



**Long Branch Sewerage Authority  
(A Component Unit of the City of Long Branch)  
Financial Statements  
with Supplementary Information**

**Years ended December 31, 2015 and 2014**

**and  
Independent Auditors' Report**

**LONG BRANCH SEWERAGE AUTHORITY**  
**(A Component Unit of the City of Long Branch)**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditors' Report.....	1-3
Required Supplementary Information – Part I	
Management's Discussion and Analysis .....	4-10
Basic Financial Statements	
Exhibit	
A    Comparative Statement of Net Position.....	11-13
B    Comparative Statement of Revenues, Expenses and Changes in Fund Net Position.....	14
C    Comparative Statement of Cash Flows.....	15
Notes to Basic Financial Statements.....	16-35
Required Supplementary Information and Note to Required Supplementary Information – Part II	
Schedule of the Authority's Proportionate Share of the Net Pension Liability – PERS .....	36
Schedule of the Authority's Contributions - PERS .....	37
Note to Required Supplementary Information .....	38
Supplementary Information	
Schedule	
1    Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Cash Equivalents - Unrestricted Accounts.....	39
2    Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Cash Equivalents and Investments - Restricted Accounts .....	40
3    Comparative Schedule of Revenues and Expenditures Compared to Budget .....	41-44
4    Schedule of Long-Term Revenue Bonds Payable .....	45-48
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	49-50

**OTHER SUPPLEMENTARY INFORMATION**

Roster of Officials and Surety Bond/Insurance Coverage..... 51-52

General Comments and Recommendations ..... 53-55

## Independent Auditors' Report

Honorable Chairman and Members  
of the Board of Commissioners  
Long Branch Sewerage Authority  
Long Branch, New Jersey  
County of Monmouth

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Long Branch Sewerage Authority, County of Monmouth, New Jersey, a component unit of the City of Long Branch (the "Authority"), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards and requirements 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 auditors' 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.

### ***Opinion***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Authority as of December 31, 2015 and 2014, and the respective changes in financial position, and where applicable, cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2 to the basic financial statements, in 2015, the Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information, which consists of the schedule of cash receipts, cash disbursements and changes in cash and cash equivalents – unrestricted, schedule of cash receipts, cash disbursements and changes in cash and cash equivalents and investments – restricted, comparative schedule of revenues and expenditures compared to budget, and schedule of long-term revenue bonds payable and the accompanying other supplementary information which consists of the roster of officials and general comments and recommendations are presented for purposes of additional analysis and are also not a required part of the basic financial statements.

The supplementary information identified above is the responsibility of management and was 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 and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplementary information identified above that appears on pages 51-55 of the report has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2016 on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Wiss & Company*

WISS & COMPANY, LLP

June 8, 2016  
Livingston, New Jersey

**REQUIRED SUPPLEMENTARY INFORMATION**

**PART I**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**LONG BRANCH SEWERAGE AUTHORITY**  
**(A Component Unit of the City of Long Branch)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Required Supplementary Information)**  
**(Unaudited)**

This section presents management's analysis of the Authority's financial condition and activities of the Authority for the years ended December 31, 2015 and 2014.

This information should be read in conjunction with the basic financial statements and accompanying notes to the basic financial statements, which immediately follow this section.

Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis for Local Governments*. Certain comparative information between the current fiscal year and the prior two fiscal years are presented in the MD&A as required by GASB Statement No. 34.

**Discussion of Financial Statements Included in Annual Audit**

The Authority prepares and presents its financial statements on several different bases, because of accounting requirements and for internal use purposes.

The first set of statements which consist of the Comparative Statement of Net Position, the Comparative Statement of Revenues, Expenses and Changes in Fund Net Position, and the Comparative Statement of Cash Flows are prepared on an accrual basis and are in accordance with accounting principles generally accepted in the United States of America (GAAP). These statements are the official basic financial statements of the Long Branch Sewerage Authority.

After the first set of statements and the "Notes to the Basic Financial Statements" that follow is the second set of schedules. These schedules are considered "Supplementary Information."

The Authority has historically presented its financial statements on a "GAAP Basis," and continues to do so because it relates more fairly to the annual budget for the same period.

