97.32%
Vehicle Expense	4,000.00	1,600.00	5,600.00	5,596.90	3.10	0.06%
Sludge Disposal	75,000.00		75,000.00	58,703.19	16,296.81	21.73%
Chlorine/Chemicals	68,000.00		68,000.00	54,614.55	13,385.45	19.68%
Natural Gas	11,000.00		11,000.00	8,646.35	2,353.65	21.40%
Operating Supplies	20,000.00	2,000.00	22,000.00	21,930.46	69.54	0.32%
Sewer Samples	11,000.00		11,000.00	10,734.00	266.00	2.42%
Electric	105,000.00		105,000.00	97,961.09	7,038.91	6.70%
Video Lines	10,000.00	(2,000.00)	8,000.00		8,000.00	100.00%
Machinery & Equipment Repair	60,000.00		60,000.00	28,128.83	31,871.17	53.12%
Construction/Improvement	20,000.00		20,000.00		20,000.00	100.00%
Miscellaneous	2,000.00		2,000.00		2,000.00	100.00%
Insurance	42,000.00		42,000.00	28,879.81	13,120.19	31.24%
Licenses/Permits	20,000.00		20,000.00	5,854.38	14,145.62	70.73%
Property Upkeep	5,000.00		5,000.00	1,250.00	3,750.00	75.00%
Plant Equipment	30,000.00		30,000.00		30,000.00	100.00%
Consulting Engineer	30,000.00		30,000.00	4,104.75	25,895.25	86.32%
Contract Services	60,000.00		60,000.00	58,193.29	1,806.71	3.01%
Total Other Expenses	590,000.00		590,000.00	388,575.63	201,424.37	34.14%
Total Cost of Providing Services	952,000.00		952,000.00	710,755.04	241,244.96	2.19

WOODSTOWN SEWERAGE AUTHORITY
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013

	Budget				Variance of Actual Data to Budget	
	Original	Transfers	Final	Actual	Dollars	%
Total Operating Expenses	1,070,850.00		1,070,850.00	783,421.89	287,428.11	26.84%
Operating Income (Loss)	263,480.00		263,480.00	808,128.19	(544,648.19)	-206.71%
Non-Operating Revenue (Expense)						
Debt Service:						
Principal	(61,600.94)		(61,600.94)	(56,400.63)	(5,200.31)	8.44%
Interest	(1,879.00)		(1,879.00)	(1,662.14)	(216.86)	11.54%
Earnings & Savings Credits:						
Allocated to:						
Principal				(7,333.98)	7,333.98	
Interest				(257.86)	257.86	
Interest on Investments				15,319.58	(15,319.58)	
	(63,479.94)		(63,479.94)	(50,335.03)	(13,144.91)	20.71%
Increase (Decrease) in Budgeted Net Position	200,000.06		200,000.06	858,463.22	(531,503.28)	

WOODSTOWN SEWERAGE AUTHORITY
SCHEDULE OF BONDS AND LOANS PAYABLE
FOR THE YEAR ENDED JUNE 30, 2013

USDA Loan

Date of Issue	Amount of Issue	Description	Increased	Redeemed	Balance June 30, 2013
05/16/13	331,000.00	Harris Acres Project	331,000.00		331,000.00

Schedule of Annual Maturities

Year	Total	Principle	Interest
2014	12,328.00	5,322.38	7,005.62
2015	12,328.00	5,436.08	6,891.92
2016	12,328.00	5,552.20	6,775.80
2017	12,328.00	5,670.82	6,657.18
2018	12,328.00	5,791.96	6,536.04
2019-2023	61,640.00	30,869.53	30,770.47
2024-2028	61,640.00	34,310.77	27,329.23
2029-2033	61,640.00	38,135.62	23,504.38
2034-2038	61,640.00	42,386.86	19,253.14
2039-2042	61,640.00	47,112.00	14,528.00
2043-2047	61,640.00	52,363.90	9,276.10
2048-2052	61,640.00	58,047.88	3,592.12
	493,120.00	331,000.00	162,120.00

SERIES 1993/2004 WASTEWATER TREATMENT TRUST

Date of Issue	Amount of Issue	Description	Balance July 1, 2012	Redeemed	Balance June 30, 2013
08/01/94	432,112.00	Improvement, Upgrading and Expansion of Treatment Plant	23,734.61	23,734.61	

SERIES 1993/2004 WASTEWATER TREATMENT TRUST

Date of Issue	Amount of Issue	Description	Balance July 1, 2012	Redeemed	Balance June 30, 2013
08/01/94	510,000.00	Improvement, Upgrading and Expansion of Treatment Plant	40,000.00	40,000.00	

	Balance July 1, 2012	Increased	Redeemed	Balance June 30, 2013
Summary Total of all Loans	63,734.61	331,000.00	63,734.61	331,000.00
		Budget	56,400.63	
		Earnings Credits	7,333.98	
			63,734.61	

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 30th 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.

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 fully implemented.

FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESS

*2013-001 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.

*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