

Annual Financial Report

of the

**Delaware Township Municipal
Utilities Authority**

for the

Years Ended January 31, 2014 and 2013

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

I N D E X

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FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Board of Authority Officials
Delaware Township Municipal Utilities Authority
Sergeantsville, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the Delaware Township Municipal Utilities Authority, as of and for the year ended January 31, 2014, 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.

SUPLEE, CLOONEY & COMPANY

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 an 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 Delaware Township Municipal Utilities Authority, as of January 31, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Delaware Township Municipal Sewerage Authority as of January 31, 2013 were audited by other auditors whose report dated June 5, 2013, expressed an unmodified opinion on those financial statements.

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.

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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Delaware Township Municipal Utilities Authority's basic financial statements. The supplemental data schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental data schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial statements and other schedules are 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 July 9, 2014 on our consideration of the Delaware Township Municipal Utilities 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 Delaware Township Municipal Utilities Authority's internal control over financial reporting and compliance.

July 9, 2014

A handwritten signature in black ink that reads "Suplee, Clooney & Company". The signature is written in a cursive, flowing style.



SUPLEE, CLOONEY & COMPANY

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

The Board of Authority Officials
Delaware Township Municipal Utilities Authority
Sergeantsville, New Jersey

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 Delaware Township Municipal Utilities Authority as of and for the years ended January 31, 2014, and the related notes to the financial statements, which collectively comprise Delaware Township Municipal Utilities Authority's financial statements, and have issued our report thereon dated July 9, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Delaware Township Municipal Utilities 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 Delaware Township Municipal Utilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Delaware Township Municipal Utilities 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.

SUPLEE, CLOONEY & COMPANY

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 in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

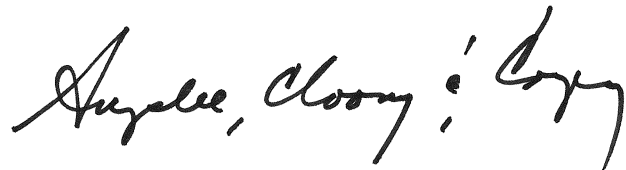
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Delaware Township Municipal Utilities Authority's financial statements are free from 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*.

Purpose of This Report

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.

July 9, 2014

A handwritten signature in black ink that reads "Suzanne Clooney". The signature is written in a cursive, flowing style.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)
(UNAUDITED)

In this section of the annual report, management of the Delaware Township Municipal Utilities Authority (the “Authority”) presents a narrative discussion and analysis of the Authority’s financial activities for the years ended January 31, 2014 and 2013. This section of the report should be read in conjunction with the Authority’s audited financial statements and supplementary information for the years ended January 31, 2014 and 2013. The Authority’s audited financial statements are presented in conformity with generally accepted accounting principles.

Audit Assurance

The unmodified opinion of our independent auditors, Suplee, Clooney & Company, is included in this report.

Financial Highlights

Discussion of Condensed Statement of Net Position

Unrestricted assets at January 31, 2014 and 2013, consists of Cash and Cash Equivalents, Accounts Receivable and Other Assets totaling \$686 thousand and \$648 thousand, respectively.

Fixed assets increased \$46 thousand as a result of additions of \$75 thousand and depreciation of \$29 thousand.

Total liabilities payable from unrestricted assets at January 31, 2014 and 2013, consists principally of accounts payable, accrued sick pay and deferred rental income.

Discussion of Condensed Statement of Revenue, Expenses, and Changes in Net Position

Operating revenues increased by \$9 thousand or 2.4%. User Charges represents 70% of the operating revenues in 2014 and 2013.

Total operating expenses for the year ended January 31, 2014 increased by \$10.5 thousand or 4% from the year ended January 31, 2013.

For the year ended January 31, 2014, Operating Income amounted to \$83 thousand compared to Operating Income of \$86 thousand for the year ended January 31, 2013.

In regard to the capital project fund, \$42 thousand was budgeted and paid into this fund for the year ended January 31, 2014 and \$20 thousand for the year ended January 31, 2013 for future capital projects.

The user fee for sewer and water remained at \$814 and \$501, respectively for the years ended January 31, 2014 and 2013.

MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”) **(UNAUDITED)**

Discussion of Cash Flows

Net cash provided by operating activities amounted to \$72 thousand, and \$117 thousand in the years ended January 31, 2014 and 2013, respectively. The \$45 thousand decrease in net cash provided by operating activities in the year 2014 was attributable to an increase in operating revenues and an increase in operating expenses.

For the year ended January 31, 2014, net cash used by financing activities amounted to \$55.6 thousand largely due to the purchase of fixed assets.

Net cash used in investing activities amounted to \$24.7 thousand primarily for the purchase of investments.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information. The MD&A represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's budget, and bond resolutions and other management tools were used for this analysis.

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a Statement of Net Position; a Statement of Revenues, Expenses, and Changes to Net Position; a Statement of Cash Flows; and notes to the financial statements.

The Statement of Net Position presents the financial position of the Authority on a full accrual historical cost basis. This statement presents information on all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position is one indicator of whether the financial position of the Authority is improving or deteriorating.

While the Statement of Net Position provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenses and Changes to Net Position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Financial Analysis

The following comparative condensed financial statements and other selected information serve as key financial data and indicators for management, monitoring and planning:

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")
(UNAUDITED)

Condensed Financial Statements

Condensed Statement of Net Position

	January 31,		Variance	
	<u>2014</u>	<u>2013</u>	<u>\$</u>	<u>%</u>
<u>Assets</u>				
Unrestricted Assets:				
Cash and Cash Equivalents - Operating	\$ 47,492	\$ 56,082	\$ (8,590)	-15.3%
Cash and Cash Equivalents - Unemployment Trust	2,169	1,877	292	15.6%
Cash and Cash Equivalents - Investments	567,148	539,939	27,209	5.0%
Sewer Fees Receivable	69,307	50,376	18,931	37.6%
Total Unrestricted Assets	\$ 686,116	\$ 648,274	\$ 37,842	5.8%
Property Plant and Equipment, at Cost	\$ 1,242,168	\$ 1,166,933	\$ 75,235	6.4%
Accumulated Depreciation	(734,728)	(705,187)	(29,541)	4.2%
Total Assets	\$ 1,193,556	\$ 1,110,020	\$ 83,536	7.5%
<u>Liabilities</u>				
Liabilities Payable from Unrestricted Assets:				
Accounts Payable	\$ 29,683	\$ 39,369	\$ (9,686)	-24.6%
Payroll Taxes Payable	944	767	177	23.1%
Accrued Salaries Payable	9,286	8,599	687	8.0%
Deferred Rental Income	16,548	16,066	482	3.0%
Total Liabilities Payable from Unrestricted Assets	\$ 56,461	\$ 64,801	\$ (8,340)	-12.9%
<u>Net Position</u>				
Invested in Capital Assets	\$ 507,440	\$ 461,746	\$ 45,694	9.9%
Unrestricted - Capital Projects	174,205	207,440	(33,235)	-16.0%
Unrestricted - Operating	455,449	376,033	79,416	21.1%
Total Net Position	\$ 1,137,094	\$ 1,045,219	\$ 91,875	8.8%
Total Liabilities and Net Position	\$ 1,193,556	\$ 1,110,020	\$ 83,536	7.5%

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")
(UNAUDITED)

Condensed Statement of Revenue, Expenses, and Changes in Net Position

	January 31,		Variance	
	<u>2014</u>	<u>2013</u>	<u>\$</u>	<u>%</u>
Operating Revenues	\$ 387,428	\$ 378,448	\$ 8,980	2.4%
Operating Expenses:				
Administrative and General	93,322	72,107	21,215	29.4%
Costs of Providing Services	181,455	192,173	(10,718)	-5.6%
Depreciation	<u>29,541</u>	<u>29,541</u>		0.0%
Total Operating Expenses	\$ <u>304,318</u>	\$ <u>293,821</u>	\$ <u>10,497</u>	<u>3.6%</u>
Operating Income (Loss)	\$ 83,110	\$ 84,627	\$ (1,517)	-1.8%
Non-Operating Revenues (Expenses)	<u>8,765</u>	<u>2,235</u>	<u>6,530</u>	<u>292.2%</u>
Net Income (Loss)	\$ 91,875	\$ 86,862	\$ 5,013	5.8%
Net Position, Beginning of Year	<u>1,045,219</u>	<u>958,357</u>	<u>86,862</u>	<u>9.1%</u>
Net Position, End of Year	\$ <u><u>1,137,094</u></u>	\$ <u><u>1,045,219</u></u>	\$ <u><u>91,875</u></u>	<u><u>8.8%</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")
(UNAUDITED)

AUTHORITY OVERVIEW

General

The Delaware Township Municipal Utilities Authority (the "Authority") was created on April 26, 1965 to construct and operate a wastewater treatment system and a water system to serve parts of Delaware Township, New Jersey. The Authority bills and collects its revenue from users of the system. As a public body, under existing statute, the Authority is exempt from both Federal and State Income Tax.