Contained in the supplementary information are schedules that report the Comparative Schedule of Revenues and Expenditures Compared to Budget (Schedule 3). This schedule compares the "Budget" revenues and expenses to "Actual" revenues and expenses. Principal and interest are reported in this statement as debt service expense, and depreciation is not reported as an expense. On the "GAAP" based statements, depreciation expense is included, and only the interest expense component of the debt service expense is reported.

The Budget to Actual schedule is a very important schedule to the Authority management staff, because it is how we measure our financial performance, particularly as it compares to the approved and adopted annual budget and how it relates to the operational performance.

Other information or schedules incorporated within the annual audit report are the Schedules of Cash Receipts, Cash Disbursements and Changes in Cash, Cash Equivalents and Investments – Restricted and Unrestricted and the Schedule of Long-Term Revenue Bonds Payable.

For the purpose of the Management Discussion and Analysis, the ensuing discussion will review the financial statements of the Long Branch Sewerage Authority, those prepared on an accrual basis and in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of state and local governments. This is the first set of statements included in the annual audit report.

### **Financial Condition**

The Authority's financial condition was satisfactory at year end, as depicted by the financial data which follows.

### **Restatements**

The Authority implemented during 2015 the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68 "GASB's 68 and 71"*. The Comparative Statements of Net Position as of December 31, 2014 and 2013 were restated to reflect Net Pension Liability as well as Deferred Outflows and Inflows of Resources, and the resultant decreased Net Position. The Comparative Statement of Revenue, Expenses and Changes in Fund Net Position for the years ended December 31, 2014 and 2013 were also restated to reflect the impacts of the implementation of GASB's 68 and 71.

### **Comparative Statement of Net Position**

The Authority's total assets and deferred outflow of resources decreased by \$940,209 mainly due to a decrease in restricted cash and cash equivalents related to expenditures for ongoing construction projects. Total liabilities and deferred inflows decreased by \$802,802 due mainly to the reduction in long-term revenue bonds payable offset by an increase in the net pension liability. Assets and deferred outflows exceeded liabilities and deferred inflows by \$23,020,575. This compares to 2014 where assets and deferred outflows exceeded liabilities and deferred inflows by \$22,903,500.

The Authority's net position of \$23,020,575 is comprised of the following:

1. Net investment in capital assets of \$20,775,834 as shown below, includes property plant and equipment, net of accumulated depreciation, and net of long-term debt related to the purchase or construction of capital assets. Net investment in capital assets increased by \$378,049 from the prior year.

Capital assets - net	\$	39,978,311
Less: Revenue bonds payable, net		(23,721,425)
Add: Unspent bond proceeds		<u>4,518,948</u>
Net Investment in Capital Assets	\$	<u><u>20,775,834</u></u>

2. Net position of \$175,000 restricted for the purpose of System Maintenance Reserve, which is determined each year by an independent consulting engineer.
3. Net position of \$140,287 restricted for the purpose of future debt service as required by the Authority's bond resolution.
4. Net position of \$425,000 unrestricted - designated for insurance deductibles.
5. Net position of \$1,091,316 unrestricted – designated for working capital.
6. Net position of \$1,469,267 unrestricted – designated for capital projects. Unrestricted, undesignated net position (deficit) of (\$1,056,129) represents the portion available to maintain the Authority's continuing obligations to the contractual customers of its service area, its creditors and for its current liabilities. Unrestricted, undesignated net position (deficit) decreased by \$10,294 mainly due to the positive change in net position.

Comparative Condensed Statements of Net Position

	December 31,		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
		(As restated)	(As restated)
Total current assets	\$ 6,497,956	\$ 6,170,956	\$ 6,922,340
Total restricted assets	4,890,426	8,905,760	1,917,664
Capital assets, net	39,978,311	37,566,961	37,693,704
Deferred outflows of resources	<u>965,109</u>	<u>358,334</u>	<u>154,550</u>
Total assets and deferred outflows of resources	<u>\$ 52,331,802</u>	<u>\$ 53,002,011</u>	<u>\$ 46,688,258</u>
Total current liabilities payable from unrestricted assets	\$ 646,887	\$ 517,297	\$ 321,939
Total current liabilities payable from restricted assets	1,772,250	1,916,758	4,062,090
Compensated absences payable	170,647	179,931	226,404
Long term obligations, net	22,209,493	23,765,342	16,300,772
Net pension liability	4,440,554	3,510,006	3,390,104
Deferred inflow of resources	<u>71,396</u>	<u>209,177</u>	
Total liabilities and deferred inflow of resources	<u>\$ 29,311,227</u>	<u>\$ 30,098,511</u>	<u>\$ 24,301,309</u>
Total Net Position	<u>\$ 23,020,575</u>	<u>\$ 22,903,500</u>	<u>\$ 22,386,949</u>



Total current assets have increased because cash and cash equivalents increased offset by a decrease in customer accounts receivable. Total restricted assets have decreased because of the decrease in cash and cash equivalents and investments attributable to the capital expenditures funded by the 2014 revenue bond issuance.

