

THE BORDENTOWN SEWERAGE AUTHORITY

REPORT OF AUDIT
FOR THE FISCAL YEAR ENDED
NOVEMBER 30, 2015

BORDENTOWN SEWERAGE AUTHORITY

NOVEMBER 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Chairman and Members of the
Bordentown Sewerage Authority
954 Farnsworth Avenue
Bordentown, New Jersey 08505

Report on the Financial Statements

I have audited the accompanying statement of net position of the Bordentown Sewerage Authority, County of Burlington, State of New Jersey, as of November 30, 2015 and 2014 and the related statements of revenues, expenses and change in net position and cash flows for the years then ended, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey. 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bordentown Sewerage Authority as of November 30, 2015 and 2014, and the results of its operations and cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During the year Bordentown Sewerage Authority implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. My opinion on the financial statements is not modified relating to this change in accounting principle.

Other Matters

Required Supplementary Information

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

Other Information

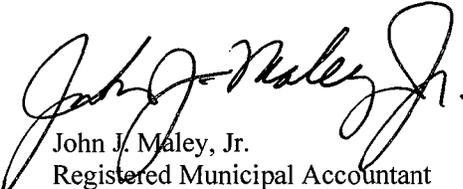
My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary schedules, the, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules are the responsibility of management and are 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 my opinion, the supplementary 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, I have also issued a report dated May 9, 2016 on my consideration of the Bordentown Sewerage Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements. The purpose of that is to describe the scope of my 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 Authority's internal control over financial reporting and compliance.

Respectfully submitted,



John J. Maley, Jr.
Registered Municipal Accountant
Certified Public Accountant

May 9, 2016

JOHN J. MALEY, JR.

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

Chairman and Members of the
Bordentown Sewerage Authority
954 Farnsworth Avenue
Bordentown, New Jersey 08505

I have audited, 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 audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey, the accompanying statement of net position of the Bordentown Sewerage Authority, County of Burlington, State of New Jersey, as of November 30, 2015 and 2014 and the related statements of revenues, expenses and change in net position and cash flows for the years then ended, and the notes to the financial statements which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated May 9, 2016.

Internal Control Over Financial Reporting

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

My consideration of internal control over financial reporting was for the limited purpose described in the preceding 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not

been identified.

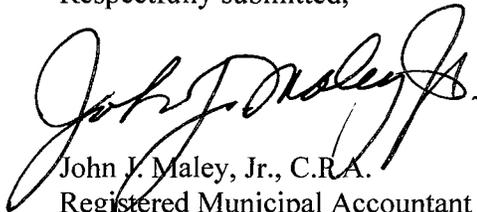
Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



John J. Maley, Jr., C.R.A.
Registered Municipal Accountant
Certified Public Accountant

May 9, 2016

The Bordentown Sewerage Authority
Management Discussion and Analysis
For The Fiscal Year Ending
November 30, 2015

The Bordentown Sewerage Authority (the “Authority”) is a public body corporate and politic, created pursuant to N.J.S.A. 40:14A-1 *et seq.* to provide wastewater collection, treatment and disposal services within the City of Bordentown and the Township of Bordentown in the County of Burlington, New Jersey. This section of the Authority’s annual financial report provides management’s discussion and analysis of the financial performance for fiscal year 2014, ending November 30, 2015. The entire annual financial report consists of five parts: the Independent Auditor’s Report, the Management Discussion and Analysis, the Financial Statements, the Supplemental Information, and the Single Audit Section when applicable.

New Accounting Standard

The financial statements for 2014-15 reflect the implementation of GASB 68, *Accounting and Financial Reporting for Pensions*. The primary effect of this statement is to recognize a liability in the financial statements prepared using the economic resources measurement focus and accrual basis of accounting for its proportionate share of the collective net pension liability of all employers for benefits provided through the pension plan. This Statement had a significant effect on the Authority’s financial statements. The financial statements report a net pension liability of \$2,696,349. The net pension liability is the Authority’s proportionate share of the amount by which pension plan liabilities exceed pension plan assets. Prior to GASB 68 a net pension liability was not reported by the Authority.

Further, in accordance with GASB 68, most changes in the pension liability are required to be included in pension expense in the period of the change. Previously, pension expense was reported by the Authority as the amount paid.

The Authority is evaluating the impact of recently issued GASB statements number 72 through number 78 for the effect on the Authority’s financial statements.

FINANCIAL HIGHLIGHTS

The following selected operating information is presented for the year ended November 30, 2015 (FY15).

Total Operating Revenue: Total operating revenues for FY15 were \$3,949,804, which is a decrease of \$368,402 from FY14, resulting primarily from a decrease in rent revenue.

Total Operating Expenses: Total operating expenses for FY15 were \$4,327,302, which is an increase of \$53,191 over FY14.

Connection Fees: Connection fee revenues for FY15 were \$601,134, which is a decrease of \$39,569 from FY14.

Debt Service: Principal paid in FY15 was \$1,208,922 compared to \$1,153,922 paid in FY 14. Interest paid for FY15 was \$737,526 compared to FY14 of \$786,442. Total debt service payments will remain relatively same for the next year.

Total Assets: Total assets at the end of FY15 were \$31,796,845. After deducting liabilities and deferred inflows of resources and adding deferred outflows of resources, net position totaled \$8,072,440. At the end of FY14, total assets were \$33,722,422 and net position was \$11,468,546. The large decrease is a result of recording, for the first time, the net pension liability. Also contributing to the decrease is the net operating loss of \$1,114,161.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements contain information about the Authority as a whole using accounting methods similar to those used by private-sector companies. Since the Authority follows the accrual method of accounting, the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The comparative statement of net position includes all of the Authority's assets and liabilities. Net position, the difference between the Authority's assets and liabilities, is a measure of the Authority's financial health.

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

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

SUMMARY OF FINANCIAL STATEMENTS

Total assets, total liabilities and net position of the Authority, as of November 30, are summarized below

	2015	2014
Assets:		
Current Assets	\$ 4,600,755	\$ 4,404,769
Restricted Assets	5,725,693	6,259,071
Capital Assets - Net	<u>21,470,397</u>	<u>23,058,582</u>
Total Assets	<u><u>31,796,845</u></u>	<u><u>33,722,422</u></u>
Deferred Outflows of Resources:		
Unamortized Charge on Refunding Bonds	487,969	590,966
Deferred Outflows- Pensions	457,714	-
Total Deferred Outflows of Resources:	<u><u>945,683</u></u>	<u><u>590,966</u></u>
Liabilities:		
Current Liabilities	4,299,439	3,687,471
Long-Term Liabilities - Net	<u>20,327,297</u>	<u>19,157,371</u>
Total Liabilities	<u><u>24,626,736</u></u>	<u><u>22,844,842</u></u>
Deferred Inflows of Resources:		
Deferred Inflows- Pensions	<u>43,352</u>	-
Total Deferred Inflows of Resources:	<u><u>43,352</u></u>	<u><u>-</u></u>
Net Position:		
Net Investment in Capital Assets	2,953,652	3,608,280
Restricted Accounts	5,302,560	5,623,828
Unrestricted Accounts - Designated	182,500	160,000
Unrestricted Accounts - Undesignated	<u>(366,272)</u>	<u>2,236,438</u>
Total Net Position	<u><u>\$ 8,072,440</u></u>	<u><u>\$ 11,628,546</u></u>

The Authority had a net operating loss (total operating income less operating expenses) of \$377,550 in FY15. Combined with the net non-operating loss (total non-operating income less non-operating expenses) of \$737,261, net position decreased by \$1,114,761.

