THE BORDENTOWN SEWERAGE AUTHORITY

REPORT OF AUDIT

FOR THE FISCAL YEARS ENDED

NOVEMBER 30, 2016 AND 2015

BORDENTOWN SEWERAGE AUTHORITY

NOVEMBER 30, 2016 AND 2015

TABLE OF CONTENTS

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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

We have audited the accompanying financial statements of the business-type activities of the Bordentown Sewerage Authority, County of Burlington, State of New Jersey, as of and for the fiscal years ended November 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Bordentown Sewerage Authority, County of Burlington, State of New Jersey, as of November 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Bordentown Sewerage Authority as of November 30, 2015, were audited by other auditors whose report dated May 9, 2016, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of revenues and expenses – budget and actual, and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bordentown Sewerage Authority's basic financial statements. The supplementary schedules as listed in the table of contents 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 were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2017 on our consideration of the Bordentown Sewerage Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bordentown Sewerage Authority's internal control over financial reporting and compliance.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

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

May 12, 2017
Bordentown, New Jersey

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Bordentown Sewerage Authority as of and for the year ended November 30, 2016, and the related notes to the financial statements, which collectively comprise the Bordentown Sewerage Authority's basic financial statements and have issued our report thereon dated May 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bordentown Sewerage Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

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

May 12, 2017
Bordentown, New Jersey

The Bordentown Sewerage Authority
Management Discussion and Analysis
For The Fiscal Year Ending
November 30, 2016 and 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 years ending November 30, 2016 and 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.

FINANCIAL HIGHLIGHTS

The following selected operating information is presented for the year ended November 30, 2016 (FY16).

Total Operating Revenue: Total operating revenues for FY16 were $5,977,964, which is an increase of $2,028,162 from FY15, resulting primarily from an increase in connection fees. Total operating revenues for FY15 were $3,949,802, which was a decrease of $368,405 from FY14, resulting primarily from a decrease in user charges and fees.

Total Operating Expenses: Total operating expenses for FY16 were $4,475,911, which is an increase of $148,609 over FY15. Total operating expenses for FY15 were $4,327,302, which is an increase of $53,191 over FY14.

Connection Fees: Connection fee revenues for FY16 were $2,321,553, which is an increase of $1,720,419 from FY15 and $1,680,850 from FY14.

Debt Service: Principal paid in FY16 was $1,523,922 compared to $1,208,922 and $1,153,922 paid in FY15 and FY14. Interest paid for FY16 was $643,708 compared to $737,526 and $786,442 paid in FY15 and FY14. Total debt service payments will remain relatively same for the next year.

Total Assets: Total assets at the end of FY16 were $33,622,240. After deducting liabilities and deferred inflows of resources and adding deferred outflows of resources, net position totaled $11,277,755. At the end of FY15, total assets were $32,742,528 and net position was $8,072,440. The main reason for the increase in net position was related to connection fees and contributed capital. At the end of FY14, total assets were $34,313,388 and net position was $11,468,546.

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

	2016	2015	2014
Assets:			
Current Assets	$ 4,208,546	$ 4,600,755	$ 4,404,769
Restricted Assets	5,651,122	5,725,693	6,259,071
Capital Assets - Net	22,288,652	21,470,397	23,058,582
Total Assets	32,148,320	31,796,845	33,722,422
Deferred Outflows of Resources:			
Unamortized Charge on Refunding Bonds	386,543	487,969	590,966
Deferred Ouflows- Pensions	1,087,377	457,714	-
Total Deferred Outflows of Resources:	1,473,920	945,683	590,966
Liabilities:			
Current Liabilities	2,648,753	4,299,439	3,687,471
Long-Term Liabilities - Net	19,695,732	20,327,297	19,157,371
Total Liabilities	22,344,485	24,626,736	22,844,842
Deferred Inflows of Resources:			
Deferred Inflows- Pensions	-	43,352	-
Total Deferred Outflows of Resources:	-		
Net Position:			
Net Investment in Capital Assets	5,149,158	2,953,652	3,608,280
Restricted Accounts	5,265,406	5,302,560	5,623,828
Unrestricted Accounts	863,191	(183,772)	2,636,438
Total Net Position	$ 11,277,755	$ 8,072,440	$ 11,868,546

The Authority had a net operating income (total operating income less operating expenses) of $1,502,053 in FY16. Combined with the net non-operating income (total non-operating income less non-operating expenses) of $1,703,262, net position increased by $3,205,315 in the current year.

