

**THE BORDENTOWN SEWERAGE AUTHORITY**  
**REPORT OF AUDIT**  
**FOR THE FISCAL YEAR ENDED**  
**NOVEMBER 30, 2014**

BORDENTOWN SEWERAGE AUTHORITY

NOVEMBER 30, 2014

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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

I have audited the accompanying statement of net position of the Bordentown Sewerage Authority, County of Burlington, State of New Jersey, as of November 30, 2014 and 2013 and the related statements of revenues, expenses and change in net position and cash flows for the years then ended, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

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

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

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bordentown Sewerage Authority as of November 30, 2014 and 2013, and the results of its operations and cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

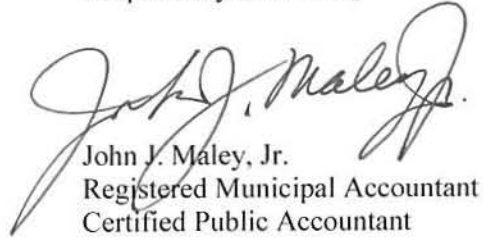
My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary schedules, the, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules are the responsibility of management and are derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, I have also issued a report dated March 19, 2015 on my consideration of the Bordentown Sewerage Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements. The purpose of that is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,



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

March 19, 2015

**JOHN J. MALEY, JR.**

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Registered Municipal Accountant

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

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

I have audited, auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey, the accompanying statement of net position of the Bordentown Sewerage Authority, County of Burlington, State of New Jersey, as of November 30, 2014 and 2013 and the related statements of revenues, expenses and change in net position and cash flows for the years then ended, and the notes to the financial statements which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated March 19, 2015.

Internal Control Over Financial Reporting

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

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

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying Findings and Recommendations section as 2014-1 and 2014-2 that I consider to be significant deficiencies.

#### Compliance and Other Matters

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

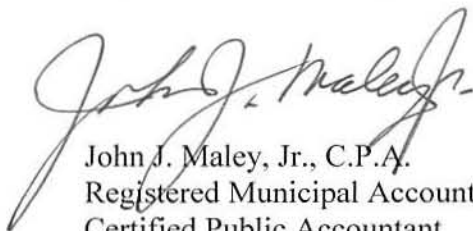
#### Responses to Findings

The Bordentown Sewerage Authority's responses to the findings identified in my audit are described in the accompanying Findings and Responses section. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

#### Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John J. Maley, Jr.", is written over the printed name and title.

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

March 19, 2015



# **The Bordentown Sewerage Authority**

## **Management Discussion and Analysis For The Fiscal Year Ending November 30, 2014**

The Bordentown Sewerage Authority (the "Authority") is a public body corporate and politic, created pursuant to N.J.S.A. 40:14A-1 *et seq.* to provide wastewater collection, treatment and disposal services within the City of Bordentown and the Township of Bordentown in the County of Burlington, New Jersey. This section of the Authority's annual financial report provides management's discussion and analysis of the financial performance for fiscal year 2013, ending November 30, 2014. 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, 2014 (FY14).

*Total Operating Revenue:* Total operating revenues for FY14 were \$4,318,206, which is a decrease of \$109,352 from FY13, resulting primarily from a decrease in rent revenue.

*Total Operating Expenses:* Total operating expenses for FY14 were \$4,274,111, which is an increase of \$230,945 over FY13, resulting primarily from an increase in depreciation expense.

*Connection Fees:* Connection fee revenues for FY14 were \$640,703, which is an increase of \$69,084 from FY13.

*Debt Service:* Principal paid in FY14 was \$1,153,922. Interest paid for FY14 was \$786,442 compared to FY13 of \$807,078. Total debt service payments will increase over the next two years. In FY2015 total debt service payments will increase by \$259,000 over the previous year and will remain somewhat level thereafter.

*Total Assets:* Total assets at the end of FY14 were \$33,722,422. After deducting liabilities and adding Deferred Outflows of Resources, net position totaled \$11,468,546. At the end of FY13, total assets were \$34,079,506 and net position was \$12,136,345.



## 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:

	2014	2013
<b>Assets:</b>		
Current Assets	\$ 4,404,769	\$ 2,946,807
Restricted Assets	6,259,071	6,647,334
Capital Assets - Net	23,058,582	24,485,365
<b>Total Assets</b>	<u>33,722,422</u>	<u>34,079,506</u>
<b>Deferred Outflows of Resources:</b>		
Unamortized Charge on Refunding Bonds	590,966	690,268
<b>Total Deferred Outflows of Resources:</b>	<u>590,966</u>	<u>690,268</u>
<b>Liabilities:</b>		
Current Liabilities	3,687,471	2,247,316
Long-Term Liabilities - Net	19,157,371	20,386,113
<b>Total Liabilities</b>	<u>22,844,842</u>	<u>22,633,429</u>
<b>Net Position:</b>		
Net Investment in Capital Assets	3,608,280	4,196,251
Restricted Accounts	5,623,828	5,743,157
Unrestricted Accounts - Designated	160,000	405,000
Unrestricted Accounts - Undesignated	2,076,438	1,791,937
<b>Total Net Position</b>	<u>\$ 11,468,546</u>	<u>\$ 12,136,345</u>

The Authority had a net operating gain (total operating income less operating expenses) of \$44,095 in FY14. Combined with the net non-operating loss (total non-operating income less non-operating expenses) of \$(711,896), net position decreased by \$667,601. The revenues, expenses and change in net position of the Authority are summarized below:

Condensed Statement of Revenues, Expenses and Changes in Net Position

<b>Operating Revenues:</b>			
Service Charges	\$ 3,572,677	\$ 3,726,886	\$ (154,209)
Connection Fees	640,703	571,619	69,084
Miscellaneous Revenue	104,826	129,053	(24,227)
<b>Total Operating Revenue:</b>	<u>4,318,206</u>	<u>4,427,558</u>	<u>(109,352)</u>
<b>Operating Expenses:</b>			
Operating Expenses	2,546,636	2,509,103	37,533
Depreciation Expense	1,727,475	1,534,063	193,412
<b>Total Operating Expenses:</b>	<u>4,274,111</u>	<u>4,043,166</u>	<u>230,945</u>
<b>Operating Income (Loss):</b>	<u>44,095</u>	<u>384,392</u>	<u>(340,297)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Investment Income / (Loss)	132,262	(70,411)	202,673
Interest Expense	(844,157)	(893,481)	49,324
<b>Total Non-Operating Income (Loss):</b>	<u>(711,896)</u>	<u>(963,892)</u>	<u>251,996</u>
<b>Income/(Loss)</b>	<u>(667,801)</u>	<u>(579,500)</u>	<u>(88,301)</u>
<b>Net Position, December 1</b>			
	12,136,345	12,715,845	(579,500)
<b>Net Position, November 30</b>	<u>\$ 11,468,544</u>	<u>\$ 12,136,345</u>	<u>\$ (667,801)</u>

## ANALYSIS OF FINANCIAL CONDITION

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

## OPERATING ACTIVITIES

The condensed statement of revenues, expenses, and changes in net position provides information as to the nature and source of changes in financial position. The statement shows that operating revenues in 2014 decreased by \$109,352 (2.46%) and operating expenses, before depreciation expense, increased \$37,533 1.49% over 2013.

The items, which were responsible for the major changes in net position for the year ended November 30, 2014, include a \$154,209 decrease in rent revenue and a \$202,673 increase in investment income.

While certain expense items had large increases and decreases the net effect was an increase of \$230,945 of which \$193,412 is attributable to depreciation expense.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### CAPITAL ASSETS

The following table summarizes the changes in capital assets at November 30, 2014 and 2013:

<u>Year Ended November 30</u>	<u>Capital Assets, Net of Depreciation</u>		<u>(Decrease)</u>
	<u>2014</u>	<u>2013</u>	
Land and Buildings	\$ 19,215,748	\$ 19,214,548	\$ 1,200
Tanks, Pump Stations and Mains	28,141,606	28,004,277	137,329
Other	7,490,988	7,328,826	162,162
	<u>54,848,342</u>	<u>54,547,651</u>	<u>300,691</u>
Less: Accumulated Depreciation	<u>31,789,760</u>	<u>30,062,286</u>	<u>1,727,474</u>
<b>Total Capital Assets, Net of Depreciation</b>	<u><u>\$ 23,058,582</u></u>	<u><u>\$ 24,485,365</u></u>	<u><u>\$ (1,426,783)</u></u>

At November 30, 2014, the Authority's investment in capital assets was \$23,058,582 (net of accumulated depreciation) which represents a decrease of \$1,426,783 when compared to November 30, 2013.

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, 2014 shown below.

During the fiscal year, the Authority expended \$300,692 for capital projects. Retained earnings provided funding for \$200,894 of those project costs, with the remainder funded by debt.

The proposed Capital Budget for FY15 is \$160,000. The major items constituting the capital budget are as follows.

Plant and System Repairs	\$ 100,000
Collection System Upgrades	50,000
Lab Equipment	<u>10,000</u>
	<u>\$ 160,000</u>

The proposed 2015 to 2019 Capital Budget is \$845,000. Future major capital projects, which are essential to the continuing efficient operation of its system by the Authority, include:

Collection System Upgrade	\$ 250,000
Plant and System Repairs	500,000
Vehicle Replacement	45,000
Laboratory Equipment	<u>50,000</u>
	<u>\$ 845,000</u>

## **DEBT ADMINISTRATION**

The Authority's outstanding bonds and loans payable is \$20,266,552 at November 30, 2014, a decrease of \$1,074,082 when compared to the \$21,420,474 at November 30, 2013. Interest on these bonds and loans is paid semi-annually with interest rates ranging from 2.37% to 5.50%.