The revenues, expenses and change in net position of the Authority are summarized below:

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>2015</u>	<u>2014</u>	<u>(Decrease)</u>
Operating Revenues:			
Service Charges	\$ 3,212,960	\$ 3,572,677	\$ (359,717)
Connection Fees	601,134	640,703	(39,569)
Miscellaneous Revenue	135,708	104,826	30,882
Total Operating Revenue:	<u>3,949,802</u>	<u>4,318,206</u>	<u>(368,404)</u>
Operating Expenses:			
Operating Expenses	2,640,810	2,546,636	94,174
Depreciation Expense	1,686,492	1,727,475	(40,983)
Total Operating Expenses:	<u>4,327,302</u>	<u>4,274,111</u>	<u>53,191</u>
Operating Income (Loss):	<u>(377,500)</u>	<u>44,095</u>	<u>(421,595)</u>
Non-Operating Revenues (Expenses):			
Investment Income / (Loss)	66,082	132,262	(66,180)
Interest Expense	(803,343)	(844,157)	40,814
Total Non-Operating Income (Loss):	<u>(737,261)</u>	<u>(711,896)</u>	<u>(25,365)</u>
Income/(Loss)	<u>(1,114,761)</u>	<u>(667,801)</u>	<u>(446,960)</u>
Net Position, December 1			
	11,468,544	12,136,345	(667,801)
Prior Period Adjustment - Cumulative Effect	<u>(2,281,345)</u>		<u>(2,281,345)</u>
Net Position, December 1 as Restated	<u>9,187,199</u>	<u>12,136,345</u>	<u>(2,949,146)</u>
Net Position, November 30	<u>\$ 8,072,438</u>	<u>\$ 11,468,544</u>	<u>\$ (3,396,106)</u>

ANALYSIS OF FINANCIAL CONDITION

Overall, the Authority is in sound financial condition, due in part, to its policies of prudent planning, preventative maintenance, fiscal responsibility and avoiding an undue reliance on connection fees to meet the Authority's financial obligations. The Authority believes that it must be financially able to afford operating expenses, debt service and capital expenditures without a substantial reliance on connection fee revenue.

OPERATING ACTIVITIES

The condensed statement of revenues, expenses, and changes in net position provides information as to the nature and source of changes in financial position. The statement shows that operating revenues in 2015 decreased by \$368,405 (8.53%) and operating expenses, before depreciation expense, increased \$14,039 0.55% over 2014.

The items, which were responsible for the major changes in net position for the year ended November 30, 2015, include a \$359,717 decrease in rent revenue from Ocean Spray Cranberry, Inc, a cranberry processing plant. Operation of the plant discontinued in August 2014.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The following table summarizes the changes in capital assets at November 30, 2015 and 2014:

<u>Year Ended November 30</u>	<u>Capital Assets, Net of Depreciation</u>		
	<u>2015</u>	<u>2014</u>	<u>(Decrease)</u>
Land and Buildings	\$ 19,215,748	\$ 19,215,748	\$ -
Tanks, Pump Stations and Mains	28,173,915	28,141,606	32,309
Other	7,556,987	7,490,988	65,999
	<u>54,946,650</u>	<u>54,848,342</u>	<u>98,308</u>
Less: Accumulated Depreciation	<u>33,476,253</u>	<u>31,789,760</u>	<u>1,686,493</u>
Total Capital Assets, Net of Depreciation	<u>\$ 21,470,397</u>	<u>\$ 23,058,582</u>	<u>\$ (1,588,185)</u>

At November 30, 2015, the Authority's investment in capital assets was \$21,470,397 (net of accumulated depreciation) which represents a decrease of \$1,588,185 when compared to November 30, 2014 as a result of depreciation expense.

The Authority's capital expenditures are expected to increase based on the five-year capital program adopted along with the annual budget for the fiscal year ending November 30, 2015 shown below.

During the fiscal year, the Authority expended \$98,308 for capital projects. Retained earnings provided funding for these project costs.

The proposed Capital Budget for FY16 is \$182,500. The major items constituting the capital budget are as follows.

Plant and System Repairs	\$ 100,000
Collection System Upgrades	50,000
Lab Equipment	10,000
Vehicle Replacement	<u>22,500</u>
	<u>\$ 182,500</u>

The proposed 2016 to 2020 Capital Budget is \$1,005,000. Future major capital projects, which are essential to the continuing efficient operation of its system by the Authority, include:

Collection System Upgrade	\$ 300,000
Plant and System Repairs	600,000
Vehicle Replacement	45,000
Laboratory Equipment	<u>60,000</u>
	<u>\$ 1,005,000</u>

DEBT ADMINISTRATION

The Authority's outstanding bonds and loans payable is \$19,057,630 at November 30, 2015, a decrease of \$1,124,082 when compared to the \$20,266,552 at November 30, 2014. Interest on these bonds and loans is paid semi-annually with interest rates ranging from 2.37% to 5.50%.

CONTACTING THE AUTHORITY

This financial report is designed to provide the State of New Jersey, residents and customers within the City of Bordentown and Township of Bordentown and holders of Authority bonds, with a general overview of the Authority's finances. Any additional information may be obtained by contacting:

The Bordentown Sewerage Authority
954 Farnsworth Ave
P.O. Box 396
Bordentown, N.J. 08505
(609) 291-9105

BASIC FINANCIAL STATEMENTS

THE BORDENTOWN SEWERAGE AUTHORITY
STATEMENT OF NET POSITION
NOVEMBER 30, 2015 AND 2014

ASSETS	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and Cash Equivalents	\$ 4,444,972	\$ 4,274,748
Accounts Receivable:		
Consumer Accounts Receivable	147,309	121,534
Prepaid Expenses	<u>8,474</u>	<u>8,487</u>
Total Current Assets	<u>4,600,755</u>	<u>4,404,769</u>
Noncurrent Assets:		
Restricted Assets:		
Revenue Account		
Cash and Cash Equivalents	5,849	6,135
Operating Account		
Cash and Cash Equivalents	959,524	887,173
Investments	41,291	101,875
Debt Service Account		
Cash and Cash Equivalents	1,890,900	1,743,953
Debt Service Reserve Account		
Cash and Cash Equivalents	455,135	246,735
Investments	1,893,511	2,111,903
Debt Service Reduction Account		
Cash and Cash Equivalents	-	500,035
Renewal and Replacement Account		
Cash and Cash Equivalents	400,000	400,000
Unexpended Bond Proceeds		
Cash Held by NJEIT	77,624	259,090
Accrued Interest Receivable	<u>1,859</u>	<u>2,172</u>
Total Restricted Assets	<u>5,725,693</u>	<u>6,259,071</u>
Capital Assets		
Land	2,264,000	2,264,000
Buildings, Plant and Equipment (Net of Accumulated Depreciation)	<u>19,206,397</u>	<u>20,794,582</u>
Total Capital Assets	<u>21,470,397</u>	<u>23,058,582</u>
Total Assets	<u>31,796,845</u>	<u>33,722,422</u>
Deferred Outflows of Resources		
Unamortized Charge on Refunding Bonds	487,969	590,966
Deferred Outflows of Resources- Pensions	457,714	-
Total Deferred Outflows of Resources	<u>\$ 945,683</u>	<u>\$ 590,966</u>

THE BORDENTOWN SEWERAGE AUTHORITY
STATEMENT OF NET POSITION
NOVEMBER 30, 2015 AND 2014

LIABILITIES	<u>2015</u>	<u>2014</u>
Current Liabilities:		
Accounts Payable	\$ 103,656	\$ 22,022
Payroll Deductions Payable	2,293	1,092
Deposits for Future Claims		
Deposits for Connection Fees	2,161,277	1,935,836
Developers' Escrow Deposits	124,958	112,105
State Unemployment Compensation	29,335	25,415
	<u>2,421,519</u>	<u>2,096,470</u>
Current Liabilities Payable From Restricted Assets:		
Revenue Bonds Payable - Current Portion	1,523,922	1,208,922
Bond Interest Payable	353,998	382,079
	<u>1,877,920</u>	<u>1,591,001</u>
Noncurrent Liabilities		
Revenue Bonds Payable	17,558,416	19,091,436
Compensated Absences	72,532	65,935
Net Pension Liability	2,696,349	-
	<u>20,327,297</u>	<u>19,157,371</u>
Total Liabilities	<u>24,626,736</u>	<u>22,844,842</u>
Deferred Inflows of Resources		
Deferred Inflows of Resources- Pensions	43,352	-
Total Deferred Outflows of Resources	<u>\$ 43,352</u>	<u>\$ -</u>
NET POSITION		
Net Position:		
Net Investment in Capital Assets	2,953,652	3,608,280
Restricted Net Position:		
Reserved for Debt Service	3,887,407	4,222,719
Reserved for Operating Costs	1,015,153	1,001,109
Reserved for Renewal and Replacement	400,000	400,000
Unrestricted Net Position	(183,772)	2,236,438
	<u>8,072,440</u>	<u>11,468,546</u>
Total Net Position	<u>\$ 8,072,440</u>	<u>\$ 11,468,546</u>