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

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2016	2015	2014
Operating Revenues:			
Service Charges	$ 3,529,382	$ 3,212,958	$ 3,572,678
Connection Fees	2,321,553	601,134	640,703
Miscellaneous Revenue	127,029	135,710	104,827
Total Operating Revenue:	5,977,964	3,949,802	4,318,208
Operating Expenses:			
Operating Expenses	2,772,266	2,640,810	2,546,636
Depreciation Expense	1,703,645	1,686,492	1,727,475
Total Operating Expenses:	4,475,911	4,327,302	4,274,111
Operating Income (Loss):	1,502,053	(377,500)	44,097
Non-Operating Revenues (Expenses):			
Investment Income / (Loss)	(542)	66,082	132,262
Interest Expense	(747,951)	(803,342)	(844,157)
Contributed Capital	2,451,755	-	-
Total Non-Operating Income (Loss):	1,703,262	(737,261)	(711,896)
Income/(Loss)	3,205,315	(1,114,761)	(667,799)
Net Position, December 1	8,072,440	11,468,546	12,136,345
Prior Period Adjustment - Cumulative Effect	-	(2,281,345)	-
Net Position, December 1 as Restated	8,072,440	9,187,201	12,136,345
Net Position, November 30	$ 11,277,755	$ 8,072,440	$ 11,468,546

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 2016 increased by $2,028,162 or 51.35% and operating expenses, before depreciation expense, increased $131,456 4.98% over 2015. The items, which were responsible for the major changes in net position for the year ended November 30, 2016, include a $1,720,419 increase in connection fees.

The statement also shows that operating revenues in 2015 decreased by $368,405 or 8.53% and operating expenses, before depreciation expense, increased $94,173 or 3.70% over 2014. The items, which were responsible for the major changes in net position for the year ended November 30, 2015, include a $359,720 decrease in user charges and fees.

CAPITAL ASSETS

The following table summarizes the changes in capital assets at November 30, 2016, 2015 and 2014:

Capital Assets, Net of Depreciation

Year Ended November 30	2016	2015	2014
Land and Buildings	$ 19,215,748	$ 19,215,748	$ 19,215,748
Tanks, Pump Stations and Mains	30,639,493	28,173,915	28,141,606
Other	7,613,289	7,556,987	7,490,988
	57,468,530	54,946,650	54,848,342
Less: Accumulated Depreciation	35,179,898	33,476,253	31,789,760
Total Capital Assets, Net of Depriciation	$ 22,288,632	$ 21,470,397	$ 23,058,582

At November 30, 2016, the Authority’s investment in capital assets was $22,288,632 (net of accumulated depreciation) which represents an increase of $818,235 when compared to November 30, 2015 as a result of fixed asset purchases, capital contributions and depreciation expense. 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, 2016 shown below.

The proposed Capital Budget for FY17 is $350,000. The major items constituting the capital budget are as follows.

Plant and System Repairs	$ 265,000
Collection System Upgrades	50,000
Lab Equipment	10,000
Vehicle Replacement	25,000
	$ 350,000

The proposed 2017 to 2021 Capital Budget is $1,747,000. 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	1,237,000
Vehicle Replacement	150,000
Laboratory Equipment	60,000
	$ 1,747,000

DEBT ADMINISTRATION

The Authority's outstanding bonds and loans payable (excluding bond premium and discounts) is $17,533,709 at November 30, 2016, a decrease of $1,523,921 when compared to the $19,057,630 at November 30, 2015. The outstanding bonds and loans payable at November 30, 2014 was $20,266,552. 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

Exhibit A

THE BORDENTOWN SEWERAGE AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
NOVEMBER 30, 2016 AND 2015