## **CONTACTING THE AUTHORITY**

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

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

## **BASIC FINANCIAL STATEMENTS**

THE BORDENTOWN SEWERAGE AUTHORITY  
STATEMENT OF NET POSITION  
NOVEMBER 30, 2014 AND 2013

<b>ASSETS</b>	2014	2013
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 4,274,748	\$ 2,776,234
Investments	-	874
Accounts Receivable:		
Consumer Accounts Receivable	121,534	150,769
Unbilled Revenue		10,640
Prepaid Expenses	8,487	8,290
Total Current Assets	4,404,769	2,946,807
<b>Noncurrent Assets:</b>		
Restricted Assets:		
Revenue Account		
Cash and Cash Equivalents	6,135	5,161
Operating Account		
Cash and Cash Equivalents	887,173	836,199
Investments	101,875	152,111
Debt Service Account		
Cash and Cash Equivalents	1,743,953	1,978,779
Debt Service Reserve Account		
Cash and Cash Equivalents	246,735	283,298
Investments	2,111,903	1,994,226
Debt Service Reduction Account		
Cash and Cash Equivalents	500,035	500,005
Renewal and Replacement Account		
Cash and Cash Equivalents	400,000	400,000
Unexpended Bond Proceeds		
Cash Held by NJEIT	259,090	495,400
Accrued Interest Receivable	2,172	2,155
Total Restricted Assets	6,259,071	6,647,334
Capital Assets		
Land	2,264,000	2,264,000
Buildings, Plant and Equipment (Net of Accumulated Depreciation)	20,794,582	22,221,365
Total Capital Assets	23,058,582	24,485,365
Total Assets	33,722,422	34,079,506
<b>Deferred Outflows of Resources</b>		
Unamortized Charge on Refunding Bonds	590,966	690,268
Total Deferred Outflows of Resources	\$ 590,966	\$ 690,268

See Notes to Financial Statements.

THE BORDENTOWN SEWERAGE AUTHORITY  
STATEMENT OF NET POSITION  
NOVEMBER 30, 2014 AND 2013

<b>LIABILITIES</b>	<u>2014</u>	<u>2013</u>
<b>Current Liabilities:</b>		
Accounts Payable	\$ 22,022	\$ 25,330
Payroll Deductions Payable	1,092	3,959
Deposits for Future Claims		
Deposits for Connection Fees	1,935,836	544,848
Developers' Escrow Deposits	112,105	91,426
State Unemployment Compensation	25,415	24,667
	<u>2,096,470</u>	<u>690,230</u>
<b>Current Liabilities Payable From Restricted Assets:</b>		
Revenue Bonds Payable - Current Portion	1,208,922	1,153,922
Bond Interest Payable	382,079	403,164
	<u>1,591,001</u>	<u>1,557,086</u>
<b>Total Current Liabilities Payable From Restricted Assets</b>		
	<u>1,591,001</u>	<u>1,557,086</u>
<b>Noncurrent Liabilities</b>		
Revenue Bonds Payable	19,091,436	20,320,860
Compensated Absences	65,935	65,253
	<u>19,157,371</u>	<u>20,386,113</u>
<b>Total Noncurrent Liabilities</b>		
	<u>19,157,371</u>	<u>20,386,113</u>
<b>Total Liabilities</b>	<u>22,844,842</u>	<u>22,633,429</u>
<b>NET POSITION</b>		
<b>Net Position:</b>		
Investment in Capital Assets, Net of Related Debt	3,608,280	4,196,251
Restricted Net Position:		
Reserved for Debt Service	4,222,719	4,355,299
Reserved for Operating Costs	1,001,109	987,858
Reserved for Renewal and Replacement	400,000	400,000
Unrestricted Net Position	2,236,438	2,196,937
	<u>11,468,546</u>	<u>12,136,345</u>
<b>Total Net Position</b>	<u>\$ 11,468,546</u>	<u>\$ 12,136,345</u>

See Notes to Financial Statements.



THE BORDENTOWN SEWERAGE AUTHORITY  
COMPARATIVE STATEMENT OF REVENUES AND EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013

	2014	2013
<b>Operating Revenues</b>		
User Charges and Fees	\$ 3,572,677	\$ 3,726,886
Delinquent Penalties	17,671	18,056
Connection Fees	640,703	571,619
Miscellaneous	87,155	110,997
Total Operating Revenues	4,318,206	4,427,558
<b>Operating Expenses:</b>		
Personnel Services	872,715	876,195
Employee Benefits	508,931	525,947
Administrative Expenses	338,302	328,660
Operations and Maintenance	826,688	778,301
Depreciation	1,727,475	1,534,063
Total Operating Expenses	4,274,111	4,043,166
<b>Operating Income</b>	44,095	384,392
<b>Non-Operating Revenues (Expenses):</b>		
Investment Income / (Loss)	132,262	(70,411)
Interest Expense	(844,157)	(893,481)
Total Non-Operating Revenues (Expenses)	(711,896)	(963,892)
Income (Loss)	(667,801)	(579,500)
<b>Capital Contributions:</b>		
Capital Assets Acquired through Contribution	-	-
Change in Net Position	(667,801)	(579,500)
<b>Net Position, December 1</b>	12,136,345	12,715,845
<b>Net Position, November 30</b>	\$ 11,468,544	\$ 12,136,345

See Notes to Financial Statements.

THE BORDENTOWN SEWERAGE AUTHORITY  
COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013

	2014	2013
<b>Cash Flows From Operating Activities:</b>		
Cash Received from Customers and Users	\$ 5,749,070	\$ 4,455,536
Cash Payments for Goods and Supplies	(1,149,932)	(1,119,791)
Cash Payments for Employee Expenses	(1,380,965)	(1,399,358)
Net Cash Provided by Operating Activities	3,218,172	1,936,387
<b>Cash Flows From Capital and Related Financing Activities:</b>		
General and Construction Outlays	(300,692)	(2,047,511)
Debt Service:		
Principal	(1,153,922)	(1,251,043)
Interest	(786,442)	(826,528)
Net Cash (Used) or Provided by Capital and Related Financing Activities	(2,241,057)	(4,125,082)
<b>Cash Flows From Investing Activities:</b>		
Investment Income	132,245	(69,972)
Net Change in Investments	(66,567)	219,467
Net Cash (Used) Or Provided by Investing Activities	65,678	149,495
Net Cash Increase (Decrease) for the Year	1,042,793	(2,039,200)
<b>Cash at Beginning of Year</b>	7,275,076	9,314,276
<b>Cash at End of Year</b>	\$ 8,317,869	\$ 7,275,076
<b>Noncash Investing, Capital and Financing Activities</b>		
Capital Assets Acquired through Contribution	\$ -	\$ -

See Notes to Financial Statements.