THE BORDENTOWN SEWERAGE AUTHORITY
COMPARATIVE STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED NOVEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues		
User Charges and Fees	\$ 3,212,958	\$ 3,572,678
Delinquent Penalties	13,548	17,671
Connection Fees	601,134	640,703
Miscellaneous	122,162	87,155
	<u>3,949,802</u>	<u>4,318,207</u>
Operating Expenses:		
Personnel Services	863,801	872,715
Employee Benefits	542,565	508,931
Administrative Expenses	353,570	338,302
Operations and Maintenance	880,874	826,688
Depreciation	1,686,492	1,727,475
	<u>4,327,302</u>	<u>4,274,111</u>
Operating Income/ (Loss)	<u>(377,500)</u>	<u>44,096</u>
Non-Operating Revenues (Expenses):		
Investment Income / (Loss)	66,082	132,262
Interest Expense	(803,343)	(844,157)
	<u>(737,261)</u>	<u>(711,896)</u>
Change in Net Position	(1,114,761)	(667,800)
Net Position, December 1	11,468,546	12,136,345
Prior Period Restatement	(2,281,345)	-
Net Position, December 1 as Restated	<u>9,187,201</u>	<u>12,136,345</u>
Net Position, November 30	<u>\$ 8,072,440</u>	<u>\$ 11,468,546</u>

THE BORDENTOWN SEWERAGE AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Cash Received from Customers and Users	\$ 4,149,470	\$ 5,749,071
Cash Payments for Goods and Supplies	(1,062,519)	(1,245,369)
Cash Payments for Employee Expenses	(1,375,995)	(1,380,965)
	<u>1,710,956</u>	<u>3,122,736</u>
Cash Flows From Capital and Related Financing Activities:		
General and Construction Outlays	(98,308)	(300,692)
Debt Service:		
Principal	(1,208,922)	(1,153,922)
Interest	(737,526)	(786,442)
	<u>(2,044,756)</u>	<u>(2,241,057)</u>
Net Cash (Used) or Provided by Capital and Related Financing Activities		
Cash Flows From Investing Activities:		
Investment Income	66,395	132,245
Net Change in Investments	278,976	(66,567)
	<u>345,371</u>	<u>65,678</u>
Net Cash (Used) Or Provided by Investing Activities		
Net Cash Increase (Decrease) for the Year	<u>11,571</u>	<u>947,357</u>
Cash at Beginning of Year	<u>8,222,433</u>	<u>7,275,076</u>
Cash at End of Year	<u>\$ 8,234,004</u>	<u>\$ 8,222,433</u>

THE BORDENTOWN SEWERAGE AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2015 AND 2014

Reconciliation of Operating Income to Net Cash Used by Operating Activities:	2015	2014
Operating Income	\$ (377,500)	\$ 44,096
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:		
Depreciation	1,686,492	1,727,475
Accounts Receivable	(25,775)	39,875
Deferred Outflows of Resources	(7,831)	(95,436)
Prepaid Expenses	13	(197)
Customer Rebates	-	(1)
Additional Pension Expense Per GASB 68	103,905	-
 (Decrease) Increase in:		
Accounts Payable	81,634	(3,308)
Payroll Deductions Payable	1,201	(2,867)
Deposits for Connection Fees	225,441	1,390,988
Developers' Escrow Deposits	12,853	20,679
Reserve for Unemployment Insurance	3,920	748
Compensated Absences	6,598	682
 Total Adjustments	2,088,451	3,078,638
 Net Cash Provided by Operating Activities	\$ 1,710,951	\$ 3,122,734
 <u>Reconciliation of Cash to the Statement of Net Position</u>		
Current Assets:		
Cash	\$ 4,444,972	\$ 4,274,748
Restricted Assets:		
Cash	3,789,032	4,043,122
	\$ 8,234,004	\$ 8,317,869

BORDENTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity

The Bordentown Sewerage Authority, a public body corporate and politic of the State of New Jersey, was created by virtue of an ordinance duly adopted on June 10, 1986 by the Township Committee of the Township of Bordentown and an ordinance duly adopted on June 9, 1986 by the Board of Commissioners of the City of Bordentown.

The Authority was created in order to provide an agency for the collection, treatment and disposal of all sewage generated within the City and the Township of Bordentown. The Authority is a legally separate entity and does not satisfy the criteria established by GASB 14 defining a component unit.

Basis of Presentation

The financial statements of the Authority have been prepared on the accrual basis in accordance with generally accepted accounting principles applicable to enterprise funds of state and local governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources. The flow of economic resources refers to reporting of all of the net position available to the Authority for the purpose of providing goods and services to the public. When the flow of economic resources is applied on an accrual basis of accounting, all assets, deferred outflows of resources, liabilities and deferred inflows of resources are presented in the statement of net position in accordance with standards established by The Governmental Accounting Standards Board (GASB).

During 2015 the Authority adopted GASB Statement 68 *Accounting and Financial Reporting for Pensions*; this statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. It replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Government Employers* as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The primary effect of this statement is to recognize a liability in the financial statements prepared using the economic resources measurement focus and accrual basis of accounting for its proportionate share of the collective net pension liability of all employers for benefits provided through the pension plan. This Statement had a significant effect on the Authority's financial statements for fiscal year ended November 30, 2015

During 2015 the Authority adopted GASB Statement 71 *Pension Transition for Contributions made Subsequent to the measurement Date-An Amendment of GASB Statement No. 68*, this statement requires a state or local government employer to recognize a net pension liability measured as of a date no earlier than the end of its prior fiscal year. If a state or local government employer or non employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or non employer contributing entity that arise from other types of events. At transition to Statement 68, if it's not practical for an employer or non employer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows or resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this statement are applied simultaneously with GASB 68.

BORDENTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Basis of Presentation (Continued)

GASB Statement 72 *Fair Value Measurement and Application*, this Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Authority does not expect this statement to impact its financial statements. The statement is effective for periods beginning after June 30, 2015.

GASB Statement 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, the objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The statement is effective for periods beginning after June 30, 2015.

GASB Statement 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* the objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Authority is evaluating this statement to determine its impact the financial statements.

GASB Statement 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter period equity, and creating additional transparency. The Authority is evaluating this statement to determine its impact the financial statements.

GASB Statement 77 *Tax Abatement Disclosures* This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement requires governments that enter into tax abatement agreements to disclose brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients and the gross dollar amount of taxes abated during the period. The Authority is evaluating this statement to determine its impact the financial statements.

BORDENTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The financial statements are accounted for using the accrual basis of accounting. Sewer charges are recognized as revenue when services are provided and are billable. Connection fees are collected in advance and, accordingly, the Authority defers these revenues until the Authority determines that the services are being provided to the properties. Expenditures are recognized when incurred.

Measurement Focus

The Authority uses the same measurement focus as commercial enterprises, the flow of economic resources. The flow of economic resources refers to all the assets available to the Authority for the purpose of providing goods and services.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Required Accounts

The Authority is subject to the provisions and restrictions of the Bond Resolution adopted July 24, 1986 and supplemental resolutions thereto. A summary of the activities of each fund (account) created by the Bond Resolution is covered below.

Operating Fund: The amount of the Operating Requirement as of any particular date of computation, is equal to the amount required for payment of operating expenses for the period of four months next following the date of computation as shown by the annual budget then in effect. The Authority shall make payment from time to time out of the Operating Fund of all amounts required for the operation, maintenance or repair of the System and for reasonable and necessary operating expenses.

Bond Service Fund: The balance on deposit must be sufficient to enable the Trustee to withdraw amounts equal to interest due on bonds, principal amounts of bonds maturing and sinking fund installments when such payments are required.

Bond Reserve Fund: The amount of funds on deposit must be maintained at a level equal to the maximum Debt Service to insure funds are available for payment of debt service.

Renewal and Replacement Fund: These funds are maintained for reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements or maintenance items of a type not recurring annually. The minimum system reserve requirement is \$150,000. By resolution of the governing body effective December 1, 1999 the minimum is increased to \$400,000.