	2016	2015
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 4,096,647	$ 4,444,972
Accounts Receivable:		
Consumer Accounts Receivable	103,546	147,309
Unbilled Revenue		
Prepaid Expenses	8,353	8,474
Total Current Assets	4,208,546	4,600,755
Noncurrent Assets:		
Restricted Assets:		
Revenue Account		
Cash and Cash Equivalents	4,855	5,849
Operating Account		
Cash and Cash Equivalents	1,012,454	959,524
Investments	2,776	41,291
Debt Service Account		
Cash and Cash Equivalents	1,913,633	1,890,900
Debt Service Reserve Account		
Cash and Cash Equivalents	2,126,129	455,135
Investments	154,219	1,893,511
Renewal and Replacement Account		
Cash and Cash Equivalents	400,000	400,000
Unexpended Bond Proceeds		
Cash Held by NJEIT	35,197	77,624
Accrued Interest Receivable	1,859	1,859
Total Restricted Assets	5,651,122	5,725,693
Capital Assets		
Land	2,264,000	2,264,000
Buildings, Plant and Equipment		
(Net of Accumulated Depreciation)	20,024,652	19,206,397
Total Capital Assets	22,288,652	21,470,397
Total Assets	32,148,320	31,796,845
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Charge on Refunding Bonds	386,543	487,969
Deferred Outflows of Resources- Pensions	1,087,377	457,714
Total Deferred Outflows of Resources	1,473,920	945,683
Total Assets and Deferred Outflows of Resources	$ 33,622,240	$ 32,742,528

See Notes to Financial Statements.

THE BORDENTOWN SEWERAGE AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION (CONTINUED)
NOVEMBER 30, 2016 AND 2015

	2016	2015
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 111,566	$ 103,656
Payroll Deductions Payable	320	2,293
Deposits for Future Claims		
Deposits for Connection Fees	475,910	2,161,277
Developers' Escrow Deposits	123,964	124,958
State Unemployment Compensation	32,030	29,335
Total Current Liabilities Payable	743,790	2,421,519
Current Liabilities Payable From Restricted Assets:		
Revenue Bonds Payable - Current Portion	1,583,922	1,523,922
Bond Interest Payable	321,041	353,998
Total Current Liabilities Payable From Restricted Assets	1,904,963	1,877,920
Noncurrent Liabilities		
Revenue Bonds Payable	15,977,312	17,558,416
Compensated Absences	78,295	72,532
Net Pension Liability	3,640,125	2,696,349
Total Noncurrent Liabilities	19,695,732	20,327,297
Total Liabilities	22,344,485	24,626,736
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources- Pensions	-	43,352
Total Deferred Inflows of Resources	-	43,352
NET POSITION		
Net Investment in Capital Assets	5,149,158	2,953,652
Restricted Net Position:		
Reserved for Debt Service	3,829,489	3,887,407
Reserved for Operating Costs	1,035,917	1,015,153
Reserved for Renewal and Replacement	400,000	400,000
Unrestricted Net Position	863,191	(183,772)
Total Net Position	11,277,755	8,072,440
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 33,622,240	$ 32,742,528

See Notes to Financial Statements.

Exhibit B

THE BORDENTOWN SEWERAGE AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED NOVEMBER 30, 2016 AND 2015

	2016	2015
Operating Revenues		
User Charges and Fees	$ 3,529,382	$ 3,212,958
Delinquent Penalties	12,756	13,548
Connection Fees	2,321,553	601,134
Miscellaneous	114,273	122,162
Total Operating Revenues	5,977,964	3,949,802
Operating Expenses:		
Personnel Services	870,584	863,801
Employee Benefits	830,816	622,699
Administrative Expenses	332,574	341,470
Operations and Maintenance	738,292	812,840
Depreciation	1,703,645	1,686,492
Total Operating Expenses	4,475,911	4,327,302
Operating Income/ (Loss)	1,502,053	(377,500)
Non-Operating Revenues (Expenses):		
Investment Income / (Loss)	(542)	66,082
Interest/Amortization Expense	(747,951)	(803,343)
Contributed Capital	2,451,755	-
Total Non-Operating Revenues (Expenses)	1,703,262	(737,261)
Change in Net Position	3,205,315	(1,114,761)
Net Position, December 1	8,072,440	11,468,546
Prior Period Restatement	-	(2,281,345)
Net Position, December 1 as Restated	8,072,440	9,187,201
Net Position, November 30	$ 11,277,755	$ 8,072,440

See Notes to Financial Statements.

THE BORDENTOWN SEWERAGE AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2016 AND 2015

	2016	2015
Cash Flows From Operating Activities:		
Cash Received from Customers and Users	$ 4,336,360	$ 4,149,470
Cash Payments for Goods and Supplies	(786,425)	(982,390)
Cash Payments for Employee Expenses	(1,695,637)	(1,456,129)
Net Cash Provided by Operating Activities	1,854,298	1,710,951
Cash Flows From Capital and Related Financing Activities:		
General and Construction Outlays	(109,022)	(98,303)
Debt Service:		
Principal	(1,523,922)	(1,208,922)
Interest	(643,708)	(737,526)
Net Cash Used by Capital and Related Financing Activities	(2,276,652)	(2,044,751)
Cash Flows From Investing Activities:		
Investment Income	(542)	66,395
Net Change in Investments	1,777,807	278,976
Net Cash Provided by Investing Activities	1,777,265	345,371
Net Cash Increase for the Year	1,354,911	11,571
Cash at Beginning of Year	8,234,004	8,222,433
Cash at End of Year	$ 9,588,915	$ 8,234,004

See Notes to Financial Statements.

