

THE PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
REPORT OF AUDIT
FOR THE FISCAL YEARS ENDED
NOVEMBER 30, 2012 AND 2011



THE PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Table of Contents

		<u>Page No.</u>
	Officials in Office	1
	<u>PART I - FINANCIAL SECTION</u>	
	Independent Auditor's Report	3
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	5
	Management's Discussion and Analysis	7
<u>Exhibit</u>		
	<u>BASIC FINANCIAL STATEMENTS</u>	
A	Comparative Statements of Net Assets	11
B	Comparative Statements of Revenues, Expenses and Changes in Net Assets	13
C	Comparative Statements of Cash Flows	14
	Notes to Financial Statements	15
	<u>Required Supplementary Information</u>	
RSI-1	Schedule of Funding Progress for the OPEB Plan	34
RSI-2	Schedule of Employer Contributions	34
	Note to Required Supplementary Information	35
<u>Schedule No.</u>		
	<u>SUPPLEMENTARY SCHEDULES</u>	
1	Combining Schedule of Revenue, Expenses and Changes in Net Assets	37
2	Schedule of Cash Receipts and Disbursements	38
3	Schedule of Revenues, Operating Appropriations, Principal Payments and Non-Operating Appropriations Compared to Budget--Budgetary Basis	39
4	Schedule of Consumer Accounts Receivable	41
5	Analysis of Property, Plant and Equipment - Completed	42
6	Schedule of Sewer Rent Overpayments	43
7	Schedule of Revenue Bonds Payable	44
	<u>PART II – SCHEDULE OF FINDINGS AND RECOMMENDATIONS</u>	
	Schedule of Financial Statement Findings	46
	Summary Schedule of Prior Year Audit Findings as Prepared by Management	47
	APPRECIATION	48

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Officials in Office

The following officials were in office during the period under audit:

MEMBERS

Edward F. Chollis
Thomas J. Puckett
Bernard Sennstrom, II
Marc Chastain
David Birchmire
Robert McDade

POSITION

Chairman
First Vice-Chairman
Second Vice-Chairman
Secretary
Treasurer
Alternate Member #1

OTHER OFFICIALS

Walter J. Ray
Sickels & Assoc. (David Palgutta)
Pennsville National Bank

Solicitor
Engineer
Trustee & Paying Agent

THE PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY

PART I

FINANCIAL SECTION

FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2012 AND 2011

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
The Pennsville Township Sewerage Authority
90 North Broadway
Pennsville, New Jersey 08070

We have audited the accompanying statements of net assets of the Pennsville Township Sewerage Authority, in the County of Salem, State of New Jersey, a component unit of the Township of Pennsville, as of November 30, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Pennsville Township Sewerage Authority, in the County of Salem, State of New Jersey as of November 30, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the years 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 March 28, 2013 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 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 assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements as a whole. In addition, the supplementary schedules listed in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedules 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 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 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 basic financial statements as a whole.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



David C. Rollison
Certified Public Accountant
Registered Municipal Accountant

Woodbury, New Jersey
March 28, 2013

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Chairman and Members of
The Pennsville Township Sewerage Authority
90 North Broadway
Pennsville, New Jersey 08070

We have audited the financial statements of the Pennsville Township Sewerage Authority, in the County of Salem, State of New Jersey, a component unit of the Township of Pennsville, as of and for the fiscal year ended November 30, 2012, and have issued our report thereon dated March 28, 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 in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

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

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.

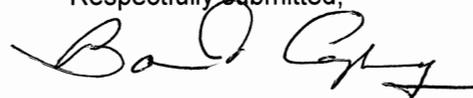
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the management of the Authority, others within the Authority and the Bureau of Authority Regulation, 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.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



David C. Rollison
Certified Public Accountant
Registered Municipal Accountant

Woodbury, New Jersey
March 28, 2013

Management's Discussion and Analysis (MD&A)

FINANCIAL HIGHLIGHTS

The management of the Pennsville Township Sewerage Authority (the "Authority") believes their financial position is good. According to its bond covenants, the Authority is required to make a 110% cover on debt service. For the current year the Authority generated a 163% cover. Some financial highlights for the Authority's fiscal year 2012 were:

- Actual revenues received by the Authority exceeded anticipated revenues by \$62,222.
- Actual operating expenses of \$1.618 million were up from fiscal year 2011 operating expenses of \$1.546 million.
- Connection fee revenues increased to \$5,000, up from fiscal year 2011 of \$2,700.
- At year-end, total assets were \$9.656 million, which exceeded liabilities of \$2.149 million. The resultant net assets at year-end were \$7.507 million.

OVERALL ANALYSIS

The Authority's financial position is good. During the current year, the Authority's operating net assets increased by \$39,870.

The Authority's rate structure is such that residential customers pay a flat rate and commercial users pay based on water consumption. There were approximately 2 new residential and no new commercial accounts added to the Authority's wastewater treatment system in the fiscal year 2012. This increase in accounts was offset by an increase in non-active accounts.

The Authority has completed and has had approved its updated wastewater management plan. The purpose for this update is to include the remaining developable areas of Pennsville Township in the Authority's wastewater management area. The expansion of the Authority's wastewater management area would be in conformity with Pennsville Township's master plan and the State of New Jersey Smart Growth Plan.

The Authority has a collection program for delinquent accounts. If a customer is delinquent for more than two quarters on their sewer bill, the Authority will terminate water service to the customer until the outstanding balance is paid. This has had a positive effect on the collection rate for the Authority of 94.07% as an average of the immediately preceding three years.

The future is positive for the Authority, considering that the residential sector is the most stable when considering the volatility of a billing base, and it comprises approximately 85% of the Authority's customers. There is no particular emphasis or imbalance in the type of business enterprises within the commercial sector. Industrial users exist, but do not comprise a major portion of the Authority's billing base.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

During the current year, the Authority disbursed \$669,775 for capital assets. The resultant disbursements are as follows:

<u>Asset</u>	<u>Amount Disbursed</u>
Street Repairs	288,889
Sludge Pump	152,334
Odor Control System	100,061
Master Plan	36,326
Other	32,023
Truck	30,185
Pipe Lining	16,373
Copier, Printer & Software	13,584

The Authority is proactive in its maintenance philosophy for its capital facilities. The Authority has been aggressively budgeting funds for its Renewal and Replacement Fund to try and eliminate the need for future borrowing for any capital projects or expenditures. In fiscal year 2012 the Authority appropriated \$300,000 for its Renewal and Replacement Fund to meet the needs of continual improvements to the wastewater treatment system. The Authority budgeted an additional \$300,000 for fiscal year 2013. Furthermore, they completed the building of a new clarifier at the wastewater treatment facility to allow for planned development in the community. The Authority has no immediate plans of any additional borrowing for capital assets or expenditures in the next two years as a result of fiscal planning for additional wastewater treatment expectations.

The Authority has not experienced any change in its credit rating, nor does it anticipate any. Although the Authority does not operate under any debt limitations, they are required to receive approval by Pennsville Township Committee resolution, and then, the Local Finance Board, prior to issuing any new debt.