THE BORDENTOWN SEWERAGE AUTHORITY  
COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013

<b>Reconciliation of Operating Income to Net Cash Used by Operating Activities:</b>		2014	2013
Operating Income	\$	44,095	\$ 384,392
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:			
Depreciation		1,727,475	1,534,063
(Increase) Decrease in:			
Accounts Receivable		39,875	(56,533)
Prepaid Expenses		(197)	(73)
(Decrease) Increase in:			
Accounts Payable		(3,308)	(11,068)
Payroll Deductions Payable		(2,867)	(121)
Deposits for Connection Fees		1,390,988	84,511
Developers' Escrow Deposits		20,679	(245)
Reserve for Unemployment Insurance		748	625
Compensated Absences		682	2,784
Total Adjustments		3,174,074	1,553,943
Net Cash Provided by Operating Activities	\$	3,218,169	\$ 1,938,335
<u>Reconciliation of Cash to the Statement of Net Position</u>			
Current Assets:			
Cash	\$	4,274,748	\$ 2,776,234
Restricted Assets:			
Cash		4,043,122	4,498,842
	\$	8,317,869	\$ 7,275,076

See Notes to Financial Statements.

BORDENTOWN SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity

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

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

Basis of Presentation

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

GASB Statement 67 *Financial Reporting for Pension Plans, an Amendment of GASB 25*, this statement improves financial reporting by state and local government pension plans. It replaces the requirements of Statements No. 25 Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contributions Plans and No. 50 Pension Disclosures, as they relate to pension plans that are administered through trust or equivalent arrangements that meet certain criteria. This Statement is effective for financial statements beginning after June 15, 2013. There was no impact on the Authority financial statements.

GASB Statement 69 *Government Combinations and Disposals of Government Operations*, this statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement is effective for financial statements beginning after June 15, 2013. There was no impact on the Authority financial statements.

The Authority is also reviewing the following recently issued GASB statements to assess the impact on the Authority financial statements:

GASB Statement 68 *Accounting and Financial Reporting for Pensions*, this statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. It replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Government Employers as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The Authority does not expect this statement to impact its financial statement. This Statement is effective for financial statements beginning after June 15, 2014. The Authority is evaluating this Statement to determine its impact on the financial statements.

BORDENTOWN SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

GASB Statement 70 *Accounting and Financial Reporting for Non Exchange Financial Guarantees*, this statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on that guarantee. The amount of liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of liability to be recognized should be the discounted present value of the minimum amount within the range. When the government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. The Authority does not expect this statement to impact its financial statements.

GASB Statement 71 *Pension Transition for Contributions made Subsequent to the measurement Date-An Amendment of GASB Statement No. 68*, this statement requires a state or local government employer to recognize a net pension liability measured as of a date no earlier than the end of its prior fiscal year. If a state or local government employer or non employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government. The Authority is evaluating this Statement to determine its impact on the financial statements.

GASB Statement 72 *Fair Value Measurement and Application*, this statement required a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. Additionally, this statement generally requires investments to be measured at fair value. An investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. This statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value. This Statement is effective for financial statements beginning after June 15, 2015. The Authority is evaluating this Statement to determine its impact on the 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.

BORDENTOWN SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

Required Accounts

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

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

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

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

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

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

**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. During the year this account was reduced to \$500,035.

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



BORDENTOWN SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting (Continued)

budgeted. The governing body may amend the budget at any point during the year. The budget was amended during the fiscal year.

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

Cash, Cash Equivalents and Investments

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

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

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

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

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 of Resources

A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. The Authority reports loss on refunding of debt associated with the issuance of debt as deferred outflow of resources that are accreted over the life of the bonds



BORDENTOWN SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Discounts/Bond Premium

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

Nonoperating Revenues and Expenses

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

Net Position

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

Income Taxes

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

Unrealized Gains and Losses

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

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.

BORDENTOWN SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

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

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, 2014 and 2013 the Authority's deposits are classified as to credit risk as follows:

	<u>Bank Balance</u>	
	<u>2014</u>	<u>2013</u>
Insured	\$ 250,000	\$ 250,000
Uninsured and collateralized with securities held by the pledging bank's trust department but not in the Authority's name.	\$ 7,812,700	\$ 6,555,335
Held by NJEIT	\$ 259,090	\$ 495,400

The carrying amount of cash and cash equivalents at December 2014 and 2013 is \$8,321,790 and \$7,274,825 respectively and due to its short-term nature, the carrying amount of cash and cash equivalents approximates fair value.

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

	<u>Cost Value</u>	<u>Market Value</u>
U.S. Government Securities 2014	\$2,213,778	\$2,214,112
U.S. Government Securities 2013	\$2,201,005	\$2,147,211

Investments totaling \$ 2,214,112 and \$ 2,147,211 at 2014 and 2013 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.