THE BORDENTOWN SEWERAGE AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2016 AND 2015

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	2016	2015
Operating Income	$ 1,502,053	$ (377,500)
Adjustments to Reconcile Operating Income		
to Net Cash Provided by Operating Activities:		
Depreciation	1,703,645	1,686,492
Accounts Receivable	43,763	(25,775)
Deferred Outflows of Resourcs	-	(7,831)
Prepaid Expenses	121	13
Additional Pension Expense Per GASB 68	276,682	103,905
(Decrease) Increase in:		
Accounts Payable	7,910	81,634
Payroll Deductions Payable	(1,973)	1,201
Deposits for Connection Fees	(1,685,367)	225,441
Developers' Escrow Deposits	(994)	12,853
Reserve for Unemployment Insurance	2,695	3,920
Compensated Absences	5,763	6,598
Total Adjustments	352,245	2,088,451
Net Cash Provided by Operating Activities	$ 1,854,298	$ 1,710,951

Reconciliation of Cash to the Statement of Net Position

	2016	2015
Current Assets:		
Cash	$ 4,096,647	$ 4,444,972
Restricted Assets:		
Cash	5,492,268	3,789,032
	$ 9,588,915	$ 8,234,004

See 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).

Adopted Accounting Pronouncements

For the year ended December 31, 2016, the Authority implemented GASB Statement No. 72, *Fair Value Measurement and Application*. As a result of implementing this statement, the Authority is required to measure certain investments at fair value for financial reporting purposes. In addition, the Authority is required to measure donated capital assets at acquisition value (an entry price); these assets were previously required to be measured at fair value. Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Implementation of this Statement did not impact the Authority's financial statements.

The Authority implemented GASB Statement No. 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*. Implementation of this Statement did not impact the Authority's financial statements.

The Authority implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Implementation of this Statement did not impact the Authority's financial statements.

Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. Implementation of this Statement did not impact the Authority's financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.* The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions.* Implementation of this Statement did not impact the Authority's financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Implementation of this Statement did not impact the Authority's financial statements.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 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. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the Authority's financial statements.

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post- employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the Authority's financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the Authority's financial statements.

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 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. This Statement will be effective for the year ended December 31, 2017. Management has not yet determined the potential impact on the Authority's financial statements.

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting requirements for certain asset retirement obligations and establishes the timing and pattern of

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

recognition of a liability and corresponding deferred outflow of resources. This Statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to impact the Authority's financial statements.

Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to impact the Authority's financial statements.

Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Required Accounts (Continued)

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.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments (Continued)

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.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2016 and 2015 the Authority's deposits are classified as to credit risk as follows:

	Bank Balance 2016	Bank Balance 2015
Insured	$ 500,000	$ 250,000
Uninsured and collateralized with securities held by the pledging bank's trust department but not in the Authority's name.	$ 9,068,909	$ 8,157,316
Held by NJEIT	$ 35,197	$ 77,624

The carrying amount of cash and cash equivalents at December 2016 and 2015 is $9,604,106 and $8,484,940 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:

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

	Cost Value	Market Value
U.S. Government Securities 2015	$1,941,339	$1,934,803
U.S. Government Securities 2016	$ 192,612	$ 156,995

Investments totaling $ 156,995 and $ 1,934,803 at 2016 and 2015 are categorized as uninsured and unregistered, held by TD Bank Trust Department in the Authority's name.

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

Plan Description - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

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.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1

NOTE 3: PENSION PLAN (Continued)

and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62 and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Basis of Presentation - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2016, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Components of Net Pension Liability - At December 31, 2016, the Authority reported a liability of $3,640,125 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The Authority’s proportion of the net pension liability was based on the Authority’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2016. The Authority’s proportion measured as of June 30, 2016, was .01229%, which was an increase of .00028% from its proportion measured as of June 30, 2015.