Comparative Statements of Revenues, Expenses and Changes in Net Assets
For The Fiscal Years Ended November 30, 2012, 2011 and 2010

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Revenues:			
Utility Service Charges	\$ 2,503,473.27	\$ 2,529,083.20	\$ 2,482,417.17
Other Operating Revenues	22,430.93	21,664.80	15,951.53
	<u>2,525,904.20</u>	<u>2,550,748.00</u>	<u>2,498,368.70</u>
Operating Expenses:			
Salaries and Wages	565,029.07	563,262.19	548,358.41
Employee Benefits	364,173.25	375,997.91	321,110.26
Other Expenses	710,252.54	666,170.81	643,483.56
Depreciation	268,850.00	261,161.00	269,327.00
	<u>1,908,304.86</u>	<u>1,866,591.91</u>	<u>1,782,279.23</u>
Operating Income	617,599.34	684,156.09	716,089.47
Non-operating Revenue (Expenses)	<u>(307,122.43)</u>	<u>(290,475.50)</u>	<u>(315,112.97)</u>
Increase/(Decrease) in Net Assets	<u>310,476.91</u>	<u>393,680.59</u>	<u>400,976.50</u>
Net Assets December 1	<u>7,197,345.58</u>	<u>6,803,664.99</u>	<u>6,402,688.49</u>
Net Assets November 30	<u><u>\$ 7,507,822.49</u></u>	<u><u>\$ 7,197,345.58</u></u>	<u><u>\$ 6,803,664.99</u></u>

Comparative Statement of Net Assets
As of November 30, 2012, 2011 and 2010

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets:			
Unrestricted Assets	\$ 2,321,488.49	\$ 2,222,968.31	\$ 2,186,568.59
Restricted Assets	2,862,192.37	3,139,384.79	3,050,762.13
Capital Assets	4,472,944.95	4,074,832.71	4,098,892.65
Total Assets	<u>9,656,625.81</u>	<u>9,437,185.81</u>	<u>9,336,223.37</u>
Liabilities:			
Current Liabilities	684,548.85	610,463.28	737,477.73
Long-term Liabilities	1,464,254.47	1,629,376.95	1,795,080.65
Total Liabilities	<u>2,148,803.32</u>	<u>2,239,840.23</u>	<u>2,532,558.38</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	3,226,498.45	2,605,205.56	2,391,683.00
Restricted	1,964,969.00	2,315,655.42	2,223,533.70
Unrestricted	2,316,355.04	2,276,484.60	2,188,448.29
Total Net Assets	<u><u>\$ 7,507,822.49</u></u>	<u><u>\$ 7,197,345.58</u></u>	<u><u>\$ 6,803,664.99</u></u>

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide Pennsville Township residents and our customers, clients, investors, and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have any questions about this report or need additional financial information, contact the Pennsville Township Sewerage Authority, 90 North Broadway, Pennsville, NJ 08070.

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
 Comparative Statements of Net Assets
 As of November 30, 2012 and 2011

ASSETS	<u>2012</u>	<u>2011</u>
Current Assets:		
Unrestricted Assets:		
Revenue and Operating Fund:		
Cash and Cash Equivalents	\$ 2,169,827.38	\$ 2,074,266.57
Consumer Accounts Receivable, Net of Allowance for Doubtful Accounts of \$6,163.58 and \$5,968.73 in 2012 and 2011	151,536.41	148,577.04
Prepaid Expenses	<u>124.70</u>	<u>124.70</u>
Total Unrestricted Assets	<u>2,321,488.49</u>	<u>2,222,968.31</u>
Restricted Assets:		
Cash and Cash Equivalents	<u>2,862,192.37</u>	<u>3,139,384.79</u>
Total Restricted Assets	<u>2,862,192.37</u>	<u>3,139,384.79</u>
Total Current Assets	5,183,680.86	5,362,353.10
Property, Plant and Equipment, Net of Accumulated Depreciation	<u>4,472,944.95</u>	<u>4,074,832.71</u>
Total Assets	<u>\$ 9,656,625.81</u>	<u>\$ 9,437,185.81</u>

(Continued)

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Comparative Statements of Net Assets
As of November 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
LIABILITIES		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	\$ 55,523.65	\$ 67,786.67
Accrued Liabilities	22,420.10	19,105.32
Payroll Deductions Payable		68.95
Reserve for Self Insurance - Medical Claims	300,355.19	271,012.82
Sewer Rent Overpayments	3,908.13	3,541.94
	<u>382,207.07</u>	<u>361,515.70</u>
Total Current Liabilities Payable from Unrestricted Assets		
Current Liabilities Payable from Restricted Assets:		
Developers Escrow Deposits	8,489.92	8,486.11
Renewal and Replacement Fund:		
Accounts Payable	65,671.21	378.97
Bond Service Fund:		
Revenue Bonds Payable - Current Portion	223,180.65	237,582.50
Construction Fund:		
Unearned Revenue - Connection Fees	5,000.00	2,500.00
	<u>302,341.78</u>	<u>248,947.58</u>
Total Current Liabilities Payable from Restricted Assets		
Total Current Liabilities	<u>684,548.85</u>	<u>610,463.28</u>
Long-term Liabilities:		
Net OPEB Obligation	188,680.00	138,358.00
Compensated Absences	29,127.97	21,391.80
Plant, Property and Equipment Fund:		
Revenue Bonds Payable	1,246,446.50	1,469,627.15
	<u>1,464,254.47</u>	<u>1,629,376.95</u>
Total Long-term Liabilities		
Total Liabilities	<u>2,148,803.32</u>	<u>2,239,840.23</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	3,226,498.45	2,605,205.56
Restricted:		
Operating Fund	444,700.00	445,300.00
Renewal and Replacement Fund	629,768.67	991,571.67
Bond Reserve Fund	565,000.00	565,000.00
Bond Service Fund	47,100.00	47,100.00
Construction Fund	237,603.76	230,773.93
Unemployment Compensation	40,796.57	35,909.82
Unrestricted - General Fund	2,316,355.04	2,276,484.60
	<u>2,316,355.04</u>	<u>2,276,484.60</u>
Total Net Assets	<u>\$ 7,507,822.49</u>	<u>\$ 7,197,345.58</u>

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

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
 Comparative Statements of Revenues, Expenses and Changes in Net Assets
 For the Fiscal Years Ended November 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues:		
Utility Service Charges	\$ 2,503,473.27	\$ 2,529,083.20
Other Operating Revenues	22,430.93	21,664.80
	<u>2,525,904.20</u>	<u>2,550,748.00</u>
Operating Expenses:		
Administration:		
Salaries and Wages	284,319.30	285,678.16
Fringe Benefits	181,227.68	188,524.30
Other Expenses	134,632.51	153,705.96
Cost of Providing Services:		
Salaries and Wages	280,709.77	277,584.03
Fringe Benefits	182,945.57	187,473.61
Other Expenses	575,620.03	512,464.85
Depreciation	268,850.00	261,161.00
	<u>1,908,304.86</u>	<u>1,866,591.91</u>
Operating Income	617,599.34	684,156.09
Non-operating Revenue (Expenses):		
Investment Income Net of Fees	16,918.70	20,186.75
Miscellaneous	(1,623.63)	(1,023.60)
Interest Expense	(327,417.50)	(312,338.65)
Connection Fees	5,000.00	2,700.00
	<u>16,918.70</u>	<u>20,186.75</u>
Change in Net Assets	310,476.91	393,680.59
Net Assets November 30, 2011	<u>7,197,345.58</u>	<u>6,803,664.99</u>
Net Assets November 30, 2012	<u>\$ 7,507,822.49</u>	<u>\$ 7,197,345.58</u>