BORDENTOWN SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

Note 3: PENSION PLAN

Description of System and Vesting

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

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

Description of System and Vesting

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

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

Contribution Requirements

The contribution policy is set by N.J.S.A 43:15A, Chapter 62, P.L. if 1994 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey Legislation. PERS provides for employee contributions of 6.92% of employees' annual compensation, effective July 1, 2014. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, non-contributory death benefits, and post-retirement medical premiums. The Authority made contributions equal to their required amounts for the years ended November 30, 2014 totaling \$95,436, November 30, 2013 totaling \$94,917 and November 30, 2012 totaling \$108,837.

The amount of the Authority's current year covered payroll was \$880,145 and the total payroll for all employees was \$880,044. Employee's contributions to the pension totaled \$56,320 or 6.84% of covered payroll.

BORDENTOWN SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

Note 4: POST-EMPLOYMENT RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required PERS, to fund post-retirement medical benefits for those State employees who retire after reaching age 60 and accumulating 25 years of credited service. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the PERS system. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees. As of June 30, 2013, there were 100,134 retirees receiving post-retirement medical benefits, and the State contributed \$1.07 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program. The State paid \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013.

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

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

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

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

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

BORDENTOWN SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

Note 4: POST-EMPLOYMENT RETIREMENT BENEFITS(Continued)

The Bordentown Sewerage Authority contributions to SHBP for the years ended November 30, 2014, 2013, and 2012, were \$62,409, \$84,339, and \$79,204 respectively, which equaled the required contributions for each year. There were 5 retired participants eligible at November 30, 2014, 5 retired participants at 2013, and 4 retired participants at 2012.

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, 2014 is estimated at \$65,935.

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:

<b>Fiscal Year</b>	<b>Beginning Balance</b>	<b>Billings</b>	<b>Total Collections</b>	<b>Percentage of Collections</b>
2014	150,769	3,694,797	3,687,573	95.89%
2013	150,780	3,731,208	3,731,220	96.12%
2012	110,474	3,781,957	3,741,650	96.13%
2011	135,454	3,585,420	3,610,400	97.03%
2010	115,375	3,662,497	3,642,417	96.41%
2009	105,222	3,705,048	3,694,896	96.97%
2008	96,358	3,811,673	3,802,808	97.31%
2007	89,030	3,896,470	3,889,142	97.58%
2006	64,537	3,747,045	3,722,552	97.66%
2005	55,122	3,603,123	3,592,820	98.21%



BORDENTOWN SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

Note 6: USER CHARGES AND FEES (Continued)

Major Customers

Ocean Spray Cranberry Inc., a cranberry processing plant, discontinued operations in August 2014. A comparison of Ocean Spray billings is shown below:

	<u>Ocean Spray</u> <u>Billing</u>	<u>Total</u> <u>Billings</u>	<u>Percentage</u>
2014	440,070.85	3,694,797.47	11.91%
2013	577,378.80	3,731,208.29	15.47%
2012	585,788.10	3,781,956.53	15.49%
2011	514,053.30	3,585,419.25	14.34%
2010	498,267.90	3,662,496.80	13.60%
2009	572,857.91	3,705,048.25	15.46%
2008	642,370.80	3,811,672.56	16.85%
2007	711,114.52	3,896,470.45	18.25%
2006	609,759.90	3,747,044.70	16.27%
2005	555,103.20	3,548,930.28	15.64%

Note 7: CAPITAL ASSETS

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

**BORDENTOWN SEWERAGE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 7: CAPITAL ASSETS (Continued)**

	Balance November 30, 2012	Activity	Balance November 30, 2013
Land	\$ 2,264,000.00	\$ -	\$ 2,264,000.00
Buildings	16,950,548.28		16,950,548.28
Tanks	12,421,971.07	-	12,421,971.07
Pumping Stations	11,175,214.72	1,455.00	11,176,669.72
Force Mains	2,125,953.13	24,500.00	2,150,453.13
Gravity Mains	2,245,443.77	9,739.00	2,255,182.77
Computer Hardware and Software	148,309.00	1,475.12	149,784.12
Machinery and Equipment	4,923,259.77	2,220,294.17	7,143,553.94
Furniture and Fixtures	28,512.63	6,975.31	35,487.94
	52,283,212.37	2,264,438.60	54,547,650.97
Less: Accumulated Depreciation	(28,528,223.30)	(1,534,062.69)	(30,062,285.99)
	<u>\$ 23,754,989.07</u>	<u>\$ 730,375.91</u>	<u>\$ 24,485,364.98</u>

**Note 8: REVENUE BONDS PAYABLE**

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

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

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

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



**BORDENTOWN SEWERAGE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 8: REVENUE BONDS PAYABLE:**

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

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

**Bond Discount and Bond Premium :**

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

**Outstanding Debt:**

The following is a summary of long-term debt at November 30, 2014 and 2013.

<u>Issue</u>	<u>Interest Rate Range</u>	<u>Dated</u>	<u>Balance Nov. 30, 2013</u>	<u>Issued / (Retired)</u>	<u>Balance Nov. 30, 2014</u>
Series F	2.50% to 5.25%	09/01/03	\$ 4,545,000	\$ (970,000)	\$ 3,575,000
Series G - Screw Pumps					
NJEIT-Trust	3.00% to 5.00%	03/10/10	330,000	(15,000)	315,000
NJEIT-Fund-ARRA	0.00	03/10/10	312,410	(19,526)	292,884
Series G - Various Projects					
NJEIT-Trust	3.00% to 5.00%	03/10/10	315,000	(15,000)	300,000
NJEIT-Fund	0.00	03/10/10	660,944	(54,556)	606,388
Series H	2.37% to 4.37%	12/02/10	13,500,000	-	13,500,000
Series I - Energy Audit Improvements					
NJEIT-Trust	3.00% to 5.00%	05/03/12	860,000	(30,000)	830,000
NJEIT-Fund	0.00	05/03/12	897,120	(49,840)	847,280
			<u>\$ 21,420,474</u>	<u>\$ (1,074,082)</u>	<u>\$ 20,266,552</u>