NOTE 3: PENSION PLAN (Continued)

Collective Balances at December 31, 2016 and Decmber 31, 2015

		11/30/2016		11/30/2015
Actuarial valuation date (including roll forward)		June 30, 2016		June 30, 2015
Deferred Outflows of Resources	$	1,087,377	$	457,714
Deferred Inflows of Resources	$	-	$	43,352
Net Pension Liability	$	3,640,125	$	2,696,349
Authority's portion of the Plan's total net pension Liability		0.01229%		0.01201%

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended December 31, 2016, the Authority recognized pension expense of $379,949. At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
		PERS		PERS
Differences between Expected and Actual Experience	$	67,695	$	-
Changes of Assumptions		754,040		-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		138,801		-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		126,841		-
	$	1,087,377	$	-

The $1,087,377 reported as deferred outflows of resources related to pensions resulting from the Authority’s contributions subsequent to the measurement date (i.e. for the fiscal year ending December 31, 2016, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NOTE 3: PENSION PLAN (Continued)

Year Ending Dec 31,		PERS
2017	$	247,349
2018		247,348
2019		279,641
2020		232,291
2021		80,748
	$	1,087,377

	PERS	
	Deferred Outflow of Resources	**Deferred Inflow of Resources**
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

NOTE 3: PENSION PLAN (Continued)

	PERS
Inflation	3.08%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

NOTE 3: PENSION PLAN (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment grade credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global debt ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%
	100.00%	

Discount Rate - The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals 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 contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Authority’s proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Authority’s proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

	PERS		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Authority's Proportionate Share of the Net Pension Liability	$ 4,460,549	$ 3,640,125	$ 2,962,795

Note 4: POST-EMPLOYMENT RETIREMENT BENEFITS

The Authority participates in the New Jersey State Health Benefits Program ("the SHBP"), which qualifies as a cost-sharing, multiple-employer plan in accordance with GASB Statement 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions" ("OPEB"). The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pensions and Benefits.

Under the SHBP, retirees may continue the health benefits programs in which they are enrolled at the time of retirement, provided the retiree pays the costs of the benefits (at group rates) for themselves and their eligible dependents.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the SHBP. 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.

The SHBP is established under the authority of N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. The required contribution rate is determined on an annual pay as you go basis. The State will set the employer contribution rate based on the annual required contribution of the employers ("ARC"), an amount actuarially-determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years. The unfunded actuarial accrued liability for the Authority has not been determined. The Authority's contributions to the State Health Benefits Program Fund for post-retirement benefits for the year ended December 31, 2016, 2015, and 2014 were approximately $62,773, $58,184 and $62,409, respectively. There were 6 retirees receiving benefits during 2016 and 5 retirees receiving benefits during 2015 and 2014.

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, 2016 is estimated at $78,295.

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.

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
2016	103,546	3,556,914	3,550,486	97.00%
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%

Note 7: CAPITAL ASSETS

	Balance Novermber 30,2015	Activity	Balance November 30, 2016
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	11,191,729.12	1,682,749.20	12,874,478.32
Force Mains	2,150,453.13	774,006.95	2,924,460.08
Gravity Mains	2,409,761.90	8,821.16	2,418,583.06
Computer Hardware and Software	158,708.60	6,027.26	164,735.86
Machinery and Equipment	7,362,790.48	50,275.04	7,413,065.52
Furniture and Fixtures	35,487.94	-	35,487.94
	54,946,650.52	2,521,879.61	57,468,530.13
Less: Accumulated Depreciation	(33,476,253.22)	(1,703,644.51)	(35,179,897.73)
	$ 21,470,397.30	$ 818,235.10	$ 22,288,632.40

Note 7: CAPITAL ASSETS (Continued)

	Balance Novermber 30,2014	Activity	Balance November 30, 2015
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
	54,848,342.67	98,307.85	54,946,650.52
Less: Accumulated Depreciation	(31,789,760.74)	(1,686,492.48)	(33,476,253.22)
	$ 23,058,581.93	$ (1,588,184.63)	$ 21,470,397.30

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.

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.

Note 8: REVENUE BONDS PAYABLE (Continued)

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, 2016 and 2015.