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

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Comparative Statements of Cash Flows
For the Fiscal Years Ended November 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Receipts from Customers and Users	\$ 2,500,880.09	\$ 2,422,088.09
Payments to Suppliers	(971,074.57)	(1,071,544.21)
Payments to Employees	(554,047.07)	(561,472.05)
Other Operating Receipts	51,773.30	93,768.29
Net Cash Provided by Operating Activities	<u>1,027,531.75</u>	<u>882,840.12</u>
Cash Flows from Non-Capital Financing Activities:		
Developers Escrow Deposits (Net)	3.81	11.78
Miscellaneous Receipts	1,189.37	866.40
Net Cash Provided by Non-Operating Activities	<u>1,193.18</u>	<u>878.18</u>
Cash Flows from Capital and Related Financing Activities:		
Connection Fees	7,500.00	2,600.00
Bond Principal Paid on Debt	(237,582.50)	(252,662.35)
Additions to Fixed Assets	(669,775.24)	(238,991.06)
Interest Paid on Debt	(327,417.50)	(312,338.65)
Net Cash used in Capital and Related Financing Activities	<u>(1,227,275.24)</u>	<u>(801,392.06)</u>
Cash Flows from Investing Activities:		
Investment Income	16,918.70	20,186.75
Net Cash Provided by Investing Activities	<u>16,918.70</u>	<u>20,186.75</u>
Net Increase/(Decrease) in Cash	(181,631.61)	102,512.99
Cash and Cash Equivalents, December 1	<u>5,213,651.36</u>	<u>5,111,138.37</u>
Cash and Cash Equivalents, November 30	<u>\$ 5,032,019.75</u>	<u>\$ 5,213,651.36</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 617,599.34	\$ 684,156.09
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	268,850.00	261,161.00
Changes in Assets and Liabilities:		
(Increase) Decrease in Consumer Accounts Receivable	(2,959.37)	(22,551.19)
(Increase) Decrease in Prepaid Expenses	-	41.80
Increase (Decrease) in Accounts Payable	53,029.22	(101,296.09)
Increase (Decrease) in Accrued Liabilities	3,314.78	1,749.30
Increase (Decrease) in Payroll Deductions Payable	(68.95)	40.84
Increase (Decrease) in Self Insurance - Medical Claims	29,342.37	72,103.49
Increase (Decrease) in Deferred Revenue	-	(87,985.86)
Increase (Decrease) in Sewer Rent Overpayments	366.19	3,541.94
Increase (Decrease) in Compensated Absences Payable	7,736.17	21,391.80
Increase (Decrease) in OPEB Obligation	50,322.00	50,487.00
Total Adjustments	<u>409,932.41</u>	<u>198,684.03</u>
Net Cash Provided by Operating Activities	<u>\$ 1,027,531.75</u>	<u>\$ 882,840.12</u>

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

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Notes to Financial Statements
For the Fiscal Year Ended November 30, 2012 and 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Pennsville Township Sewerage Authority (the "Authority") is a public body corporate and politic of the State of New Jersey and was created by an ordinance adopted on October 7, 1954 by the governing body of the Township of Pennsville (the "Township") in the County of Salem, New Jersey pursuant to the Sewerage Authority Law, R.S. 4:14B-1 et seq., of the State of New Jersey. It is public body corporate and politic, constituting a political subdivision of the State of New Jersey, established as an instrumentality exercising public and essential governmental function to provide for the public health and welfare. The comparative financial statements include the operations for which the Authority exercises oversight responsibility.

The Authority was created for the purpose of constructing, maintaining and operating sewerage collection and treatment facilities to substantially all the area constituting the Township. The Authority commenced operations in 1959 and the Authority bills and collects its revenues from users of the system.

The Authority consists of five board members and two alternates, who are appointed by resolution of the Township Committee for five-year terms. The Superintendent manages the daily operations of the Authority.

Component Unit

The Authority is a component unit of the Township as described in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* because of a service agreement (See Note 6 - Service Agreement) between the Authority and the Township. These financial statements would be either blended or discreetly presented as part of the Township's financial statements if the Township reported using generally accepted accounting principles applicable to governmental entities.

Basis of Presentation

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenues -- Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Sewer service charges are recognized as revenue when services are provided. Connection fees are collected in advance and, accordingly, the Authority defers these revenues until the municipality issues a release for certificate of occupancy and determines that sewage collection services are being provided to the properties.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Expenses / Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Governmental Accounting Standards Board - Statement No. 20

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

The Authority has elected not to follow any FASB pronouncements issued after November 30, 1989 unless they are adopted by GASB.

Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense, amortization of bond issue costs, bond discounts, deferred loss on defeasance and the annual required contribution for the Authority's OPEB Plan are not included in the budget appropriations.

The legal level of budgetary control is established at the detail shown on the Statement of Revenues, Expenses and Changes in Net Assets. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. The Authority adopted an amending budget resolution during the year.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Budgets and Budgetary Accounting (Cont'd)**

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds and cash in banks 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. Such is the definition of cash and cash equivalents used in the statement of cash flows. U.S. treasury and 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.

New Jersey governments are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey governments.

The Authority is required to adopt a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. The Act was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include State or federally chartered banks, savings banks or associations located in the State of New Jersey or state or federally chartered banks, savings banks or associations located in another state with a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

Inventory

Inventory consists principally of chemicals for the treatment of sewerage and sludge and is valued at cost. The Authority has determined that the inventories are immaterial and are not recorded in the financial statements.

Depreciation

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

	<u>Years</u>
Sewer Mains and Interception	50-60
Vehicles	5
Buildings and Improvements	40
Pump Stations	40
Other Equipment	15 or 20

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Capital Assets**

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

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Costs incurred during construction of an asset are recorded as construction in progress. In the year that the project is completed, these costs are transferred to Capital Assets - Completed. Interest costs incurred during construction are not capitalized into the cost of the asset.

Expenditures are capitalized when they meet the following requirements:

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

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

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

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

Income Taxes

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

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from sewer service charges and delinquent penalties. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and on investments in debt securities.

Operating expenses include general administrative expenses and expenses associated with the operation and maintenance of providing sewerage collection services to the residents of the Township. Non-operating expenses principally include expenses attributable to the Authority's interest on debt, renewal and replacement expenditures and Contributions to the Township of Pennsville.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", the Authority has classified its net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

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

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**Compliance with finance related legal and contractual provisions**

The Authority has no material violations of finance related legal and contractual provisions.

Utility System Revenue Bonds

The Authority is subject to the provisions and the terms of the Utility System Revenue Bond Resolution, dated July 21, 1992, as amended. As required by the Resolution, certain cash accounts and investments of the Authority are maintained by an independent trustee, accounted for in various accounts and segregated for specific use and for the security of the bondholders. The purpose of the trust accounts are summarized as follows:

Revenue Fund - All available revenues shall be collected by the Authority and deposited with the Trustee or the name of the Trustee. The Trustee, as of the first day of each month in any fiscal year and within ten days thereafter, shall withdraw all moneys in the Revenue Fund as of such date and make payments out of such moneys into the following several funds, but as to each such fund only within the limitation herein below indicated with respect thereto and only after maximum payment within such limitation into every such fund previously mentioned in the following tabulation:

First: Into the Operating Fund, to the extent (if any) needed to increase the amount in the Operating Fund so that it equals 25% of the amount appropriated for Operating Expenses in the Annual Budget of the Authority for such Fiscal Year.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)**Utility System Revenue Bonds (Cont'd)**

Second: Into the Bond Service Fund, to the extent (if any) needed to increase the amount in the Bond Service Fund so that it equals the Bond Service Requirement.

Third: Into the Bond Reserve Fund, to the extent (if any) needed to increase the amount in any account of the Bond Reserve Fund so that it equals the applicable Bond Reserve Requirement.