General Fund: All excess funds of the Authority are recorded in the General Account. If the Authority is not in default in the payment of the principal of, or interest on, or redemption price of bonds and all fund requirements are satisfied, funds in excess of the amounts reasonably required to be reserved for payment of bonds or necessary reconstruction of the system may be withdrawn by the Authority for any lawful purpose.

BORDENTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Required Accounts (Continued)

Construction Fund: This fund was established in accordance with Section 401 of the Bond Resolution and is inactive.

In addition to the accounts required by the Bond Resolution a Debt Service Reduction Account was established at \$750,000 by resolution of the Authority dated March 20, 2000 to be applied to the reduction of debt service obligations at the discretion of the Authority. Interest earned remains in the account. The account was closed during fiscal year 2014-15.

Budgets and Budgetary Accounting

The Bordentown Sewerage 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 budget is adopted on the accrual basis of accounting. Depreciation, amortization, and certain deferred amounts related to debt defeasance are not budgeted. The governing body may amend the budget at any point during the year. The budget was amended during the fiscal year.

The Authority records encumbrances outstanding during the year in order to more effectively control costs. At year-end, the accounting records are adjusted to record expenses in accordance with Generally Accepted Accounting Principles.

Cash, Cash Equivalents and Investments

The Authority considers all highly liquid investments purchased with an initial maturity of three months or less as cash equivalents.

Investments are stated at market value. Investment income includes interest and dividend income, realized gains and losses on the sale of investments, and changes in the fair value of investment held by the Authority.

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

N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey municipal units. This list includes bonds or other obligations of the United States of America or obligations guaranteed by the United States of America; government money market mutual funds; obligations of any federal agency or federal instrumentality with restrictions; bonds or other obligations of the local unit or school district of which the local unit is a part or within which the school district is located; bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investments of the Department of Treasury for investment by local units; Local government investment pools; deposits with the State of New Jersey Cash Management Fund; agreement for the repurchase of fully collateralized securities.

BORDENTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Furniture, fixtures, machinery, equipment and vehicles are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is generally five, seven or fifteen years.

The infrastructure and buildings are carried at cost; no interest costs were capitalized during the construction of the facility. Depreciation is computed using the straight-line method over forty years. The cost of maintenance and repairs is charged to expense as incurred. Significant renewals and betterments are capitalized. Construction in progress represents costs incurred and accumulated until the project is complete.

Deferred Outflows/Inflows of Resources

A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. The District reports deferred inflows of resources related to pension transactions.

A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. The District reports loss on the refunding of debt as a deferred outflow of

Bond Discounts/Bond Premium

Bond discounts and bond premiums are deferred and amortized over the term of the bonds. Bond discounts are presented as a reduction of the face amount of the revenue bonds payable. Bond premium is presented as an addition to bonds payable.

Nonoperating Revenues and Expenses

Revenues and expenses not qualifying as operating items, which typically include interest revenue and expense, taxes, and grants that are not equivalent to contracts for services, are reported in the nonoperating section of the statement of net assets.

Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Assets restricted for capital projects include unexpended bond proceeds reduced by an equal amount of debt outstanding. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Income Taxes

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

Unrealized Gains and Losses

Governmental Accounting Standards Board (GASB) has established GASB-31, which requires Public agencies to report the financial effect of all unrealized gains and losses on invested funds.

BORDENTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Note 2: CASH, CASH EQUIVALENTS AND INVESTMENTS

Public funds are defined as the funds of any governmental unit. Public depositories include savings and loan institutions, banks (both State and National Banks) and savings banks, the deposits of which are federally insured. The Authority's cash and cash equivalents are insured by Federal depository insurance up to \$250,000.00.

The law required New Jersey governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from loss of funds on deposit with a failed banking institution in the State of New Jersey. All public depositories must pledge collateral, having a market value of 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.

Deposits

Custodial Credit Risk Related to Deposits – Custodial credit risk is the risk that, in the event of bank failure, the District's deposits might not be recovered. The District does not have a deposit policy for custodial credit risk.

Bank deposits and investments as of the balance sheet date are insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act. At November 30, 2015 and 2014 the Authority's deposits are classified as to credit risk as follows:

	<u>Bank Balance</u>	
	<u>2015</u>	<u>2014</u>
Insured	\$ 250,000	\$ 250,000
Uninsured and collateralized with securities held by the pledging bank's trust department but not in the Authority's name.	\$ 8,157,316	\$ 7,812,700
Held by NJEIT	\$ 77,624	\$ 259,090

The carrying amount of cash and cash equivalents at December 2014 and 2013 is \$8,484,940 and \$8,321,790 respectively and due to its short-term nature, the carrying amount of cash and cash equivalents approximates fair value.

Investments - The Authority invests in direct obligations of the U. S. Government and U. S. Government Agency obligations. Market value is based on year-end market quotations. The estimated market value of the Authority's financial instruments are as follows:

	<u>Cost Value</u>	<u>Market Value</u>
U.S. Government Securities 2015	\$1,941,339	\$1,934,803
U.S. Government Securities 2014	\$2,213,778	\$2,214,112

Investments totaling \$ 1,934,803 and \$ 2,214,112 at 2015 and 2014 are categorized as uninsured and unregistered, held by TD Bank Trust Department in the Authority's name.

BORDENTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Note 2: CASH, CASH EQUIVALENTS AND INVESTMENTS(Continued)

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure; however, investments are matched with anticipated cash flows to minimize interest rate risk

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's limits its credit risk by investing in direct obligations of the United States government, its agencies or instrumentalities secured by the full faith and credit of the government of the United States. The Authority has no policy on credit risk; however, investments are limited to securities guaranteed by the U.S. Government.

Concentration of Credit Risk: The Authority places no limit on the amount that may be invested in any one issuer. 100% of the Authority's investments are in obligations of the United States or its agencies or instrumentalities.

Note 3: PENSION PLAN

Description of System and Vesting

All eligible authority employees participate in the contributory defined benefit public employee retirement system established by state statute. The Public Employees Retirement System (PERS) is sponsored and administered by the State of New Jersey and considered a cost-sharing multiple employer plan.

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service and 25 years for health care coverage.

At November 30, 2015 the Authority reported a liability of \$2,696,349 for its proportionate share of the net pension liability as measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The authority's proportion of the net pension liability was based on a projection of the authority's long - term share of contributions to the pension plan relative to the projected contributions of all participating authorities, actuarially determined. At June 30, 2015, the authority's proportion was .0120% which increased slightly by .007% from its proportion measured as of June 30, 2014.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

At November 30, 2015 the Authority recorded accounts payable due to PERS for \$103,267 representing the authority contribution expected to be paid in 2015-16.

For the year ended November 30, 2015 the Authority recognized pension expense of \$199,341 At November 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

BORDENTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Note 3: PENSION PLAN (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 289,566	
Net difference between projected and actual earnings on pension plan investments	64,325	43,352
Changes in proportion and differences between District contributions and proportionate share of contributions	103,823	
Authority contributions subsequent to the measurement date	103,267	
Total	\$ 560,981	\$ 43,352

\$103,267 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the year ended November 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as shown below. The amounts represent the Authority's proportionate share of deferred outflows of resources and deferred inflows of resources.

2016	76,479.00
2017	76,479.00
2018	76,479.00
2019	108,771.00
2020	76,115.00
Thereafter	\$ -

Additional Information

Collective local balances at December 31, 2015 and 2014 are as follows

	12/31/2015	12/31/2014
Collective Deferred outflows of resources	\$ 588,743,291	\$ 2,410,735,486
Collective Deferred inflows of resources	1,115,773,278	360,920,604
Collective net pension liability	22,447,996,119	19,111,986,911
District's Proportion	0.01201%	0.01131%

Actuarial assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following assumptions:

Inflation rate	3.04%
Salary increases:	2.15 – 4.40%
2012-2021	based on age
Thereafter	3.15 – 5.40%
	based on age

Investment Rate of Return 7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

BORDENTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Note 3: PENSION PLAN (Continued)

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 4.90% and 5.55% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BORDENTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Note 3: PENSION PLAN (Continued)

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of net pension liability of the participating employers as of June 30, 2015, calculated using the discount rate as disclosed above as well as what the proportionate net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Authority's proportionate share of the net pension liability	3,351,232	2,696,349	2,147,300

Description of System and Vesting

Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Contribution Requirements

The contribution policy is set by N.J.S.A 43:15A, Chapter 62, P.L. 1994 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey Legislation. PERS provides for employee contributions of 7.06% of employees' annual compensation, effective July 1, 2015. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, non-contributory death benefits, and post-retirement medical premiums. The Authority made contributions equal to their required amounts for the years ended November 30, 2015 totaling \$103,267, November 30, 2014 totaling \$95,436 and November 30, 2013 totaling \$94,917.