BORDENTOWN SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

Note 8: REVENUE BONDS PAYABLE (Continued):

Schedule of annual debt service:

Bond Year Ending December 1	Principal	Interest	Total
2014	1,208,922.12	765,357.50	1,974,279.62
2015	1,523,922.12	709,145.00	2,233,067.12
2016	1,583,922.12	643,707.50	2,227,629.62
2017	1,633,922.12	600,426.26	2,234,348.38
2018	1,688,922.12	549,576.26	2,238,498.38
2019	1,743,922.12	495,195.00	2,239,117.12
2020	1,818,922.12	426,645.00	2,245,567.12 *
2021	1,533,922.12	355,880.00	1,889,802.12
2022	1,598,922.12	294,261.26	1,893,183.38
2023-2027	5,522,207.16	515,000.00	6,037,207.16
2028-2031	409,045.98	20,306.25	429,352.23
	<u>20,266,552.22</u>		
Less:			
Current Portion	(1,208,922.12)		
Unamortized Balance of:			
Bond Discount	(132,863.69)		
Bond Premium	<u>166,669.74</u>		
Carrying Amount	<u>\$ 19,091,436.15</u>		

\* - Debt Service Reserve requirement

Note 10: DEBT SERVICE COVERAGE

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

	<u>2014</u>	<u>2013</u>
Net Revenue:		
Operating Income (Exhibit B)	\$ 44,095	\$ 384,392
Add: Depreciation Expense	1,727,475	1,534,063
Interest Income	132,262	85,715
General Fund - Fund Balance	<u>267,876 *</u>	<u>152,930 *</u>
Net Revenues	<u>\$ 2,171,708</u>	<u>\$ 2,157,100</u>
Debt Service:		
Interest Charges (Schedule 1)	\$ 765,358	\$ 807,078
Add: Bond Principal (Due 12/1)		
Ensuing	<u>1,208,922</u>	<u>1,153,922</u>
Debt Service	<u>\$ 1,974,280</u>	<u>\$ 1,961,000</u>
Net Revenues	<u>2,171,708</u>	<u>2,157,100</u>
Debt Service	<u>1,974,280</u> = 1.10	<u>1,961,000</u> = 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, 2014 to meet the required coverage.

BORDENTOWN SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

Note 11: DEFEASANCE OF DEBT

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

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

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

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

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

On December 2, 2010, the Authority issued **Series H** Revenue Bonds of \$13,500,000 with interest rates ranging from 2.375% to 4.375% to refund all of **Series E** Bonds with interest rates ranging from 4.95% to 5.50% by placing a portion of the Series H Bonds in an irrevocable trust with an escrow agent to provide for debt service payments on the remaining balance of Series E Bonds. The refunding met the requirement of an in-substance debt defeasance and the remaining liability of \$12,955,000 of the Series E Bonds is removed from the financial statements. The loss on the early

BORDENTOWN SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

Note 11: DEFEASANCE OF DEBT(Continued)

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. 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 \$559,009.94 is reported as a Deferred Outflow of Resources. Amortization for the fiscal years ended November 30, 2014 and 2013 was \$90,345.91 and \$86,388.83.

Note 12: 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 13: PUBLIC ENTITY RISK POOL

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

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

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

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

Note 14: 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.

BORDENTOWN SEWERAGE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

Note 14: RISK MANAGEMENT(Continued)

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.

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

<u>Fiscal Year</u> <u>Ending</u>	<u>Authority</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Balance</u>
2014	\$ 0	\$ 1,435	\$ 0	\$ 25,415
2013	0	1,371	0	24,667
2012	0	1,423	0	24,042

Note 15: AMOUNTS REQUIRED BY BOND RESOLUTIONS

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

	<u>Amount</u> <u>Required</u>	<u>Balance</u> <u>at Year End</u>	<u>Excess or</u> <u>(Deficiency)</u>
Bond Resolution Reserves:			
Operating Reserve Fund	\$ 1,001,109	\$ 989,048	\$ (12,061)
Bond Service Fund	1,591,000	1,743,953	152,953
Bond Reserve Fund	2,245,567	2,358,638	113,071
Renewal and Replacement Fund	150,000	150,000	0
Local Reserves:			
Renewal and Replacement Fund	250,000	250,000	0
Debt Service Reduction	500,005	500,035	35

Note 16: UNRESTRICTED NET POSITION APPROPRIATED

Of the \$2,236,438 unrestricted net position at November 30, 2014, \$1,411,439 was appropriated and anticipated as revenue in the 2014-15 budget as adopted. An additional \$160,000 was appropriated for capital projects leaving \$664,999 undesignated.