Fourth: Into the Renewal and Replacement Fund, to the extent (if any) needed to increase the amount in the Renewal and Replacement Fund so that it equals the System Reserve Requirement.

Fifth: Into the General Fund, to any extent.

Operating Fund - The Authority shall apply the moneys deposited in the Operating Fund and any investment earnings thereon to the payment of Operating Expenses for which appropriations were made in the Annual Budget. Any such moneys deposited in the Operating Fund and any investment earnings thereon unexpended upon termination of the fiscal year in which they were deposited and any moneys and investment earnings thereon deposited into the Operating Fund may be expended by the Authority for the payment of any Operating Expense for any purpose for which moneys could be withdrawn from the Renewal and Replacement Fund.

Bond Service Fund - The Trustee shall withdraw from the Bond Service Fund immediately prior to each interest payment date of the Bonds and amount equal to the unpaid interest due on the Bonds on or before such interest payment date and shall cause the same to be applied to the payment of said interest when due and may transmit the same to Paying Agents who shall apply the same to such payment.

Bond Reserve Fund - If on any date (a) the amount in the Bond Service Fund equals or exceeds the Bond Service Requirement (b) all withdraws or payments from the Bond Reserve Fund required by any other provision of the Resolution with respect to the same and every prior date shall have sooner been made, the Trustee within ten days thereafter shall withdraw from the respective accounts in the Bond Reserve Fund the amount of any excess therein over the applicable Bond Reserve Requirement as of such date and shall pay any moneys so withdrawn into the Revenue Fund.

Renewal and Replacement Fund - If on any date, after making the withdrawals required under the provisions of Paragraph (1) of Section 512 with respect to the same and every prior date, the amount in any account of the Bond Reserve Fund shall be less than the applicable Bond Reserve Requirement as of such date, the Trustee shall withdraw from the Renewal and Replacement Fund and pay into such account of the Bond Reserve Fund the amount needed to increase the amount in such account of the Bond Reserve Fund so that it equals the applicable Bond Reserve Requirement. The Trustee shall withdraw from the Renewal and Replacement Fund amounts requisitioned by the Authority for, and apply the same to, the reasonable and necessary expenses of the Authority with respect to the System for improvements, constructions, reconstructions, major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals and for costs of equipment.

Construction Fund - Within the Construction Fund, the Trustee shall establish a separate account for each project. The Trustee shall credit to such separate account for any project any moneys paid into the Construction Fund constituting (1) proceeds of sale of bonds of any series authorized for the purpose of raising funds to pay costs of construction with respect to said project, (2) any proceeds of insurance (other than use and occupancy insurance) received by the Authority with respect to said project or (3) any amount accompanied upon its payment into the Construction Fund by an Officer's Certificate directing its credit to the said separate account for said project.

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

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

The computation of sufficiency of revenues for the years ended November 30, 2012 and 2011 as defined by the Utility System Revenue Bond Resolution is as follows:

	<u>2012</u>	<u>2011</u>
Operating Revenues:		
Utility Service Charges	\$ 2,503,473.27	\$ 2,529,083.20
Investment and Miscellaneous Income	<u>33,749.18</u>	<u>34,815.17</u>
Total Revenues	<u>2,537,222.45</u>	<u>2,563,898.37</u>
Operating Expenses:		
Administrative	607,489.97	624,597.94
Cost of Providing Services	<u>1,010,933.69</u>	<u>921,184.17</u>
Total Expenses	<u>1,618,423.66</u>	<u>1,545,782.11</u>
Excess of Revenue	918,798.79	1,018,116.26
110% of Current Fiscal Year's Annual Debt Service Requirement	<u>621,500.00</u>	<u>621,500.00</u>
Sufficiency of Revenues	<u>\$ 297,298.79</u>	<u>\$ 396,616.26</u>

In addition to the above rate covenant, the Authority has complied with all other significant financial covenants under the Utility System Revenue Bond Resolution.

In conjunction with the aforementioned Utility System Revenue Bond Resolution, the Authority has entered into a service agreement with the Township. The Township has agreed to advance to the Authority sufficient monies to eliminate any deficiency in the Authority's revenues required for its operation and administrative expenses, including certain debt service requirements, and to meet certain provisions of its coverage requirements. Any monies advanced in accordance with this agreement would be refunded at such time as the Authority deems appropriate.

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

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule below.

As of November 30, 2012 and 2011, the Authority's bank balance of \$5,082,276.63 and \$5,290,825.56 was entirely insured or collateralized as follows:

	<u>2012</u>	<u>2011</u>
Insured	\$ 250,000.00	\$ 250,000.00
Uninsured and Uncollateralized	50,827.20	45,936.64
Collateralized under GUDPA	<u>4,781,449.43</u>	<u>4,994,888.92</u>
	<u>\$ 5,082,276.63</u>	<u>\$ 5,290,825.56</u>

Service Fees

The following is a three-year comparison of sewer user fees and collections:

<u>Year Ended</u> <u>November 30,</u>	<u>Beginning</u> <u>Balance</u>	<u>Billings</u>	<u>Total</u> <u>Collections</u>	<u>Percentage of</u> <u>Collections</u>
2012	\$ 154,545.77	\$ 2,503,473.27	\$ 2,500,319.05	94.07%
2011	131,566.63	2,529,083.20	2,506,104.06	94.19%
2010	134,432.37	2,482,417.17	2,485,282.91	94.97%

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Property, Plant and Equipment**

During the fiscal year ended November 30, 2012, the following changes in Property, Plant and Equipment occurred:

	Balance			Completed	Balance
	<u>Nov. 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Projects</u>	<u>Nov. 30, 2012</u>
Land and Easements	\$ 57,890.00				\$ 57,890.00
Construction in Progress	9,544.66	\$ 349,604.69		\$ (9,544.66)	349,604.69
Utility Plant, Equipment and Other Costs	10,912,901.05	320,170.55	\$ 51,153.00	9,544.66	11,191,463.26
	<hr/>				
Total Utility Plant, Property and Equipment	10,980,335.71	669,775.24	51,153.00	-	11,598,957.95
Less: Accumulated Depreciation	6,905,503.00	268,850.00	48,340.00		7,126,013.00
	<hr/>				
Net Utility Plant, Property and Equipment	\$ 4,074,832.71	\$ 400,925.24	\$ 2,813.00	\$ -	\$ 4,472,944.95
	<hr/>				

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

Authority employees are compensated for accumulated vacation time upon retirement or resignation. Employees may accumulate unused vacation days with restriction on carryover days based on the amount entitled to per year. Upon separation from the Authority, the employee will be paid for all accrued vacation time at their current hourly rate. The total compensated absences liability is recorded as an expense on a pay-as-you-go basis. The accrued liability for accumulated vacation time at November 30, 2012 and 2011 is estimated at \$29,127.97 and \$21,391.80, respectively.