The amount of the Authority's current year covered payroll was \$891,318 and the total payroll for all employees was \$850,610. Employee's contributions to the pension totaled \$57,314 or 6.43% of covered payroll.

Note 4: POST-EMPLOYMENT RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required PERS, to fund post-retirement medical benefits for those State employees who retire after reaching age 60 and accumulating 25 years of credited service. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the PERS system. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees. As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

BORDENTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Note 4: POST-EMPLOYMENT RETIREMENT BENEFITS (Continued)

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

State Health Benefits Plan Description. The Bordentown Sewerage Authority contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 1986, The Bordentown Sewerage Authority authorized participation in the SHBP's post-retirement benefit program through resolution number 1986-32. The Authority adopted the provisions of Chapter 88, Public Laws of 1974 as amended by Chapter 436, P.L.1981 to permit local public employers to pay the premium charges for certain eligible pensioners and their dependents and to pay medicare charges for such retirees and their spouses covered by the New Jersey Health Benefits Program.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/pdf/financial/gasb-43-july2011.pdf

Funding Policy: Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to The Bordentown Sewerage Authority on a monthly basis. As a participating employer the Authority will pay and remit to the State Treasury contributions to cover the full cost of premiums for eligible pensioners on a basis comparable to the reimbursement made by the State to its eligible pensioners and their spouses in accordance with provisions of Chapter 75, Public Laws of 1972.

The Bordentown Sewerage Authority contributions to SHBP for the years ended November 30, 2015, 2014, and 2013, were \$58,184, \$62,409, and \$84,339 respectively, which equaled the required contributions for each year. There were 5 retired participants eligible at November 30, 2015, 5 retired participants at 2014, and 5 retired participants at 2013.

Note 5: COMPENSATED ABSENCES

The employees of the Authority are entitled to thirteen paid sick leave days per year. Unused sick leave may be accumulated and carried forward to the subsequent year. Accumulated sick leave is not vested until retirement. Upon retirement the employee may receive payment for all accumulated sick leave at one-half (1/2) the employees' present daily rate up to a maximum of \$15,000. The accrued liability for accumulated sick leave at November 30, 2015 is estimated at \$72,532.

Vacation and personal days accrue at a varying amount depending on the employee's length of service. Vacation and personal days not used during the year may be accumulated and carried forward as sick days.

BORDENTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Note 6: **USER CHARGES AND FEES**

Service Charges

The following is a comparison of sewer service billings and collections:

Fiscal Year	Beginning Balance	Billings	Total Collections	Percentage of Collections
2015	157,993	3,252,555	3,240,394	95.01%
2014	150,769	3,694,797	3,687,573	95.89%
2013	150,780	3,731,208	3,731,220	96.12%
2012	110,474	3,781,957	3,741,650	96.13%
2011	135,454	3,585,420	3,610,400	97.03%
2010	115,375	3,662,497	3,642,417	96.41%
2009	105,222	3,705,048	3,694,896	96.97%
2008	96,358	3,811,673	3,802,808	97.31%
2007	89,030	3,896,470	3,889,142	97.58%
2006	64,537	3,747,045	3,722,552	97.66%

Note 7: **CAPITAL ASSETS**

	<u>Balance</u> <u>November 30, 2014</u>	<u>Activity</u>	<u>Balance</u> <u>November 30, 2015</u>
Land	\$ 2,264,000.00	\$ -	\$ 2,264,000.00
Buildings	16,951,748.28		16,951,748.28
Tanks	12,421,971.07		12,421,971.07
Pumping Stations	11,176,669.72	15,059.40	11,191,729.12
Force Mains	2,150,453.13	-	2,150,453.13
Gravity Mains	2,392,511.90	17,250.00	2,409,761.90
Computer Hardware and Software	150,830.15	7,878.45	158,708.60
Machinery and Equipment	7,304,670.48	58,120.00	7,362,790.48
Furniture and Fixtures	35,487.94	-	35,487.94
	<u>54,848,342.67</u>	<u>98,307.85</u>	<u>54,946,650.52</u>
Less: Accumulated Depreciation	<u>(31,789,760.74)</u>	<u>(1,686,492.48)</u>	<u>(33,476,253.22)</u>
	<u>\$ 23,058,581.93</u>	<u>\$ (1,588,184.63)</u>	<u>\$ 21,470,397.30</u>

BORDENTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Note 7: CAPITAL ASSETS (Continued)

	Balance November 30, 2013	Activity	Balance November 30, 2014
Land	\$ 2,264,000.00	\$ -	\$ 2,264,000.00
Buildings	16,950,548.28	1,200.00	16,951,748.28
Tanks	12,421,971.07	-	12,421,971.07
Pumping Stations	11,176,669.72		11,176,669.72
Force Mains	2,150,453.13		2,150,453.13
Gravity Mains	2,255,182.77	137,329.13	2,392,511.90
Computer Hardware and Software	149,784.12	1,046.03	150,830.15
Machinery and Equipment	7,143,553.94	161,116.54	7,304,670.48
Furniture and Fixtures	35,487.94	-	35,487.94
	<u>54,547,650.97</u>	<u>300,691.70</u>	<u>54,848,342.67</u>
Less: Accumulated Depreciation	<u>(30,062,285.99)</u>	<u>(1,727,474.75)</u>	<u>(31,789,760.74)</u>
	<u>\$ 24,485,364.98</u>	<u>\$ (1,426,783.05)</u>	<u>\$ 23,058,581.93</u>

Note 8: REVENUE BONDS PAYABLE

The Revenue Bonds - **Series F, G, H, and I** dated September 1, 2003, March 10, 2010, December 2, 2010, and May 3, 2012 are direct obligations of the Authority. The Bonds are secured by a pledge of all revenues derived by the Authority from its operations, including payments, if any, made by the Township and City of Bordentown pursuant to the 1986 service contract.

The proceeds of **Series F** Bonds were used to refund \$11,475,000 of the then outstanding Revenue Bonds, Series D along with interest due December 1, 2003 and pay for costs of issuance. Series F Bonds were issued originally for \$11,870,000 and carry interest rates ranging from 2.50% to 5.25% with a final maturity in 2020. Series F Bonds maturing on or after December 1, 2014 are subject to redemption prior to maturity at the option of the Authority at any time on and after December 1, 2013 at the Redemption Price of par.

The proceeds of **Series G-ARRA and Series G-Traditional** Bonds were used to fund various capital projects. The **Series G-ARRA** funding totaled \$1,527,015 to finance the cost of new screw pumps. Of that amount ARRA principal forgiveness amounted to \$768,010. The balance of \$759,005 was funded through the New Jersey Environmental Infrastructure Financing Program (NJEIT), the Trust Loan portion and carries interest on \$375,000 with rates ranging from 3.00% to 5.00%. The remaining \$384,005 is the ARRA Fund Loan portion through NJEIT, and is interest free. Final principal payments are due in fiscal year 2029.

The **Series G-Traditional** Bonds were issued for \$1,422,944 for various capital projects. Of that amount \$350,000 is funded through NJEIT, the Trust Loan portion and carries interest rates ranging from 3.00% to 5.00%. The remaining \$1,072,944 is the NJEIT Fund Loan portion, and is interest free. Final principal payments are due in fiscal year 2029.

BORDENTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Note 8: REVENUE BONDS PAYABLE (Continued)

The proceeds of **Series H** Bonds were used to refund \$12,955,000 of the then outstanding Revenue Bonds, Series E and pay for costs of issuance. Series H Bonds were issued originally for \$13,500,000 and carry interest rates ranging from 2.375% to 4.375% with a final maturity in 2025. Series H Bonds maturing on or after December 1, 2014 are subject to redemption prior to maturity at the option of the Authority at any time on and after December 1, 2013 at the Redemption Price of par.