Issue	Interest Rate Range	Dated	Balance Nov. 30, 2015	Issued / (Retired)	Balance Nov. 30, 2016
Series F	2.50% to 5.25%	09/01/03	$ 2,565,000	$ (1,065,000)	$ 1,500,000
Series G - Screw Pumps					
NJEIT-Trust	3.00% to 5.00%	03/10/10	300,000	(15,000)	285,000
NJEIT-Fund-ARRA	0.00	03/10/10	273,358	(19,526)	253,832
Series G - Various Projects					
NJEIT-Trust	3.00% to 5.00%	03/10/10	285,000	(15,000)	270,000
NJEIT-Fund	0.00	03/10/10	551,831	(54,556)	497,275
Series H	2.37% to 4.37%	12/02/10	13,490,000	(270,000)	13,220,000
Series I - Energy Audit Improvements					
NJEIT-Trust	3.00% to 5.00%	05/03/12	795,000	(35,000)	760,000
NJEIT-Fund	0.00	05/03/12	797,440	(49,840)	747,600
			$ 19,057,629	$ (1,439,082)	$ 17,533,707

Note 8: REVENUE BONDS PAYABLE (Continued)

Schedule of annual debt service:

Bond Year Ending December 1	Principal	Interest	Total	
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	409,045.00	20,306.25	429,351.25	
	17,533,707.00			
Less:				
Current Portion	(1,583,922.00)			
Unamortized Balance of:				
Bond Discount	(93,616.00)			
Bond Premium	121,143.00			
Carrying Amount	$ 15,977,312.00			

* - 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:

	2016		2015	
Net Revenue:				
Operating Income (Exhibit B)	$ 1,502,053		$ (377,500)	
Add: Depreciation Expense	1,703,645		1,686,492	
Interest Income	(542)		66,082	
General Fund - Fund Balance	-		1,081,630	**
Net Revenues	$ 3,205,156		$ 2,456,704	
Debt Service:				
Interest Charges (Exhibit D-1)	$ 643,708		$ 709,445	
Add: Bond Principal (Due 12/1) Ensuing	1,583,922		1,523,922	
Debt Service	$ 2,227,630		$ 2,233,367	
Net Revenues / Debt Service	3,205,156 / 2,227,630	= 1.44	2,456,704 / 2,233,367	= 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.

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.

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.

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, 2016 and 2015 was $101,426 and $102,998.

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 sever ably 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.

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:

Fiscal Year Ending	Authority Contributions	Employee Contributions	Amount Reimbursed	Balance
2016	$ 0	$ 2,695	$ 0	$ 32,030
2015	0	1,438	0	29,335
2014	0	1,435	0	25,415

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.

	Amount Required	Balance at Year End	Excess or (Deficiency)
Bond Resolution Reserves:			
Operating Reserve Fund	$ 1,035,917	$ 1,015,230	$ (20,687)
Bond Service Fund	1,904,963	1,913,633	8,670
Bond Reserve Fund	2,245,567	2,280,348	34,781
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 net pension liability and deferred outflows and inflows related to pensions amounts to $3,094,898. Of that amount, $571,352 was appropriated for general fund expenditures and $350,000 was appropriated for capital projects in the 2016-17 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 it's 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 Infolws (Measurement Date June 30, 2014)	(129,169)
Total Prior Period Adjustment	(2,281,345)
Net Position November 30, 2014 (restated)	$ 9,187,201

REQUIRED SUPPLEMENTARY INFORMATION

THE BORDENTOWN SEWERAGE AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016