Retirement System

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

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

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Retirement System (Cont'd)**

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

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate will be increased to 6.5% plus an additional 1.0% phased-in over seven years beginning in the first year. The phase-in of the additional incremental member contribution amount will take place in July of each subsequent year. 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, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Authority is billed annually for its normal contribution plus any accrued liability. These contributions, equal to the required contributions for each year, were as follows:

<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Paid by Authority</u>
2012	\$ 20,702.00	\$ 34,760.00	\$ 55,462.00	\$ 55,462.00
2011	22,130.00	29,459.00	51,589.00	51,589.00
2010	20,210.00	19,719.00	39,929.00	39,929.00

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

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 the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Division of Pensions and Benefits by Prudential Financial. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Authority's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period. The Authority's contributions, equal to the required contribution for 2012 were 478.20.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Post-employment Benefits**

Plan Description - The Authority's defined benefit postemployment healthcare plan is affiliated with the Township of Pennsville's Postemployment Benefits Plan (the "TPPB Plan"). The plan provides fully paid Health and Life Insurance benefits to employees retired or those who were hired after March 1, 2000 with at least fifteen (15) years of service and who have reached the age of sixty-two (62). They are entitled to term life insurance, health insurance, and a dental plan under the TPPB Plan's group policies maintained for other Authority employees, with the same or similar limits in coverage provided the retiree continues the same co-pay per month at the time of retirement. Retired employees, or those who were hired after January 1, 2004 with at least twenty-five (25) years of service and who have reached the age of sixty-two (62), shall be entitled to term life insurance, health insurance, and dental plan under the TPPB Plan's group policies maintained for other Authority employees, with the same or similar limits in coverage provided the retiree continues the same co-pay per month at the time of retirement. Upon retirement all employees shall be entitled to all benefits under this contract. In the event an employee is eligible for such benefits through PERS, then those benefits shall be considered primary. When a retiree becomes eligible for Medicare, he/she shall promptly notify the Authority, and at that time the Authority health insurance shall become secondary.

The Authority's Plan is affiliated with the Township of Pennsville's Benefit Plan (TPPB Plan), an agent multiple-employer postemployment benefits plan administered by the Township of Pennsville. The benefit provisions of the plans that participate in TPPB Plan may be established or amended by the respective employer entities; for the TPPB Plan that authority rests with the Board of the Authority. The TPPB Plan does not issue a separate financial report.

Funding Policy - The contribution requirement of the Authority is established by the policy of the Authority and certain employment contracts and may be amended as deemed necessary. The required contribution is based on projected pay-as-you-go financing requirements. For the years 2012, 2011 and 2010, the Authority contributed \$10,178, \$10,013 and \$29,243, respectively to the TPPB Plan for current premiums. Plan members are not required to make any contributions to the plan.

Annual OPEB Cost and Net OPEB Obligation - The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that is paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the TPPB Plan, and changes in the Authority's net OPEB obligation to the TPPB Plan for the current and previous two years:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Normal Cost	\$ 23,800	\$ 23,800	\$ 23,800
Unfunded Actuarial Liability	35,200	35,200	35,200
Interest	1,500	1,500	1,500
Annual Required Contribution (Expense)	60,500	60,500	60,500
Contributions Made	(10,178)	(10,013)	(29,243)
Change in Net OPEB Obligation	50,322	50,487	31,257
Net OPEB Obligation - Beginning of year	138,358	87,871	56,614
Net OPEB Obligation - End of year	<u>\$ 188,680</u>	<u>\$ 138,358</u>	<u>\$ 87,871</u>

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Post-employment Benefits (Cont'd)**

Funded Status and Funding Progress - As of December 31, 2010, the most recent actuarial valuation date, the TPB Plan was 0% funded. The actuarial accrued liability for benefits was \$980,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$980,000. The covered payroll (annual payroll of active employees covered by the plan) was \$178,100, and the ratio of the UAAL to the covered payroll was 550.3%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, compares the assets used for funding purposes to the comparable liabilities to determine how well the TPPB Plan is funded and how this status has changed over the past several years. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The Actuarial Accrued Liability under GASB is determined assuming that the TPPB Plan is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2010, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.0% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.9% initially, reducing by decrements to an ultimate rate of 5.0% after thirteen years. Both rates include a 4.5% salary inflation assumption. The TPPB Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010, was thirty years.

Deferred Revenue

It is Authority policy to record connection fees received as revenue when the user is connected to the system and that account is billed a service fee. Connection fees received that do not fall within the above description are recorded as deferred revenue. For the fiscal years ending November 30, 2012 and 2011, \$5,000.00 and \$2,700.00 were recognized as revenue for users connected to the system while \$5,000.00 and \$2,500.00 were recorded as deferred revenue, respectively.

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

The following is a summary of long-term debt at November 30, 2012:

<u>Issue</u>	<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Principal Balance Outstanding</u>
Sewer Refunding Bonds, Series 1996	11/01/96	11/01/20	4.55% to 5.65%	\$ 6,789,566.00	\$ 1,469,627.15
Less: Current maturities included in current liabilities					<u>(223,180.65)</u>
Balance at November 30, 2012					<u><u>\$ 1,246,446.50</u></u>

Annual Requirements to Retire Debt Obligations*Sewer Refunding Bonds, Series 1996*

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 223,180.65	\$ 341,819.35	\$ 565,000.00
2014	211,293.05	353,706.95	565,000.00
2015	198,202.00	366,798.00	565,000.00
2016	187,551.75	377,448.25	565,000.00
2017	177,472.15	387,527.85	565,000.00
2018-2020	<u>471,927.55</u>	<u>1,223,072.45</u>	<u>1,695,000.00</u>
	<u>\$ 1,469,627.15</u>	<u>\$ 3,050,372.85</u>	<u>\$ 4,520,000.00</u>

Changes in Outstanding Debt

	<u>Balance Nov. 30, 2011</u>	<u>Deletions</u>	<u>Balance Nov. 30, 2012</u>
Sewer Refunding Bonds, Series 1996	<u>\$ 1,707,209.65</u>	<u>\$ 237,582.50</u>	<u>\$ 1,469,627.15</u>
Total	<u>\$ 1,707,209.65</u>	<u>\$ 237,582.50</u>	<u>\$ 1,469,627.15</u>

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

As of November 30, 2012, the Authority had a balance in unrestricted net assets of \$2,316,355.04 of which \$168,791.00 has been appropriated and included as support in the operating budget for the year ending November 30, 2013.

As of November 30, 2011, the Authority had a balance in unrestricted net assets of \$2,276,484.60 of which \$171,128.00 has been appropriated and included as support in the operating budgets for the year ended November 30, 2012.

Restricted Net Assets

The following changes occurred in the Restricted Net Assets during the year ended November 30, 2012:

Balance November 30, 2011		\$ 2,315,655.42
Change in Reserve for:		
Investment Income:		
Renewal and Replacement Fund	\$ 4,073.24	
Construction Fund	1,519.83	
State Unemployment Compensation Fund	7.38	
Other Non-Operating Revenue (Expenses)		
Budget Contributions	304,000.00	
Connection Fees	5,000.00	
Disconnect and Reconnect Fees	310.00	
Employee Unemployment Contributions	879.37	
Renewal and Replacement Expenditures	(665,876.24)	
Operating Requirement	(600.00)	
		<u>(350,686.42)</u>
Balance November 30, 2012		<u>\$ 1,964,969.00</u>

Unrestricted Net Assets

The following changes occurred in the Unrestricted Net Assets during the year ended November 30, 2012:

Balance November 30, 2011	\$ 2,276,484.60
Add:	
Net Income	39,270.44
Deduct:	
Change in Operating Requirement	<u>600.00</u>
Balance November 30, 2012	<u>\$ 2,316,355.04</u>

Note 6: COMMITMENTS AND CONTINGENCIES**Service Agreements**

In conjunction with the Authority's issuance of bonds, a service agreement between the Authority and Township of Pennsville was executed in 1959. Section 403 of the 1959 service contract between the Sewerage Authority and the Township provides that an amount is to be charged to the Township when:

Operating expenses, interest on Bonds, principal or redemption premium on bonds, and deficits of the Authority resulting from failure to receive sums payable to the Authority by the Township, to maintain such reserves or sinking funds to provide for expenses of operation and maintenance of the System or for any interest on or principal on redemption premium of bonds or for any such deficits as may be required by the terms of any contracts of the Authority or agreement with or for the benefit of holders of bonds or be deemed necessary or desirable by the Authority, exceed

- (1) The sum of such parts (if any) of the several amounts of service charges collected, the proceeds of bonds received by or for account of the Authority, the proceeds of insurance received, interest received on investments of funds held for benefit on security of the Authority, contributions received by or for the account of the Authority and not repayable by the Authority, reserves on hand and available therefore at the beginning of such fiscal year.