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## **SUPPLEMENTARY INFORMATION**

THE BORDENTOWN SEWERAGE AUTHORITY  
SCHEDULE OF REVENUES AND EXPENSES -  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2014

	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual
<b>Operating Revenues:</b>					
Retained Earnings Appropriated	\$ 728,772	\$ 728,772	\$ 728,772	\$ -	\$ 755,144
User Charges and Fees	3,871,639	3,871,639	3,572,677	(298,962)	3,670,167
Unbilled Water		-		-	56,719
Delinquent Penalties	13,000	13,000	17,671	4,671	18,056
Connection Fees	204,442	204,442	640,703	436,261	571,619
Miscellaneous	50,000	50,000	87,155	37,155	110,997
<b>Total Operating Revenues</b>	<b>4,867,853</b>	<b>4,867,853</b>	<b>5,046,978</b>	<b>179,125</b>	<b>5,182,702</b>
<b>Operating Expenses:</b>					
Personnel Services:					
Board Salaries	3,000	3,000	3,000	-	2,500
Administrative Salaries	324,491	309,491	245,450	64,041	260,855
Plant Salaries	665,486	680,486	624,265	56,221	612,840
	992,977	992,977	872,715	120,262	876,195
Employee Benefits:					
Public Employees Retirement System	94,917	94,917	85,241	9,676	88,857
Social Security	79,316	79,316	63,100	16,216	64,748
Unemployment/Disability	3,000	3,000	477	2,523	462
Health Benefits	256,000	236,000	205,452	30,548	210,474
Health Benefits - Retirees	107,206	107,206	69,962	37,244	84,339
Other Employee Benefits	101,463	101,463	84,699	16,764	77,067
	641,902	621,902	508,931	112,971	525,947
Administrative Expenses:					
Office Expense	84,500	92,000	70,804	21,196	79,002
Insurance	114,444	114,444	108,569	5,875	99,391
Legal	65,000	62,000	58,800	3,200	58,984
Engineering	20,000	20,000	11,723	8,278	16,680
Auditing	35,000	38,000	32,845	5,155	26,575
Miscellaneous Administrative Expenses	33,500	34,500	37,936	(3,436)	31,360
Telephone	12,000	12,000	9,327	2,673	8,368
Trustee Expense	12,000	12,000	8,300	3,700	8,300
	376,444	384,944	338,303	46,641	328,660
Operations and Maintenance:					
Utilities	420,500	409,500	369,906	39,594	324,834
Repairs to Plants & Collection System	30,000	50,000	24,948	25,052	26,004
Fuel for Heating and Generators	500	500	-	500	-
Alarms	13,000	15,000	13,568	1,432	12,714
Chemicals	115,000	115,000	112,243	2,757	103,080
Plant and Lab Supplies	19,750	20,250	12,851	7,399	14,908
Other Repairs and Maintenance	15,000	15,000	11,325	3,675	8,612
Vehicle Expense	44,500	50,500	44,359	6,141	41,902
Permits	35,000	29,000	18,672	10,328	24,000
Sludge Removal	222,000	222,000	198,753	23,247	195,600
Laboratory Analysis	22,000	22,000	15,566	6,434	21,417
Uniform Expense	5,000	5,000	720	4,280	1,921
Miscellaneous Other Expenses	9,500	9,500	3,777	5,723	3,309
NJDEP Stream Study	500	500	-	500	-
	952,250	963,750	826,688	137,062	778,301
Bond Principal in Lieu of Depreciation	1,208,922	1,208,922	1,153,922	55,000	1,039,082
<b>Total Operating Expenses</b>	<b>4,172,495</b>	<b>4,172,495</b>	<b>3,700,560</b>	<b>471,935</b>	<b>3,548,185</b>



THE BORDENTOWN SEWERAGE AUTHORITY  
SCHEDULE OF REVENUES AND EXPENSES -  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2014

	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual
<b>Other Sources and (Uses):</b>					
Investment Income:					
Unrestricted Accounts		-	8,152	(8,152)	9,988
Restricted Accounts	70,000	70,000	72,800	2,800	75,727
Debt Issuance Costs		-	-	-	-
Interest on Bonds	(765,358)	(765,358)	(765,358)	-	(807,078)
Total Other Sources and (Uses)	(695,358)	(695,358)	(684,407)	(5,352)	(721,363)
<b>Budgetary Revenues Over Expenses</b>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 662,012</u>	<u>\$ 645,709</u>	<u>\$ 913,154</u>

Reconciliation of Budgetary Basis to GAAP Basis:

Excess from Above - Budgetary Basis		662,012		913,154
Budgeted Debt Principal		1,153,922		1,039,082
Depreciation		(1,727,475)		(1,534,063)
Amortization of Bond Discount, Premium and Early Retirement of Debt		(78,800)		(86,403)
Net Realized and Unrealized Gain or (Loss)		51,312		(156,126)
Retained Earnings Appropriated		(728,772)		(755,144)
Changes in Net Position		<u>\$ (667,801)</u>		<u>\$ (579,500)</u>

**Capital Funding**

<b>Funding Source:</b>				
NJBIT Loans	304,958	304,958	179,213	125,745
Retained Earnings	405,000	405,000	405,000	-
Total Capital Sources	<u>709,958</u>	<u>709,958</u>	<u>584,213</u>	<u>-</u>
<b>Costs:</b>				
<b>Capital Outlay:</b>				
Energy Audit Improvements	304,958	304,958	101,726	203,232
Plant and System Repairs	300,000	210,000	49,016	160,984
Armcon/Collection Systems	70,000	160,000	149,949	10,051
Lab Equipment	10,000	10,000	-	10,000
Collection System / Pump Station	-	-	-	-
Communication Equipment	-	-	-	-
Vehicle Replacement	25,000	25,000	-	25,000
Total Capital Outlay	<u>709,958</u>	<u>709,958</u>	<u>300,692</u>	<u>409,266</u>
Excess (Deficit) of Capital Funding				
Sources over (Under) Capital Costs	<u>-</u>	<u>-</u>	<u>283,521</u>	<u>283,521</u>