The proceeds of **Series I-Traditional** Bonds were issued for \$2,205,680 and used to fund various Energy Audit Improvements. Of that amount ARRA principal forgiveness amounted to \$448,560. The balance of \$1,757,120 was funded through the New Jersey Environmental Infrastructure Financing Program (NJEIT), the Trust Loan portion and carries interest on \$860,000 with rates ranging from 3.00% to 5.00%. The remaining \$897,120 is the Fund Loan portion, and is interest free. Final principal payments are due in fiscal year 2031.

Bond Discount and Bond Premium :

Bond discount includes original issue discounts paid at the time on Series H. Series F, G, and I Bonds were issued at a premium. Bond discount is being amortized over the life of the bonds using the outstanding principal method. Bond premium is being amortized using the effective interest method. The unamortized balances of bond premium and bond discounts are presented net with long term debt.

Outstanding Debt:

The following is a summary of long-term debt at November 30, 2015 and 2014.

<u>Issue</u>	<u>Interest Rate Range</u>	<u>Dated</u>	<u>Balance Nov. 30, 2014</u>	<u>Issued / (Retired)</u>	<u>Balance Nov. 30, 2015</u>
Series F	2.50% to 5.25%	09/01/03	\$ 3,575,000	\$ (1,010,000)	\$ 2,565,000
Series G - Screw Pumps					
NJEIT-Trust	3.00% to 5.00%	03/10/10	315,000	(15,000)	300,000
NJEIT-Fund-ARRA	0.00	03/10/10	292,884	(19,526)	273,358
Series G - Various Projects					
NJEIT-Trust	3.00% to 5.00%	03/10/10	300,000	(15,000)	285,000
NJEIT-Fund	0.00	03/10/10	606,388	(54,556)	551,831
Series H	2.37% to 4.37%	12/02/10	13,500,000	(10,000)	13,490,000
Series I - Energy Audit Improvements					
NJEIT-Trust	3.00% to 5.00%	05/03/12	830,000	(35,000)	795,000
NJEIT-Fund	0.00	05/03/12	847,280	(49,840)	797,440
			<u>\$ 20,266,552</u>	<u>\$ (1,124,082)</u>	<u>\$ 19,057,630</u>

BORDENTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Note 8: REVENUE BONDS PAYABLE (Continued)

Schedule of annual debt service:

Bond Year Ending December 1	Principal	Interest	Total
2015	1,523,922.12	709,145.00	2,233,067.12
2016	1,583,922.12	643,707.50	2,227,629.62
2017	1,633,922.12	600,426.26	2,234,348.38
2018	1,688,922.12	549,576.26	2,238,498.38
2019	1,743,922.12	495,195.00	2,239,117.12
2020	1,818,922.12	426,645.00	2,245,567.12 *
2021	1,533,922.12	355,880.00	1,889,802.12
2022	1,598,922.12	294,261.26	1,893,183.38
2023-2027	5,522,207.16	515,000.00	6,037,207.16
2028-2031	409,046.98	20,306.25	429,353.23
	<u>19,057,631.10</u>		
Less:			
Current Portion	(1,523,922.00)		
Unamortized Balance of:			
Bond Discount	(113,043.00)		
Bond Premium	137,750.00		
	<u>\$ 17,558,416.10</u>		

* - Debt Service Reserve requirement

Note 9: DEBT SERVICE COVERAGE

Section 612 of the 1986 Bond Resolution requires certain ratios of Net Revenues to Debt Service. Compliance with the covenant is calculated as follows:

	<u>2015</u>	<u>2014</u>
Net Revenue:		
Operating Income (Exhibit B)	\$ (377,500)	\$ 44,095
Add: Depreciation Expense	1,686,492	1,727,475
Interest Income	66,082	132,262
General Fund - Fund Balance	<u>1,081,630 **</u>	<u>267,876 **</u>
Net Revenues	<u>\$ 2,456,704</u>	<u>\$ 2,171,708</u>
Debt Service:		
Interest Charges (Schedule 1)	\$ 709,445	\$ 765,358
Add: Bond Principal (Due 12/1)		
Ensuing	<u>1,523,922</u>	<u>1,208,922</u>
Debt Service	<u>\$ 2,233,367</u>	<u>\$ 1,974,280</u>
Net Revenues	<u>2,456,704</u>	<u>2,171,708</u>
Debt Service	<u>2,233,367</u>	<u>1,974,280</u>
	= 1.10	= 1.10

• This ratio meets the required coverage of 110% of debt service.

** This represents the portion of the General Fund balance at November 30, 2015 to meet the required coverage.

BORDENTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Note 10: DEFEASANCE OF DEBT

On January 15, 1991, the Authority advance refunded a portion of the **Series A and B Bonds** by placing a portion of the **Series C Bonds** in an irrevocable trust with an escrow agent to provide for debt service payments on a portion of the Series A and B Bonds. Accordingly, those portions of the Revenue Bonds are considered defeased and the remaining liability of \$12,250,000 for those bonds was removed from the financial statements.

Also in 1991, the Authority placed \$1,196,256.31 of excess construction and general account funds in an irrevocable trust with an escrow agent to provide for the principal and interest payments for the Series A and B Revenue Bonds through December 1, 1994. Consequently, those portions of the Bonds were defeased and the remaining liability of \$820,000 was removed from the financial statements.

On July 1, 1993 the Authority advance refunded the remaining portion of the **Series A Bonds** and a portion of the **Series B Bonds** by placing the **Series D Bond** proceeds in an irrevocable trust with an escrow agent to provide for debt service payments on the designated maturities of the Series A and B Bonds. Accordingly, those portions of the Series A and B Bonds were considered defeased and the liability of \$13,280,000 for those bonds was removed from the financial statements.

On September 15, 2000, the Authority issued **Series E Revenue Bonds** of \$13,645,000 with interest rates ranging from 4.4% to 5.5% to refund a portion of **Series C Bonds** with interest rates ranging from 6.40% to 6.8% by placing a portion of the **Series E Bonds** in an irrevocable trust with an escrow agent to provide for debt service payments on the remaining balance of **Series C Bonds**. The refunding met the requirement of an in-substance debt defeasance and the remaining liability of \$13,565,000 of the Series C Bonds is removed from the financial statements. The loss on the early retirement of debt (difference between the book value of the refunded debt and the amount required to retire the debt) is deferred and amortized over the remaining life of the old debt using the effective interest method. The deferred loss totaled \$936,141. As a result of the refunding, the Authority reduced its total debt service requirements by \$3,277,199, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,084,764.

On September 1, 2003, the Authority issued **Series F Revenue Bonds** of \$11,870,000 with interest rates ranging from 2.50% to 5.25% to refund a portion of **Series D Bonds** with interest rates ranging from 5.0% to 5.4% by placing a portion of the Series F Bonds in an irrevocable trust with an escrow agent to provide for debt service payments on the remaining balance of Series D Bonds. The refunding met the requirement of an in-substance debt defeasance and the remaining liability of \$11,475,000 of the Series D Bonds is removed from the financial statements. The loss on the early retirement of debt (difference between the book value of the refunded debt and the amount required to retire the debt) is deferred and amortized over the remaining life of the old debt using the effective interest method. The deferred loss totaled \$758,419. As a result of the refunding, the Authority reduced its total debt service requirements by \$561,791, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$413,791. The unamortized balance of \$31,954.32 is reported as a Deferred Outflow of Resources. Amortization for the fiscal years ended November 30, 2014 and 2013 was \$8955.80 and \$19,731.93.

On December 2, 2010, the Authority issued **Series H Revenue Bonds** of \$13,500,000 with interest rates ranging from 2.375% to 4.375% to refund all of **Series E Bonds** with interest rates ranging from 4.95% to 5.50% by placing a portion of the Series H Bonds in an irrevocable trust with an escrow agent to provide for debt service payments on the remaining balance of Series E Bonds. The refunding met the requirement of an in-substance debt defeasance and the remaining liability of \$12,955,000 of the Series E Bonds is removed from the financial statements. The loss on the early retirement of debt (difference between the book value of the refunded debt and the amount required to retire the debt) is deferred and amortized over the remaining life of the old debt using the effective interest method. The deferred loss totaled \$332,679. As a result of the refunding, the Authority reduced its total debt service requirements by \$1,037,491, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,014,782.

BORDENTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Note 10: DEFEASANCE OF DEBT (Continued)

The deferred loss of \$332,679 is added to the unamortized balance of the deferred loss of Series C refunded by Series E of \$566,052. This total is amortized over the life of Series H Revenue Bonds. The unamortized balance of \$487,969 is reported as a Deferred Outflow of Resources. Amortization for the fiscal years ended November 30, 2015 and 2014 was \$102,998 and \$99,302.

Note 11: 1986 SERVICE CONTRACT

Under the 1986 Service Contract, should certain items of expense exceed certain items of receipts during any fiscal year, then upon certification by the Authority to the City and Township of Bordentown not later than January 15, next succeeding the completion of such fiscal year of the amount of such excess, each municipality is obligated to pay to the Authority its proportionate share of such excess in an amount to be computed in accordance with the 1986 Service Contract.

At any time after five years from the date of the 1986 Service Contract, and after the payment in full of all obligations of the Authority, including all outstanding bonds, the 1986 Service Contract, upon two years notice to the Authority and to each of the municipalities, may be terminated by the Authority or either municipality.

Note 12: PUBLIC ENTITY RISK POOL

The Bordentown Sewerage Authority is a member of the New Jersey Utility Authority Joint Insurance Fund (JIF), along with 56 other authorities. The following risks are insured by the JIF:

- Property
- Boiler and Machinery
- Automobile Physical Damage and Liability
- General Liability
- Workers Compensation
- Employees Liability

Payments to the JIF are calculated by the JIF governing body based on actuarial and budgetary needs. Each participant is jointly and severally obligated for any deficiency in amounts available to pay all JIF claims. The Bordentown Sewerage Authority has paid its JIF obligations. No deficiency payments have been assessed by the JIF.

Audited financial statements for the New Jersey Utility Authority Joint Insurance Fund are filed with the State of New Jersey and are public records.

Note 13: RISK MANAGEMENT

The Bordentown Sewerage Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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.

BORDENTOWN SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Note 13: RISK MANAGEMENT (Continued)

The following is a summary of Authority contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Authority's unemployment trust fund for the current and two previous years:

<u>Fiscal Year</u> <u>Ending</u>	<u>Authority</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Balance</u>
2015	\$ 0	\$ 1,438	\$ 0	\$ 29,335
2014	0	1,435	0	25,415
2013	0	1,371	0	24,667

Note 14: AMOUNTS REQUIRED BY BOND RESOLUTIONS

The Bond Resolution adopted July 24, 1986 and supplemental resolutions thereto require the establishment and funding of certain funds (accounts) as follows.

	<u>Amount</u> <u>Required</u>	<u>Balance</u> <u>at Year End</u>	<u>Excess or</u> <u>(Deficiency)</u>
Bond Resolution Reserves:			
Operating Reserve Fund	\$ 1,015,153	\$ 1,000,815	\$ (14,338)
Bond Service Fund	1,877,920	1,890,900	12,980
Bond Reserve Fund	2,245,567	2,348,646	103,079
Renewal and Replacement Fund	150,000	150,000	0
Local Reserves:			
Renewal and Replacement Fund	250,000	250,000	0

Note 15: UNRESTRICTED NET POSITION APPROPRIATED

Unrestricted net position before pension liability, amounts to \$2,569,415. Of that amount, \$182,500 was appropriated for capital projects in the 2015-16 budget.

Note 16: CHANGE IN ACCOUNTING PRINCIPLE

The implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which required the Authority to recognize its proportionate share of the PERS collective net pension liability, resulted in recording an adjustment to beginning net position on the statement of activities of \$2,281,345 to report the net pension liability in accordance with GASB 68. The restated net position at November 30, 2014 is as follows:

Beginning net position as previously reported	\$ 11,468,546
Net Pension Liability (Measurement Date June 30, 2014)	(2,167,460)
PERS Pension Payable (2015 PERS Pension Contribution paid in 2015)	(95,436)
Deferred Outflows (Measurement Date June 30, 2014)	110,720
Deferred Inflows (Measurement Date June 30, 2014)	(129,169)
Total Prior Period Adjustment	<u>(2,281,345)</u>
Net Position November 30, 2014 (restated)	<u>\$ 9,187,201</u>

Bordentown Sewerage Authority
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employee's Retirement System
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.01201%	0.01158%	0.01131%
Districts proportionate share of the net pension liability (asset)	\$ 2,696,349	\$ 2,167,460	\$ 2,162,135
District's covered-employee payroll	\$ 819,967	\$ 822,258	\$ 811,580
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	328.84%	263.60%	266.41%
Plan fiduciary net position as a percentage of the total pension liability	47.92%	52.08%	48.72%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**Bordentown Sewerage Authority
Schedule of District Contributions
Public Employee's Retirement System
Last Ten Fiscal Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 103,267	\$ 95,436	\$ 85,241
Contributions in relation to the contractually required contribution	<u>103,267</u>	<u>95,436</u>	<u>85,241</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 819,967	\$ 822,258	\$ 811,580
Contributions as a percentage of covered-employee payroll	12.59%	11.61%	10.50%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

BORDENTOWN SEWERAGE AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015

Public Employees' Retirement System (PERS)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

SUPPLEMENTARY INFORMATION

THE BORDENTOWN SEWERAGE AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2015

	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual
Operating Revenues:					
Retained Earnings Appropriated	\$ 1,411,439	\$ 1,411,439	\$ 1,411,439	\$ -	\$ 728,772
User Charges and Fees	3,219,111	3,219,111	3,212,960	(6,151)	3,572,677
Unbilled Water		-		-	
Delinquent Penalties	13,000	13,000	13,548	548	17,671
Connection Fees	473,144	473,144	601,134	127,990	640,703
Miscellaneous	50,000	50,000	122,162	72,162	87,155
Total Operating Revenues	5,166,694	5,166,694	5,361,243	194,549	5,046,978
Operating Expenses:					
Personnel Services:					
Board Salaries	3,000	3,000	3,000	-	3,000
Administrative Salaries	330,901	313,901	243,101	70,800	245,450
Plant Salaries	683,296	677,296	617,699	59,597	624,265
	1,017,197	994,197	863,800	130,397	872,715
Employee Benefits:					
Public Employees Retirement System	95,000	95,436	95,436	-	85,241
Social Security	78,416	78,416	62,503	15,913	63,100
Unemployment/Disability	3,000	3,000	475	2,525	477
Health Benefits	258,000	258,000	211,071	46,929	205,452
Health Benefits - Retirees	90,000	80,000	65,947	14,053	69,962
Other Employee Benefits	99,463	99,027	83,358	15,669	84,699
	623,879	613,879	518,790	95,089	508,931
Administrative Expenses:					
Office Expense	93,000	93,000	82,161	10,839	70,804
Insurance	110,000	110,000	105,147	4,853	108,569
Legal	65,000	65,000	59,255	5,745	58,800
Engineering	20,000	17,400	3,876	13,524	11,723
Auditing	35,000	38,000	34,335	3,665	32,845
Miscellaneous Administrative Expenses	38,500	46,500	39,456	7,044	37,936
Telephone	12,000	12,000	8,940	3,060	9,327
Trustee Expense	12,000	12,000	8,300	3,700	8,300
	385,500	393,900	341,470	52,430	338,303
Operations and Maintenance:					
Utilities	422,000	384,000	361,337	22,663	369,906
Repairs to Plants & Collection System	40,000	50,000	30,264	19,736	24,948
Fuel for Heating and Generators	500	500	-	500	-
Alarms	16,000	16,000	14,447	1,553	13,568
Chemicals	120,000	165,000	158,546	6,454	112,243
Plant and Lab Supplies	19,750	19,750	12,504	7,246	12,851
Other Repairs and Maintenance	15,000	16,000	13,875	2,125	11,325
Vehicle Expense	49,500	49,900	27,558	22,342	44,359
Permits	35,500	35,500	22,030	13,470	18,672
Sludge Removal	222,000	222,000	145,444	76,556	198,753
Laboratory Analysis	22,000	25,000	16,255	8,745	15,566
Uniform Expense	5,000	5,000	4,053	947	720
Miscellaneous Other Expenses	9,500	12,700	6,527	6,173	3,777
NJDEP Stream Study		-		-	-
	976,750	1,001,350	812,840	188,510	826,688
Bond Principal in Lieu of Depreciation	1,523,922	1,523,922	1,208,922	315,000	1,153,922
Total Operating Expenses	4,527,248	4,527,248	3,745,822	781,426	3,700,560