For the fiscal year 2012, the computation was as follows:

Cash Revenues	\$ 2,529,463.42
Operating Expenses	<u>1,564,834.92</u>
Excess/(Deficit)	<u>\$ 964,628.50</u>

Commitments

The Authority has several outstanding or planned construction projects as of November 30, 2012. These projects are evidenced by contractual commitments with a contractor and include:

<u>Project</u>	<u>Awarded</u>	<u>Paid to Date</u>	<u>Commitment Remaining</u>
Pittsfield St & William Penn Ave Repair	\$ 227,481.00	\$ 180,152.93	\$ 47,328.07
Relining of Sanitary Sewer System	<u>96,700.00</u>	<u> </u>	<u>96,700.00</u>
Total Contracts Payable	<u>\$ 324,181.00</u>	<u>\$ 180,152.93</u>	<u>\$ 144,028.07</u>

Litigation

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

Note 7: DEFERRED COMPENSATION SALARY ACCOUNT

The Authority offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457 which has to be approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Authority or its creditors. Since the Authority does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Authority's financial statements.

Note 8: RISK MANAGEMENT

The Authority is a member of the New Jersey Utilities Authority Joint Insurance Fund ("NJUA") and the Municipal Excess Liability Joint Fund (the "MEL").

The following coverage is provided by the NJUA and the MEL:

- Public Officials Bonds in excess of amounts statutorily required
- Public Employees Dishonesty Bonds
- Automobile Liability
- Workers' Compensation
- Employers' Liability
- Commercial Property
- General Liability
- Public Officials Liability
- Employment Practices Liability
- Environmental Liability

Contributions to the Fund, including a reserve for contingencies are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Authority's agreement with the pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of \$500,000 for each insured event.

The Fund publishes its own financial report for the year ended December 31, 2012, which can be obtained from:

New Jersey Utilities Authority Joint Insurance Fund
Park 80 West, Plaza One
Saddle Brook, New Jersey 07663

Municipal Excess Liability Joint Insurance Fund
Park 80 West, Plaza One
Saddle Brook, New Jersey 07663

Note 8: RISK MANAGEMENT (CONT'D)**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. The Authority is billed quarterly for amounts due to the State.

Fiscal Year	Investment Income	Authority Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2011-2012	\$ 7.38	\$ 4,000.00	\$ 879.37	\$ -	\$ 40,796.57
2010-2011	24.06	4,000.00	866.40	-	35,909.82
2009-2010	36.54	4,000.00	811.14	-	31,019.36

Self-Insurance Health Benefits Plan

The Authority is in a self-insured plan for the reimbursement to employees for approved medical and prescription claims. The claims are on the incurred method basis. The program is administered by a private third-party agency. Terms of the plan require the Authority to pay an accumulated amount not to exceed \$40,000.00 of claims for each employee in any given year. Amounts in excess of \$40,000.00 are covered by a commercial insurance policy.

Note 9: INTERFUNDS RECEIVABLE AND PAYABLE

Covenants of the Bond Resolution require certain accounts upon cascading of the funds to contain specific amounts. Therefore, the Interfunds on November 30, 2012 as presented below should be reviewed by the trustee and are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Revenue Fund:		
Due From Construction Fund	\$ 427,071.68	
Due From Renewal and Replacement Fund	235,362.19	
Due From Bond Service Fund	334,861.03	
Due From Bond Reserve Fund	40,745.98	
Renewal and Replacement Fund:		
Due To Revenue Fund		\$ 235,362.19
Due To Construction Fund		64,784.00
Bond Reserve Fund:		
Due To Revenue Fund		40,745.98
Bond Service Fund:		
Due To Revenue Fund		334,861.03
Construction Fund:		
Due From Renewal and Replacement Fund	64,784.00	
Due To Revenue Fund		427,071.68
	<u>\$ 1,102,824.88</u>	<u>\$ 1,102,824.88</u>
Total		

Note 10: RESTATEMENT OF NET ASSETS

The Authority has made a restatement in order to properly record Compensated Absences. This adjustment resulted in a net decrease to net assets and a net increase to long-term liabilities at November 30, 2011 of \$21,391.80.

REQUIRED SUPPLEMENTARY INFORMATION

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
 Required Supplementary Information
 Schedule of Funding Progress for the OPEB Plan

Actuarial Valuation Date <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability - (AAL) Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b - a)</u>	Funded Ratio <u>(a</u> <u>/ b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b - a) / c)</u>
12/31/2010	\$ 0	\$ 980,000	\$ 980,000	0%	\$ 178,100	550.3%
12/31/2008	\$ 0	\$ 906,100	\$ 906,100	0%	\$ 210,607	430.2%

SCHEDULE RSI-2

Required Supplementary Information
 Schedule of Employer Contributions

<u>Fiscal Year Ended December 31,</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>
2012	\$ 60,500.00	16.8%
2011	60,500.00	16.6%
2010	60,500.00	48.3%
2009	58,800.00	51.4%
2008	58,800.00	52.4%

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY

Note to Required Supplementary Information
For the Year Ended November 30, 2012

Other Postemployment Benefits

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 2010
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	5.0%
Rate of Salary Increases	4.5% (plus merit scale)
Ultimate Rate of Medical Inflation	5.0%
Years to Ultimate Rate	13 years

For determining the GASB ARC, the rate of employer contributions to the TPPB Plan is composed of the Normal Cost plus amortization of the Unfunded Actuarial Liability. The Normal Cost is a portion of the actuarial present value of plan benefits and expenses which is allocated to a valuation year by the actuarial cost method. The Actuarial Liability is that portion of the Present Value of Projected Benefits that will not be paid by Future Employer Normal Costs or active employee contributions. The difference between this liability and the funds accumulated as of the same date is the Unfunded Actuarial Liability.

SUPPLEMENTARY SCHEDULES

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Combining Schedule of Revenue, Expenses and Changes in Net Assets
For the Fiscal Year Ended November 30, 2012