Schedule 2

THE BORDENTOWN SEWERAGE AUTHORITY  
STATEMENT OF MISCELLANEOUS REVENUE EARNED  
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Insurance Reimbursement - JIF	\$ 18,072	\$ 18,828
Waste Water Treatment Tipping Fees	40,193	19,923
Enerwise Curtailment (Energy Rebate)	-	6,179
Application Fees	1,455	-
Inspection Fees	1,200	4,125
New Customer and Turn-On/Off Fees	14,960	18,035
Review Fees	-	55
Interest on Connection Fee	9,551	19,404
FEMA Reimbursement	-	23,818
Miscellaneous	1,724	630
	<u>\$ 87,155</u>	<u>\$ 110,997</u>

Schedule 3

THE BORDENTOWN SEWERAGE AUTHORITY  
ANALYSIS OF CONSUMER ACCOUNTS RECEIVABLE  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2014

Balance - December 1, 2013		\$ 150,769
Increased By:		
Billings:		
Rents	3,621,350	
Penalties	17,670	
Sludge	40,193	
Other	15,585	
		3,694,798
		3,845,567
Decreased By:		
Collections		3,687,574
Balance - November 30, 2014		\$ 157,993

Aging

Current	122,333
30 Days	471
60 Days	-
90 Days	35,189
	\$ 157,993

THE BORDENTOWN SEWERAGE AUTHORITY  
ANALYSIS OF INTEREST RECEIVABLE  
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2014

	Balance Dec. 1, 2013	Interest Earned	Received	Balance Nov. 30, 2014
Unrestricted Assets:				
Revenue Account - Local	\$ -	\$ 249	\$ 249	\$ -
Operating Account - Local	-	941	941	-
General Account	1	53	54	0
Connection Fees	-	1,388	1,388	-
Payroll	-	10	10	0
Escrow	-	99	99	-
	<u>1</u>	<u>2,740</u>	<u>2,741</u>	<u>0</u>
Restricted Assets:				
Unemployment	-	22	22	-
Revenue Account	-	1	1	-
Operating Account	173	5,441	5,501	114
Bond Service Account	-	76	76	-
Bond Reserve Account	1,981	72,616	72,539	2,058
Renewal and Replacement Account	-	24	24	-
Debt Service Reduction Account	-	31	31	-
	<u>2,154</u>	<u>78,210</u>	<u>78,193</u>	<u>2,172</u>
	<u>\$ 2,155</u>	<u>\$ 80,950</u>	<u>\$ 80,933</u>	<u>\$ 2,172</u>
Net Realized and Unrealized Gain or (Loss)		<u>51,312</u>		
Investment Income / (Loss)		<u>\$ 132,262</u>		

BORDENTOWN SEWERAGE AUTHORITY

ROSTER OF OFFICIALS

NOVEMBER 30, 2014

MEMBERS

Ronald L. Marino  
Zigmont F. Targonski  
James E. Lynch, Jr.  
Nancy Liberman  
Joseph R. Malone, III  
Stephen Monson

POSITION

Chairman  
Vice-Chairman  
Treasurer  
Secretary  
Assistant Secretary  
Assistant Secretary

OTHER OFFICIALS

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

Executive Director  
Administrative Manager  
Operations Manager  
  
Consulting Engineer  
  
Solicitor  
Trustee

**JOHN J. MALEY, JR.**

*Certified Public Accountant*

Registered Municipal Accountant

P.O. Box 614

BORDENTOWN, NEW JERSEY 08505

PHONE: (609) 298-8639

FAX: (609) 298-1198

MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

BORDENTOWN SEWERAGE AUTHORITY  
NOVEMBER 30, 2014  
FINDINGS AND RECOMMENDATIONS

Insurance

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

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

Contracts and Agreements Required to be Advertised

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

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

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Contracts and Agreements Required to be Advertised (Continued)

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

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

**Finding 2014-1**

**Criteria:**

Subsidiary ledgers should be routinely reconciled to the general ledger.

**Condition:**

The analysis of payroll withholding accounts does not agree with the general ledger cash balance amounting to \$4,873.

**Cause:**

Unknown.

**Effect:**

The difference could potentially misstate the financial statements.

**Recommendation:**

The analysis of payroll cash should be completed and agreed to the control account.

**Finding 2014-2**

**Criteria:**

Cash accounts must be reconciled to the general ledger control accounts.

**Condition:**

The connection fee cash account did not reconcile to the bank account by \$11,605.

**Cause:**

There were errors in transferring interest earning to the operating account.

**Effect:**

Cash balances were misstated by \$11,605.

**Recommendation:**

The connection fee cash account should be reconciled routinely.



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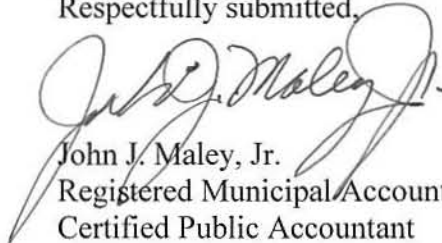
**View of Responsible Officials**

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

**Status of Prior Years Audit Findings/Recommendations**

A review was performed on the 2013 findings which were corrected as indicated in a corrective action plan.

Respectfully submitted,



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

March 19, 2015