	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual
Operating Revenues:					
Retained Earnings Appropriated	$ -	$ -	$ -	$ -	$ 1,411,439
User Charges and Fees	3,239,967	3,239,967	3,529,382	289,415	3,212,958
Delinquent Penalties	-	-	12,756	12,756	13,548
Connection Fees	1,940,138	1,940,138	2,321,553	381,415	601,134
Miscellaneous	50,000	50,000	114,273	64,273	122,162
Total Operating Revenues	5,230,105	5,230,105	5,977,964	747,859	5,361,241
Operating Expenses:					
Personnel Services:					
Board Salaries	3,000	3,000	3,000	-	3,000
Administrative Salaries	317,000	317,000	235,462	81,538	243,101
Plant Salaries	690,242	690,242	632,122	58,120	617,700
	1,010,242	1,010,242	870,584	139,658	863,801
Employee Benefits:					
Public Employees Retirement System	105,000	105,000	103,267	1,733	95,435
Social Security	77,819	77,819	62,891	14,928	62,503
Unemployment/Disability	3,000	3,000	483	2,517	475
Health Benefits	276,000	276,000	229,574	46,426	211,071
Health Benefits - Retirees	80,000	80,000	70,325	9,675	65,947
Other Employee Benefits	101,250	101,250	87,594	13,656	83,357
	643,069	643,069	554,134	88,935	518,788
Administrative Expenses:					
Office Expense	92,500	97,500	79,455	18,045	82,161
Insurance	110,000	110,000	104,296	5,704	105,147
Legal	65,000	65,000	59,595	5,405	59,255
Engineering	20,000	20,000	7,902	12,098	3,876
Auditing	35,000	35,000	31,760	3,240	34,335
Miscellaneous Administrative Expenses	50,500	46,500	32,317	14,183	39,456
Telephone	12,000	12,000	8,949	3,051	8,940
Trustee Expense	12,000	12,000	8,300	3,700	8,300
	397,000	398,000	332,574	65,426	341,470
Operations and Maintenance:					
Utilities	403,000	403,100	298,043	105,057	361,337
Repairs to Plants & Collection System	50,000	50,000	22,266	27,734	30,264
Fuel for Heating and Generators	500	500	-	500	-
Alarms	16,000	16,000	15,527	473	14,447
Chemicals	160,000	160,000	147,648	12,352	158,546
Plant and Lab Supplies	19,750	24,750	16,463	8,287	12,504
Other Repairs and Maintenance	15,000	15,000	5,359	9,641	13,875
Vehicle Expense	49,500	49,700	26,767	22,933	27,558
Permits	35,500	35,500	19,466	16,034	22,030
Sludge Removal	210,000	202,200	165,962	36,238	145,444
Laboratory Analysis	26,400	26,400	15,727	10,673	16,255
Uniform Expense	5,000	5,000	3,626	1,374	4,053
Miscellaneous Other Expenses	4,500	6,000	1,438	4,562	6,527
	995,150	994,150	738,292	255,858	812,840
Bond Principal in Lieu of Depreciation	1,583,922	1,583,922	1,523,922	60,000	1,208,922
Total Operating Expenses	4,629,383	4,629,383	4,019,506	609,877	3,745,821

THE BORDENTOWN SEWERAGE AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016

	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual
Other Sources and (Uses):					
Investment Income:					
Unrestricted Accounts	-	-	4,308	4,308	-
Restricted Accounts	95,000	95,000	(2,706)	(97,706)	3,140
Interest on Bonds	(643,708)	(643,708)	(643,708)	-	(709,445)
Total Other Sources and (Uses)	(548,708)	(548,708)	(642,106)	(93,398)	(706,305)
Budgetary Revenues Over Expenses	$ 52,014	$ 52,014	$ 1,316,352	$ 1,264,338	$ 909,115
Reconciliation of Budgetary Basis to GAAP Basis:					
Excess from Above - Budgetary Basis			1,316,352		909,115
Budgeted Debt Principal			1,523,922		1,208,922
Depreciation			(1,703,645)		(1,686,492)
Amortization of Bond Discount, Premium and Early Retirement of Debt			(104,243)		(93,898)
Additional Pension Expense as Per GASB 68			(276,682)		(103,911)
Net Realized and Unrealized Gain or (Loss)			(2,144)		62,942
Contributed Capital			2,451,755		-
Retained Earnings Appropriated			-		(1,411,439)
Changes in Net Position			$ 3,205,315		$ (1,114,761)

Capital Funding

Funding Source:				
Net Position	182,500	182,500	182,500	-
Total Capital Sources	182,500	182,500	182,500	-
Costs:				
Capital Outlay:				
Plant and System Repairs	100,000	98,692	6,355	92,337
Armcon/Collection Systems	50,000	50,000	22,657	27,343
Lab Equipment	10,000	10,000	5,001	4,999
Vehicel Replacement	22,500	23,808	23,808	-
Total Capital Outlay	182,500	182,500	57,821	124,679
Excess (Deficit) of Capital Funding Sources over (Under) Capital Costs	-	-	124,679	124,679

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

	2016	**2015**	**2014**	**2013**
Authority's proportion of the net pension liability (asset)	0.01229%	0.01201%	0.01158%	0.01131%
Authoritys proportionate share of the net pension liability (asset)	$ 3,640,125	$ 2,696,349	$ 2,167,460	$ 2,162,135
Authority's covered-employee payroll	$ 834,548	$ 819,967	$ 822,258	$ 811,580
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	436.18%	328.84%	263.60%	266.41%
Plan fiduciary net position as a percentage of the total pension liability	40.14%	47.92%	52.08%	48.72%

**This schedule is presented to illistrate 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 Authority Contributions
Public Employee's Retirement System
Last Ten Fiscal Years