	Restricted Funds							Total
	Revenue and Operating	Renewal and Replacement	Bond Reserve	Bond Service	Construction Fund	Unemployment Compensation	Utility Plant, Property and Equipment	
Operating Revenues:								
Sewer Fees and Penalties	\$ 2,503,473.27							\$ 2,503,473.27
Other Revenue	22,430.93							22,430.93
	2,525,904.20	-	-	-	-	-	-	2,525,904.20
Operating Expenses:								
Administration	650,501.49							650,501.49
Cost of Providing Services	992,852.37						\$ (3,899.00)	988,953.37
Depreciation							268,850.00	268,850.00
	1,643,353.86	-	-	-	-	-	264,951.00	1,908,304.86
Operating Income (Loss)	882,550.34	-	-	-	-	-	(264,951.00)	617,599.34
Non-operating Revenue (Expenses):								
Investment Income	11,318.25	\$ 4,073.24			\$ 1,519.83	\$ 7.38		16,918.70
Interest Expense	(327,417.50)							(327,417.50)
Employee Contributions						879.37		879.37
Connection Fees					5,000.00			5,000.00
Renewal and Replacement Fund Expenditures		(665,876.24)					665,876.24	
Miscellaneous					310.00		(2,813.00)	(2,503.00)
Net Income (Loss) Before Transfers	566,451.09	(661,803.00)	-	-	6,829.83	886.75	398,112.24	310,476.91
Transfers and Adjustments:								
Budget Contribution	(304,000.00)	300,000.00				4,000.00		
Between Funds - Net	(223,180.65)						223,180.65	
Increase (Decrease) in Net Assets	39,270.44	(361,803.00)	-	-	6,829.83	4,886.75	621,292.89	310,476.91
Net Assets (Deficit) December 1, 2011	2,721,784.60	991,571.67	\$ 565,000.00	\$ 47,100.00	230,773.93	35,909.82	2,605,205.56	7,197,345.58
Net Assets (Deficit) November 30, 2012								
Invested in Capital Assets, Net of Related Debt							\$ 3,226,498.45	\$ 3,226,498.45
Restricted	\$ 444,700.00	\$ 629,768.67	\$ 565,000.00	\$ 47,100.00	\$ 237,603.76	\$ 40,796.57		1,964,969.00
Unrestricted	2,316,355.04							2,316,355.04

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
 Schedule of Cash Receipts and Disbursements
 For the Fiscal Year Ended November 30, 2012

	Revenue and <u>Operating</u>	Restricted					Unemployment <u>Compensation</u>	Developers <u>Escrow</u>	<u>Total</u>
		<u>Renewal and Replacement</u>	<u>Bond Reserve</u>	<u>Bond Service</u>	<u>Construction Fund</u>				
Cash And Cash Equivalents:									
Balance December 1, 2011	\$ 2,074,266.57	\$ 1,292,096.83	\$ 603,195.72	\$ 602,593.99	\$ 595,561.61	\$ 37,450.53	\$ 8,486.11	\$ 5,213,651.36	
Receipts:									
Investment Income	6,220.30	4,073.24	2,550.26	2,547.69	1,519.83	7.38	3.81	16,922.51	
Investment Income on Benefit Claims	59.26							59.26	
Sewer Fees and Penalties	2,496,777.11							2,496,777.11	
Sewer Rent Overpayments	4,005.82							4,005.82	
Other Operating Revenue	22,430.93							22,430.93	
Connection Fees					7,500.00			7,500.00	
Budget Reimbursements	11,010.55							11,010.55	
Miscellaneous					310.00	879.37		1,189.37	
Transfers		300,000.00				4,000.00		304,000.00	
Total Cash and Cash Equivalents Available	4,614,770.54	1,596,170.07	605,745.98	605,141.68	604,891.44	42,337.28	8,489.92	8,077,546.91	
Disbursements:									
Operating Expenses	1,508,058.80							1,508,058.80	
Accounts Payable	67,786.67	378.97						68,165.64	
Bond Principal	237,582.50							237,582.50	
Interest on Debt - Sewer Revenue Bonds	327,417.50							327,417.50	
Renewal and Replacement Expenses		600,205.03						600,205.03	
Overpayments Refunded	97.69							97.69	
Transfers	304,000.00							304,000.00	
Total Disbursements	2,444,943.16	600,584.00	-	-	-	-	-	3,045,527.16	
Cash And Cash Equivalents:									
Balance November 30, 2012	\$ 2,169,827.38	\$ 995,586.07	\$ 605,745.98	\$ 605,141.68	\$ 604,891.44	\$ 42,337.28	\$ 8,489.92	\$ 5,032,019.75	

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
 Schedule of Revenues, Operating Appropriations, Principal Payments and
 Non-Operating Appropriations Compared to Budget--Budgetary Basis
 For the Fiscal Year Ended November 30, 2012

	Adopted Budget	Amendments/ Transfers	Amended Budget	2011-2012 Actual	Variance Favorable (Unfavorable)
Operating Revenues:					
Service Charges	\$ 2,435,000.00		\$ 2,435,000.00	\$ 2,503,473.27	\$ 68,473.27
Other Revenues	10,000.00		10,000.00	22,430.93	12,430.93
Interest Income	30,000.00		30,000.00	11,318.25	(18,681.75)
	<u>2,475,000.00</u>	-	<u>2,475,000.00</u>	<u>2,537,222.45</u>	<u>62,222.45</u>
Operating Appropriations:					
Administrative:					
Salaries and Wages:					
Board Members' Salaries	14,173.00		14,173.00	13,529.88	643.12
Office Salaries	283,003.00		283,003.00	270,789.42	12,213.58
Fringe Benefits:					
Social Security	22,734.00		22,734.00	17,963.02	4,770.98
Health Insurance	150,000.00		150,000.00	126,279.11	23,720.89
Dental Insurance	9,520.00		9,520.00	5,401.92	4,118.08
Group Life Insurance	2,300.00		2,300.00	1,378.86	921.14
Unemployment Insurance	2,000.00		2,000.00	2,000.00	-
PERS - Pension	27,750.00		27,750.00	27,712.00	38.00
Miscellaneous	3,000.00		3,000.00	2,492.77	507.23
Other Expenses:					
Legal Fees	35,300.00		35,300.00	25,270.08	10,029.92
Audit Fees / Financial Services	28,000.00		28,000.00	23,245.00	4,755.00
Engineer Fees	20,000.00		20,000.00	-	20,000.00
Telephone/Pager	12,000.00		12,000.00	7,284.60	4,715.40
Billing Expenses	7,000.00		7,000.00	6,810.00	190.00
Computer Software Service	11,800.00		11,800.00	6,609.49	5,190.51
Computer Repairs	6,000.00		6,000.00	-	6,000.00
Office Supplies	14,000.00		14,000.00	5,707.06	8,292.94
Office Repairs - Billing Office	7,000.00		7,000.00	-	7,000.00
Petty Cash	1,200.00		1,200.00	486.15	713.85
Seminars and Conferences	2,500.00		2,500.00	438.00	2,062.00
Trustee Fees	15,000.00		15,000.00	4,475.10	10,524.90
Authority Insurance - Casualty	53,000.00		53,000.00	43,727.03	9,272.97
Interlocal Agreement - Finance Services	8,000.00		8,000.00	8,000.00	-
Miscellaneous	7,000.00		7,000.00	2,580.00	4,420.00
Total Administrative	<u>742,280.00</u>	-	<u>742,280.00</u>	<u>602,179.49</u>	<u>140,100.51</u>
Cost of Service:					
Salaries and Wages	271,526.00		271,526.00	280,709.77	(9,183.77)
Fringe Benefits:					
Social Security	20,772.00		20,772.00	24,360.11	(3,588.11)
Health Insurance	85,000.00		85,000.00	73,704.20	11,295.80
Unemployment Insurance	2,000.00		2,000.00	2,000.00	-
PERS - Pension	27,750.00		27,750.00	27,750.00	-
Miscellaneous			-	6,809.26	(6,809.26)
Other Expenses:					
Sodium Hypochlorite	17,000.00		17,000.00	17,196.97	(196.97)
Duke's Root	10,000.00		10,000.00	7,018.26	2,981.74
Odor Control	10,000.00		10,000.00	3,313.17	6,686.83
Grease & Grit Removal	7,000.00	\$ 4,000.00	11,000.00	7,250.40	3,749.60
Gasoline	14,000.00		14,000.00	11,658.69	2,341.31
Diesel Fuel	1,500.00		1,500.00	2,120.40	(620.40)
Natural Gas	12,000.00		12,000.00	6,697.42	5,302.58
Engineering Fees	15,000.00		15,000.00	21,064.60	(6,064.60)
Electric	175,000.00	(4,000.00)	171,000.00	134,606.08	36,393.92
Commercial Lab/Sludge	38,000.00		38,000.00	30,509.50	7,490.50
Communications	4,000.00		4,000.00	4,060.09	(60.09)
VFD Contract	21,000.00		21,000.00	13,550.10	7,449.90
Mechanical Equipment Contract	50,000.00		50,000.00	33,143.13	16,856.87
Transportation Maintenance	4,000.00		4,000.00	5,826.80	(1,826.80)
General Equipment - Maintenance	5,000.00		5,000.00	15,515.65	(10,515.65)