The powers of the Authority are exercised by a Board of five members and two alternates who are appointed to five-year terms by the Township of Delaware.

The Authority had 3 employees as of January 31, 2014.

Contacting the Authority's Management

Any questions about the Authority's report or if additional information is needed, please contact the Delaware Municipal Utilities Authority, 570 Rosemont-Ringoes Road, PO Box 103, Sergeantsville, New Jersey 08557.

BASIC FINANCIAL STATEMENTS

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF NET POSITION
JANUARY 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Unrestricted Assets:		
Cash and Cash Equivalents - Operating	\$ 47,492	\$ 56,082
Cash and Cash Equivalents - Unemployment Trust	2,169	1,877
Cash and Cash Equivalents - Investments	567,148	539,939
Sewer Fees Receivable	<u>69,307</u>	<u>50,376</u>
<u>Total Unrestricted Assets</u>	<u>\$ 686,115</u>	<u>\$ 648,274</u>
Property, Plant and Equipment, at Cost	\$ 1,242,168	\$ 1,166,933
Less: Accumulated Depreciation	<u>734,728</u>	<u>705,187</u>
<u>Net Property, Plant and Equipment</u>	<u>\$ 507,440</u>	<u>\$ 461,746</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,193,555</u>	<u>\$ 1,110,020</u>

See accompanying notes to financial statements.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF NET POSITION
JANUARY 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>LIABILITIES AND NET POSITION</u>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	\$ 29,683	\$ 39,369
Payroll Taxes Payable	944	767
Accrued Salaries Payable	9,286	8,599
Deferred Rental Income	<u>16,548</u>	<u>16,066</u>
Total Current Liabilities Payable from Unrestricted Assets	\$ <u>56,461</u>	\$ <u>64,801</u>
Net Position:		
Invested in Capital Assets	\$ 507,440	\$ 461,746
Unrestricted - Capital Projects	174,205	207,440
Unrestricted - Operating	<u>455,449</u>	<u>376,033</u>
	<u>1,137,094</u>	<u>1,045,219</u>
<u>TOTAL NET POSITION</u>	\$ <u><u>1,193,555</u></u>	\$ <u><u>1,110,020</u></u>

See accompanying notes to financial statements.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JANUARY 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues:		
User Charges	\$ 273,512	\$ 269,074
Rent - Cell Tower	112,690	108,254
Interest on User's Accounts Receivable	857	746
Miscellaneous Income	370	374
	<hr/>	<hr/>
<u>Total Operating Revenues</u>	\$ 387,428	\$ 378,448
	<hr/>	<hr/>
Operating Expenses:		
Administrative and General	\$ 93,322	\$ 72,107
Costs of Providing Services	181,455	192,173
Depreciation	29,541	29,541
	<hr/>	<hr/>
<u>Total Operating Expenses</u>	\$ 304,318	\$ 293,821
	<hr/>	<hr/>
<u>Operating Income</u>	\$ 83,110	\$ 84,627
	<hr/>	<hr/>
Non-Operating Revenues (Expenses):		
Interest Income	2,504	2,235
Other	6,261	
	<hr/>	<hr/>
<u>Net Income</u>	\$ 91,875	\$ 86,862
	<hr/>	<hr/>
Net Position, Beginning of Year	1,045,219	958,357
	<hr/>	<hr/>
Net Position, End of Year	\$ 1,137,094	\$ 1,045,219
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See accompanying notes to financial statements.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Receipts for User Charges	\$ 254,581	\$ 268,586
Receipts for Cell Tower Rent	113,172	108,254
Receipts - Other	1,227	
Payments to Suppliers	(255,174)	(225,657)
Payments to Employees	(41,764)	(33,935)
Net Cash Provided by Operating Activities	\$ <u>72,042</u>	\$ <u>117,248</u>
Cash Flows from Financing Activities:		
Purchase of Fixed Assets	(55,635)	(47,948)
Net Cash Provided (Used in) by Financing Activities	\$ <u>(55,635)</u>	\$ <u>(47,948)</u>
Cash Flows from Investing Activities:		
Purchase of Investments	\$ (27,209)	\$ (50,000)
Interest Income	2,504	2,235
Net Cash Provided (Used in) by Investing Activities	\$ <u>(24,705)</u>	\$ <u>(47,765)</u>
Increase/(Decrease) in Cash and Cash Equivalents	\$ (8,298)	\$ 21,535
Cash and Cash Equivalents, Beginning of Year	<u>57,959</u>	<u>36,424</u>
Cash and Cash Equivalents, End of Year	\$ <u><u>49,661</u></u>	\$ <u><u>57,959</u></u>
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ 83,110	\$ 84,627
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	29,541	29,541
Investment Income		(2,235)
(Increase)/Decrease in Sewer Fees Receivable	(18,931)	(2,961)
Increase/(Decrease) in Accounts Payable	(23,024)	6,646
Increase/(Decrease) in Payroll Taxes Payable	177	164
Increase/(Decrease) in Accrued Salaries Payable	687	(128)
Increase/(Decrease) in Deferred Revenue	482	1,353
(Increase)/Decrease in Restricted Liabilities		241
Net Cash Provided by Operating Activities	\$ <u><u>72,042</u></u>	\$ <u><u>117,248</u></u>