	2016	2015	2014	2013
Contractually required contribution	$ 109,188	$ 103,267	$ 95,436	$ 85,241
Contributions in relation to the contractually required contribution	109,188	103,267	95,436	85,241
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 834,548	$ 819,967	$ 822,258	$ 811,580
Contributions as a percentage of covered-employee payroll	13.08%	12.59%	11.61%	10.50%

**This schedule is presented to illistrate 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
November 30, 2016

Public Employees' Retirement System (PERS)

Basis of Presentation. The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. The numbers were derived in a report provided by KPMG dated April 6, 2017. The full report is available by the State of New Jersey, Division of Pension and Benefits. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

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. Pre-retirement mortality rates were based on the RP-2000 Employee Pre-Retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary’s modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary’s modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

SUPPLEMENTARY INFORMATION

Schedule 1

THE BORDENTOWN SEWERAGE AUTHORITY
STATEMENT OF MISCELLANEOUS REVENUE EARNED
FOR THE FISCAL YEARS ENED NOVEMBER 30, 2016 AND 2015

	2016	2015
Insurance Reimbursement - JIF	$ 22,916	$ 20,746
Insurance Reimbursement - Other	23,739	11,240
Waste Water Treatment Tipping Fees	39,555	23,376
Application Fees	385	105
Inspection Fees	2,400	-
New Customer and Turn-On/Off Fees	-	16,285
Review Fees	4,700	75
Interest on Connection Fee	945	32,580
Miscellaneous	19,633	17,755
	$ 114,273	$ 122,162

Schedule 2

THE BORDENTOWN SEWERAGE AUTHORITY
ANALYSIS OF CONSUMER ACCOUNTS RECEIVABLE
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016

Balance - December 1, 2015		$ 147,309
Increased By:		
Billings:		
Rents	3,529,382	
Penalties	12,756	
Sludge	39,555	
Other	-	
		3,581,693
		3,729,002
Decreased By:		
Collections		3,625,456
Balance - November 30, 2016		$ 103,546

<u>Aging</u>	
Current	58,213
30 Days	21,564
60 Days	29
90 Days	23,740
	$ 103,546

BORDENTOWN SEWERAGE AUTHORITY

ROSTER OF OFFICIALS

NOVEMBER 30, 2016

MEMBERS	POSITION
James E. Lynch, Jr.	Chairman
M. Ellen Gulbinsky	Vice-Chairwoman
Stephen Monson	Secretary
Leonard J. de Groot	Treasurer
Joseph R. Malone, III	Assistant Secretary
Zigmont F. Targonski	Assistant Secretary

OTHER OFFICIALS	
Richard D. Eustace	Executive Director
Elizabeth J. Kwelty	Administrative Manager
W. Craig Dansbury	Operations Manager
Richard Czekanski of Remington & Vernick	Consulting Engineer
Thomas J. Coleman, III Esquire of Raymond, Coleman, Heinold, & Normal LLP	Solicitor
TD Wealth Management	Trustee

HFA
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ALLISON, P.C.
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194 East Bergen Place, Red Bank, NJ 07701 • Tel: 732.747.0010
795 Canton Street, Troy, PA 16947 • Tel: 570.297.5090
926 Main Street, Suite 103, Rome, PA 18837 • Tel: 570.297.5090
www.hfacpas.com

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

We have audited the financial accounts and transactions of the Bordentown Sewerage Authority, County of Burlington, State of New Jersey for the year ended November 30, 2016. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised by (*N.J.S.A.40A:11-4*)

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate $17,500 except by contract or agreement.

It is pointed out that the Members of the Authority have the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

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

The minutes indicated that no bids were necessary or requested by public advertising in the current fiscal year.

The minutes also indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures revealed individual payments, contracts or agreements in excess of $2,625 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

The supporting documentation indicated that quotes were requested for all items that required them.

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Fund

The examination of the payroll account included the detailed computation of various deductions or other credits from the payroll of the Authority employees and we ascertained that the accumulated withholdings were disbursed to the proper agencies.

Property, Plant & Equipment

The property, plant and equipment subsidiary ledger was maintained properly.

Follow-Up of Prior Years' Findings

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year findings. There were no findings in the prior year.

Acknowledgment

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

During our audit, we did not note any problems or weaknesses significant enough that would affect our ability to express an opinion on the financial statements taken as a whole. Should you have any questions concerning our comments, please call us.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

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

May 12, 2017
Bordentown, New Jersey