(Continued)

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
 Schedule of Revenues, Operating Appropriations, Principal Payments and
 Non-Operating Appropriations Compared to Budget--Budgetary Basis
 For the Fiscal Year Ended November 30, 2012

	Adopted Budget	Amendments/ Transfers	Amended Budget	2011-2012 Actual	Variance Favorable (Unfavorable)
Cost of Service (Cont'd):					
Pump Maintenance	\$ 5,000.00		\$ 5,000.00	\$ 6,270.33	\$ (1,270.33)
Maintenance (Paint, Tools, Etc.)	5,000.00		5,000.00	662.01	4,337.99
Collection System Supplies	14,000.00		14,000.00	23,829.32	(9,829.32)
Pumping Station Supplies	5,000.00		5,000.00	6,701.05	(1,701.05)
Plant Supplies	15,000.00		15,000.00	20,855.77	(5,855.77)
Plant Operating Permit	18,000.00		18,000.00	27,284.91	(9,284.91)
Plant Miscellaneous	1,500.00		1,500.00	893.62	606.38
Water	1,000.00		1,000.00	1,368.16	(368.16)
Sludge Disposal Liquid	160,000.00		160,000.00	163,190.00	(3,190.00)
Generator Maintenance	4,000.00		4,000.00	-	4,000.00
Safety Equipment	6,000.00		6,000.00	8,743.10	(2,743.10)
Plant Other	4,000.00		4,000.00	37.50	3,962.50
Uniforms	4,000.00		4,000.00	328.00	3,672.00
Lawn Maintenance	5,800.00		5,800.00	5,824.00	(24.00)
Total Cost of Service	1,038,848.00	-	1,038,848.00	994,852.37	43,995.63
Total Operating Appropriations	1,781,128.00	-	1,781,128.00	1,597,031.86	184,096.14
Principal Payments on Debt Service in Lieu of Depreciation	237,583.00		237,583.00	237,582.50	0.50
Non-Operating Appropriations:					
Interest on Debt	327,418.00		327,418.00	327,417.50	0.50
Renewal & Replacement Reserves	300,000.00		300,000.00	300,000.00	-
Total Non-Operating Appropriations	627,418.00	-	627,418.00	627,417.50	0.50
Total Operating, Principal Payments and and Non-Operating Appropriations	2,646,129.00	-	2,646,129.00	2,462,031.86	184,097.14
Excess of Revenues Over Expenditures	\$ (171,129.00)	-	\$ (171,129.00)	\$ 75,190.59	\$ 246,319.59
Reconciliation to Operating Income					
Excess Anticipated Revenues Over Expenses and Other Costs				\$ 75,190.59	
Add:					
Unemployment Insurance			\$ 4,000.00		
Capitalized Budget Expenses			3,899.00		
Renewal & Replacement Reserve			300,000.00		
Bond Principal			237,582.50		
Interest on Debt			327,417.50		
				<u>872,899.00</u>	
					948,089.59
Less:					
Interest Income			11,318.25		
Change in OPEB Liability			50,322.00		
Depreciation			268,850.00		
				<u>330,490.25</u>	
Operating Income (Exhibit B)				<u><u>\$ 617,599.34</u></u>	

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
 Schedule of Consumer Accounts Receivable
 For the Fiscal Year Ended November 30, 2012

Balance November 30, 2011		\$ 154,545.77
Add:		
Sewer Rental Charges Net of Adjustments		2,503,473.27
		2,658,019.04
Less:		
Collections	\$ 2,496,777.11	
Overpayments Applied	3,541.94	
		2,500,319.05
Balance November 30, 2012		\$ 157,699.99
<u>Summary</u>		
Balance November 30, 2012		\$ 157,699.99
Less Allowance for Doubtful Accounts		6,163.58
Net Accounts Receivable (Exhibit A)		\$ 151,536.41

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
 Analysis of Property, Plant and Equipment
 For the Fiscal Year Ended November 30, 2012

	Balance Nov. 30, 2011	Additions	Deletions	Completed Projects	Balance Nov. 30, 2012
Land	\$ 57,890.00				\$ 57,890.00
Construction in Progress	9,544.66	\$ 349,604.69		\$ (9,544.66)	349,604.69
Utility Plant and Other Infrastructure	10,912,901.05	320,170.55	\$ 51,153.00	9,544.66	11,191,463.26
	10,980,335.71	669,775.24	51,153.00	-	11,598,957.95
Less: Accumulated Depreciation	6,905,503.00	268,850.00	48,340.00		7,126,013.00
	<u>\$ 4,074,832.71</u>	<u>\$ 400,925.24</u>	<u>\$ 2,813.00</u>	<u>\$ -</u>	<u>\$ 4,472,944.95</u>

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
 Schedule of Sewer Rent Overpayments
 For the Fiscal Year Ended November 30, 2012

Balance December 1, 2011		\$ 3,541.94
Add:		
Receipts		4,005.82
		7,547.76
Less:		
Realized as Revenue	\$ 3,541.94	
Refunded	97.69	
		3,639.63
Balance November 30, 2012		\$ 3,908.13

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
 Schedule of Revenue Bonds Payable
 For the Fiscal Year Ended November 30, 2012

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance Nov. 30, 2011</u>	<u>Paid</u>	<u>Balance Nov. 30, 2012</u>
			<u>Date</u>	<u>Amount</u>				
Refunding Sewer Revenue Bonds, Series 1996	11-1-96	\$ 6,789,566.00	11/01/13	\$ 223,180.65	5.55%			
			11/01/14	211,293.05	5.55%			
			11/01/15	198,202.00	5.60%			
			11/01/16	187,551.75	5.60%			
			11/01/17	177,472.15	5.60%			
			11/01/18	166,149.55	5.65%			
			11/01/19	157,149.10	5.65%			
			11/01/20	148,628.90	5.65%			
				<u>\$ 1,469,627.15</u>		<u>\$ 1,707,209.65</u>	<u>\$ 237,582.50</u>	<u>\$ 1,469,627.15</u>
						<u>\$ 1,707,209.65</u>	<u>\$ 237,582.50</u>	<u>\$ 1,469,627.15</u>

THE PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
PART II
FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2012

**PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Schedule of Findings and Recommendations
For the Fiscal Year Ended November 30, 2012**

Schedule of Financial Statement Findings

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

None

PENNSVILLE TOWNSHIP SEWERAGE AUTHORITY
Summary Schedule of Prior Year Audit Findings
as Prepared by Management

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

None

APPRECIATION

I express my appreciation for the assistance and courtesies rendered by the Authority officials during the course of the audit.

Respectfully submitted,

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

A handwritten signature in black ink, appearing to read 'D. Rollison', written over a horizontal line.

David C. Rollison
Certified Public Accountant
Registered Municipal Accountant