THE BORDENTOWN SEWERAGE AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2015

	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual
Other Sources and (Uses):					
Investment Income:					
Unrestricted Accounts		-		-	8,152
Restricted Accounts	70,000	70,000	3,140	(66,860)	72,800
Interest on Bonds	(709,446)	(709,446)	(709,445)	1	(765,358)
Total Other Sources and (Uses)	(639,446)	(639,446)	(706,305)	(66,859)	(684,407)
Budgetary Revenues Over Expenses	\$ -	\$ -	\$ 909,116	\$ 909,116	\$ 662,012

Reconciliation of Budgetary Basis to GAAP Basis:					
Excess from Above - Budgetary Basis			909,116		662,012
Budgeted Debt Principal			1,208,922		1,153,922
Depreciation			(1,686,492)		(1,727,475)
Amortization of Bond Discount, Premium and Early Retirement of Debt			(93,898)		(78,800)
Additional Pension Expense as Per GASB 68			(103,911)		-
Net Realized and Unrealized Gain or (Loss)			62,941		51,312
Retained Earnings Appropriated			(1,411,439)		(728,772)
Changes in Net Position			<u>\$ (1,114,761)</u>		<u>\$ (667,801)</u>

Capital Funding				
Funding Source:				
NJEIT Loans	-	-	-	-
Net Position	160,000	160,000	160,000	-
Total Capital Sources	160,000	160,000	160,000	-
Costs:				
Capital Outlay:				
Energy Audit Improvements		-		-
Plant and System Repairs	100,000	100,000	58,120	41,880
Armcon/Collection Systems	50,000	50,000	32,310	17,690
Lab Equipment	10,000	10,000	7,878	2,122
Collection System / Pump Station		-		-
Communication Equipment		-		-
Vehicle Replacement		-		-
Total Capital Outlay	160,000	160,000	98,308	61,692
Excess (Deficit) of Capital Funding				
Sources over (Under) Capital Costs	-	-	61,692	61,692

THE BORDENTOWN SEWERAGE AUTHORITY
STATEMENT OF MISCELLANEOUS REVENUE EARNED
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Insurance Reimbursement - JIF	\$ 20,746	\$ 18,072
Insurance Reimbursement - Other	11,240	
Waste Water Treatment Tipping Fees	23,376	40,193
Enerwise Curtailment (Energy Rebate)		-
Application Fees	105	1,455
Inspection Fees	-	1,200
New Customer and Turn-On/Off Fees	16,285	14,960
Review Fees	75	-
Interest on Connection Fee	32,580	9,551
Miscellaneous	17,755	1,724
	<u>\$ 122,162</u>	<u>\$ 87,155</u>

Schedule 3

THE BORDENTOWN SEWERAGE AUTHORITY
ANALYSIS OF CONSUMER ACCOUNTS RECEIVABLE
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2015

Balance - December 1, 2014		\$ 157,993
Increased By:		
Billings:		
Rents	3,212,960	
Penalties	13,548	
Sludge	23,376	
Other	16,732	
		<u>3,266,616</u>
		3,424,609
Decreased By:		
Collections		<u>3,277,300</u>
Balance - November 30, 2015		<u>\$ 147,309</u>

Aging

Current		108,215
30 Days		28,742
60 Days		-
90 Days		10,352
		<u>147,309</u>
		<u>\$ 147,309</u>

THE BORDENTOWN SEWERAGE AUTHORITY
ANALYSIS OF INTEREST RECEIVABLE
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2015

	Balance Dec. 1, 2014	Interest Earned	Received	Balance Nov. 30, 2015
Unrestricted Assets:				
Revenue Account - Local	\$ -	\$ 185	\$ 185	\$ (0)
Operating Account - Local	-	601	601	-
General Account	0	30	30	0
Connection Fees	-	2,230	2,230	-
Payroll	0	36	36	(0)
Escrow	-	129	129	-
	<u>0</u>	<u>3,211</u>	<u>3,211</u>	<u>(0)</u>
Restricted Assets:				
Unemployment	-	28	28	-
Revenue Account	-	2	2	-
Operating Account	114	(8)	58	48
Bond Service Account	-	98	98	(0)
Bond Reserve Account	2,058	(228)	18	1,812
Renewal and Replacement Account	-	25	25	-
Debt Service Reduction Account	-	12	12	-
	<u>2,172</u>	<u>(71)</u>	<u>241</u>	<u>1,859</u>
	<u>\$ 2,172</u>	<u>\$ 3,140</u>	<u>\$ 3,452</u>	<u>\$ 1,859</u>
Net Realized and Unrealized Gain or (Loss)		<u>62,941</u>		
Investment Income / (Loss)		<u>\$ 66,081</u>		

BORDENTOWN SEWERAGE AUTHORITY

ROSTER OF OFFICIALS

NOVEMBER 30, 2015

MEMBERS

Ronald L. Marino
Zigmont F. Targonski
James E. Lynch, Jr.
Stephen Monson
Joseph R. Malone, III
M. Ellen Gulbinsky

POSITION

Chairman
Vice-Chairman
Treasurer
Secretary
Assistant Secretary
Assistant Secretary

OTHER OFFICIALS

Richard D. Eustace
Elizabeth J. Kwelty (as of 10/6/14)
W. Craig Dansbury
Richard Czekanski of
Remington & Vernick
Thomas J. Coleman, III Esquire of
Raymond, Coleman, Heinold, & Normal LLP
TD Wealth Management

Executive Director
Administrative Manager
Operations Manager

Consulting Engineer

Solicitor
Trustee

BORDENTOWN SEWERAGE AUTHORITY
NOVEMBER 30, 2015
FINDINGS AND RECOMMENDATIONS

Insurance

The Bordentown Sewerage Authority is a member of the New Jersey Utility Authorities Joint Insurance Fund (JIF). The following excess coverage amounts are provided by the JIF:

Property	\$ 150,000,000
Boiler and Machinery	150,000,000
Automobile Liability	10,000,000
General Liability	10,000,000
Workers Compensation	Statutory Limits
Employees Dishonesty	1,000,000
Public Officials and Employment Liability	2,000,000
Storage Tank System	1,000,000

Contracts and Agreements Required to be Advertised

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

N.J.S. 40A:11-3a. states in part, “When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations.

Contracts and Agreements Required to be Advertised (Continued)

Subsection c. of N.J.S. 40A:11-3 directs the Governor, in consultation with the Department of the Treasury to adjust the threshold amounts every fifth year after enactment of P.L. 1999 c.440. Effective July 1, 2010 and thereafter the bid threshold is \$26,000 or, if the Authority has a qualified purchasing agent, an amount not to exceed \$36,000. The Authority set the bid threshold at \$26,000 through January 1, 2011. Beginning January 1, 2011 after enactment of P.L. 2009 c.166 any contracting unit without a qualified purchasing agent will have its bid threshold fixed at \$17,500. The Authority does not have a qualified purchasing agent and the bid threshold was reduced from \$26,000 to \$17,500.

N.J.S. 40A:11-6.1 establishes, with exceptions, 15% of the bid threshold as the level requiring solicitation of at least two competitive quotations, if practicable. The award shall be made to a vendor whose response is most advantage, price and other factors considered.

BORDENTOWN SEWERAGE AUTHORITY
NOVEMBER 30, 2015
FINDINGS AND RECOMMENDATIONS

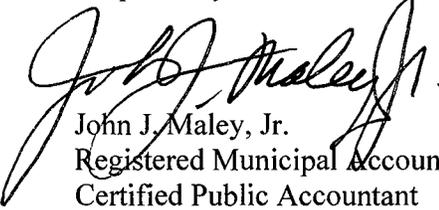
View of Responsible Officials

The Executive Director is in agreement with the above finding and indicates that a corrective action plan will be prepared to address the above finding where applicable.

Status of Prior Years Audit Findings/Recommendations

A review was performed on the 2014 findings which were corrected as indicated in a corrective action plan.

Respectfully submitted,


John J. Maley, Jr.
Registered Municipal Accountant
Certified Public Accountant

May 9, 2016