See accompanying notes to financial statements.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2014 AND 2013

(1) ORGANIZATION

The Delaware Township Municipal Utilities Authority (the "Authority") was created on April 26, 1965 to construct and operate a wastewater treatment system and a water system to serve parts of Delaware Township, New Jersey. The Authority bills and collects its revenue from users of the system. As a public body, under existing statute, the Authority is exempt from both Federal and State Income Tax.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (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. The most significant of the GASB's accounting policies are described below.

Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis and in accordance with generally accepted accounting principles applicable to enterprise funds of state and local governments. An Enterprise Fund is used to account for operations: (i) that are financed primarily through user charges, or (ii) where the governing body has decided that determination of net income is appropriate.

The accounting and financial reporting applied by the Authority is determined by its measurement focus. The financial statements are reported using the economic measurement focus and the accrual basis of accounting. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included in the Statements of Net Position. Net Position (totals assets and deferred outflows net of total liabilities and deferred inflows) are segregated into invested in capital assets, restricted and unrestricted components.

Revenue Recognition

The Authority generates the vast majority of its revenues through user fees that are charged to residents who use the services provided by the Authority. User fees are billed on a quarterly basis, and are recorded on an accrual basis as earned.

Additionally, the Authority leases a small piece of land for a tower to be used for wireless communication equipment. Such revenue is recorded as earned, as per the terms set forth in the related lease agreements. Some of this lease income is received in advance, and as such, results in deferred revenue being recognized.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2014 AND 2013

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Historically, the Authority has had very few delinquent accounts. Management does not deem it necessary to record an allowance against its receivables, as it has a tax lien placed against any delinquent accounts. Additionally, the Authority's customer base is fairly vast and individual delinquent account balances are normally insignificant. Payments are applied to open invoices in date order with the remainder applied to delinquent interest.

Reporting Entity

The Authority's financial statements include the operations of the wastewater treatment system and water system for which the Board Members of the Authority exercise financial accountability. The Board members are appointed to five-year terms by the Township of Delaware. There are no additional entities required to be included in the reporting entity and the Authority is not included in any other reporting entity.

Net Position

Equity is classified as net position and displayed in three components:

- 1) Invested in Capital Assets - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted - when constraints placed on net position are either a) externally imposed by creditors (such as the bond resolution), grantors, or laws or regulations of other governments or b) imposed by law.
- 3) Unrestricted - any other net position that does not meet the definition of "restricted" or "invested in capital assets."

Cash and Cash Equivalents

For the purposes of the statement of cash flow, the Authority considers cash in banks, deposits and short-term investments with maturities of less than three months at the time of purchase to be cash and cash equivalents. All CD's with financial institutions are considered investments.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2014 AND 2013

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are stated at fair value.

Property, Plant and Equipment

Property, plant and equipment is stated at cost which includes direct construction costs and other expenditures related to construction.

Depreciation is determined on a straight-line basis, for all plant and equipment. Depreciation is provided for over the following estimated useful lives:

Sewer Plant and Mains	40 years
Well	30 years
Other Equipment and Improvements	10-40 years

Details of property, plant and equipment as of January 31, 2014 are as follows:

	<u>2014</u>	<u>2013</u>
Sewer Plant and Mains	\$ 514,669	\$ 514,669
Well	56,167	56,167
Other Equipment and Improvements	548,149	548,149
Construction in Progress	<u>123,183</u>	<u>47,948</u>
	\$1,242,168	\$1,166,933
Less: Accumulated Depreciation	<u>734,728</u>	<u>705,187</u>
	<u>\$ 507,440</u>	<u>\$ 461,746</u>

Accounts Receivable

The Authority considers all accounts receivables to be fully collectible; no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2014 AND 2013

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Costs Between Water and Sewer

The Authority does not maintain its records in a way which facilitates the determination of the costs relating to water and sewer services. For budgeting purposes a percentage allocation is used: 64% for sewer and 36% for water.

Compensated Absences

The Authority employs two part-time operators. The liability for unused sick pay and/or vacation pay is considered insignificant.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) BUDGETARY PROCEDURES

The Authority follows these procedures in establishing the Operating Fund budget:

The annual budget for each fiscal year of the Authority is introduced by resolution passed by not less than a majority of the governing body. Copies are submitted to the Director of the Division of Local Government Services Director prior to the beginning of the Authority's fiscal year for approval prior to its adoption.

The budget must comply with the terms and provisions of any security agreements, and is to be in such form and detail as to items of revenue, expenses and other contents as required by law or by rules and regulations of the Local Finance Board.

No authority budget can be finally adopted until the Director has approved the budget.

Public hearings are conducted to obtain citizen comments on the proposed budget.

Operating expense appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

The level at which expenditures cannot exceed the budget is at the total budget level.

The budget may be increased after adoption when an item of revenue has been made available after the adoption date.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2014 AND 2013

(4) CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are summarized as follows:

	<u>Unrestricted</u>
January 31, 2014:	
Cash and Cash Equivalents	<u>\$49,661</u>
January 31, 2013:	
Cash and Cash Equivalents	<u>\$57,959</u>

The cash on deposit of the Authority is partially insured by the Federal Deposit Insurance Corporation in the amount of \$250,000 in each bank depository. Balances above the federal depository insurance amount are insured by the State of New Jersey Governmental Unit Deposit Protection Act (GUDPA). The Authority does not have a policy for either credit risk or custodial credit risk. However, it is the Authority's policy only to invest with banks that are approved by the board. The Authority does not have a policy to limit interest rate risk.

(5) INVESTMENTS

The Authority's investments include restricted and unrestricted investments which are held by a bank in the Authority's name. Restricted and Unrestricted investments are summarized as follows:

<u>UNRESTRICTED INVESTMENTS</u>	<u>CARRYING AMOUNT</u>	<u>FAIR VALUE</u>
January 31, 2014:		
Certificates of Deposit	<u>\$567,148</u>	<u>\$567,148</u>
January 31, 2013:		
Certificates of Deposit	<u>\$539,939</u>	<u>\$539,939</u>

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2014 AND 2013

(5) INVESTMENTS (CONTINUED)

Cost of investments approximates fair value due to the short-term nature of the investments.

All the certificates of deposit have been deposited in public depositories, which are insured by the Federal Deposit Insurance Corporation (FDIC) and are fully collateralized by the bank through the Government Unit Deposit Protection Act (GUDPA).

Financial instruments which potentially subject the Authority to concentrations of credit risk consist primarily of cash and certificates of deposit. These balances are maintained at one financial institution. At times, the balances may exceed certain insured limits. Management monitors the soundness of the institution and considers the Authority's risk to minimal.

(6) PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment is summarized as follows:

	Balance January 31, 2013	Increase	Decrease	Balance January 31, 2014
Sewer Plant and Mains	\$ 14,669			\$ 514,669
Well	56,167			56,167
Other Equipment and Improvements	548,149			587,349
Construction in Progress	<u>47,948</u>	<u>\$75,235</u>	<u>\$ 0</u>	<u>123,183</u>
Total Fixed Assets	\$1,166,933	\$75,235		\$1,242,168
Less: Accumulated Depreciation	<u>705,187</u>	<u>29,541</u>		<u>734,728</u>
	<u>\$ 461,746</u>	<u>\$45,694</u>	<u>\$ 0</u>	<u>\$ 507,440</u>

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2014 AND 2013

(7) NET POSITION

The components of net position as of January 31 are as follows:

	<u>2014</u>	<u>2013</u>
Net Position:		
Invested in Capital Assets	\$ 507,440	\$ 461,746
Unrestricted – Capital Projects	174,205	207,440
Unrestricted – Operating	<u>455,449</u>	<u>376,033</u>
	<u>\$1,137,094</u>	<u>\$1,045,219</u>

The Authority has established a Capital Projects Fund to set aside funds for major improvements. Actual cash is not kept in a separate account but is co-mingled with several unrestricted cash, money market and certificate of deposit accounts.

(10) PENSION PLAN

Authority employees participate in the Public Employees Retirement System (PERS), of New Jersey, a multi-employer cost sharing plan. The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the plan. The plan does not maintain separate records for each member in the state and, therefore, the actuarial data for the Authority is not available.

Participating employees are required by State statute to contribute a certain percentage (6.64% for the first half of 2013 and 6.78% for the second half of 2013) of their salary to the plan. In addition, the PERS generally bills the Authority annually for its required contribution. For the year ending January 31, 2014, this contribution was \$2,177, respectively.

(11) TOWER SITE LEASE

The Authority is party to a 25 year lease to rent a small parcel of land for a tower to be used for wireless communication equipment. The minimum base rent is \$21,650 per year payable quarterly, with annual increases of 3% of the prior year minimum base rent. In addition, the Authority is entitled to 50% of any gross revenue from sub-tenants of the tower site. The lease can be terminated by the tenant with six months written notice. Rental income was \$112,690 as of January 31, 2014.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2014 AND 2013

(12) SUBSEQUENT EVENTS

The Authority has evaluated subsequent events occurring after the financial statement date through July 9, 2014, which is the date the financial statements were available to be issued. Based on this evaluation, the Authority has determined that no subsequent events have occurred which require disclosure in the financial statements.

(13) COMMITMENTS AND CONTINGENCIES

In the ordinary conduct of its business, the Authority may be a party to litigation. At January 31, 2014, in the opinion of management based upon consultation with legal counsel, there were no matters pending or threatened which would have a material adverse effect on the financial position of the Authority.

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SUPPLEMENTARY INFORMATION

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF OPERATING REVENUES AND COSTS
 FUNDED BY OPERATING REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED JANUARY 31, 2014

	2014 <u>BUDGET</u>	2014 <u>ACTUAL</u>
Revenues:		
User Charges and Fees	\$ 263,056	\$ 273,512
Delinquent Penalties	350	857
Interest Income	294	2,504
Rents - Cell Tower	87,000	112,690
Miscellaneous Income	<u> </u>	<u>370</u>
Total Revenues	\$ <u>350,700</u>	\$ <u>389,932</u>
Expenses:		
Administrative and General		
Legal	\$ 10,000	\$ 2,278
Engineering	45,000	45,504
Accounting	14,000	16,825
Insurance	20,000	13,989
Independent Contractor	29,000	11,661
Postage	1,550	1,188
Telephone	<u>1,800</u>	<u>1,877</u>
Total Administrative and General	\$ <u>121,350</u>	\$ <u>93,322</u>
Salaries and Wages	36,000	39,563
Payroll Taxes	2,750	3,065
Sludge Removal	22,000	16,166
Repair and Maintenance	25,000	16,395
Electric	20,000	18,767
Materials and Supplies	28,000	28,228
Permit Fees	7,500	4,899
Water and Sewer Operations	40,000	40,394
Miscellaneous	<u>6,100</u>	<u>13,977</u>
Total Costs of Providing Services	\$ <u>187,350</u>	\$ <u>181,455</u>
Reserve - Capital Projects	42,000	42,000
TOTAL COSTS FUNDED BY OPERATING REVENUES	\$ <u>350,700</u>	\$ <u>316,777</u>
EXCESS (DEFICIENCY) OF REVENUES OVER COSTS	<u> </u>	<u>73,155</u>

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

JANUARY 31, 2014

GENERAL COMMENTS AND RECOMMENDATIONS

NONE