Deferred outflows of resources increased and deferred inflows of resources decreased due to the implementation of GASB Statement Nos. 68 and 71.

Capital assets, net increased because capital asset acquisitions exceeded depreciation.

Total current liabilities payable from unrestricted assets have increased, mainly due to an increase in accounts payable. Total current liabilities payable from restricted assets have decreased due to both a reduction of the current portion of bonds payable and a reduction of accrued interest on bonds payable. Long term obligations have decreased due to the repayments, credits and deobligation of certain bonds payable.

#### Comparative Condensed Statements of Revenues, Expenses and Changes in Fund Net Position

2015 operating revenues increased from 2014 levels, mainly due to an increase in annual charges from system user charges. Total operating expenses increased mainly due to an increase in depreciation expense. Total operating revenues less total operating expenses produced operating income of \$22,290 which is less than 2014 operating income of \$103,063. Total Net Position as of December 31, 2015 increased by \$117,075 as is depicted below.

	Years ended December 31,		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
		(As restated)	(As restated)
Total operating revenues	\$ <u>5,945,015</u>	\$ <u>5,877,483</u>	\$ <u>5,993,657</u>
Operating expenses	<u>4,021,037</u>	<u>3,980,477</u>	<u>3,794,387</u>
Depreciation	<u>1,901,688</u>	<u>1,793,943</u>	<u>1,743,435</u>
Total operating expenses	<u>5,922,725</u>	<u>5,774,420</u>	<u>5,537,822</u>
Operating income	22,290	103,063	455,835
Nonoperating revenues (expenses) - net	<u>94,785</u>	<u>547,141</u>	<u>(113,440)</u>
Change in net position	117,075	650,204	342,395
Total net position - beginning	22,903,500	22,253,296	25,434,658
Restatement - pension liability and related expense	<u>                    </u>	<u>                    </u>	<u>(3,523,757)</u>
Total net position - beginning, as restated	<u>22,903,500</u>	<u>22,253,296</u>	<u>21,910,901</u>
Total net position - ending	\$ <u><u>23,020,575</u></u>	\$ <u><u>22,903,500</u></u>	\$ <u><u>22,253,296</u></u>

### Comparative Statements of Cash Flows

The net decrease in cash and cash equivalents was \$741,868. This compares to a net increase in cash and cash equivalents in 2014 of \$2,514,145. The main reason for the 2015 decrease is the capital expenditures of 2014 revenue bonds proceeds.

### Debt Administration

As of December 31, 2015, the Authority had \$23,892,072 of outstanding debt. Of this amount, \$170,647 is for compensated absences, \$23,319,795 is for revenue bonds payable and \$401,630 represents an unamortized bond premium. As of December 31, 2014, the Authority had \$25,584,241 of outstanding debt.

It is the current policy of the Long Branch Sewerage Authority Board Members, Executive Director, and senior staff, that funding for capital improvements, additions or replacements, is to be accomplished using one or more of the following methods:

- Borrowings from the New Jersey Environmental Infrastructure Trust
- Funding incrementally or annually from annual operating budget
- Traditional revenue bonds issuance

Refunding of existing public debt is routinely reviewed, analyzed and recommended when appropriate. The Authority has defeased various bond issues and achieved significant debt service savings. Early redemptions and deobligations of bonds outstanding have occurred.

### Capital Assets

As of December 31, 2015 and 2014, the Authority had \$39,978,311 and \$37,566,961, respectively, invested in land, construction in progress, buildings and improvements, other improvements, sewer mains and interceptors, pump stations, other equipment and vehicles, net of accumulated depreciation. The increase in net capital assets is due to the current year's depreciation expense being less than the current year's capital assets additions.

### Core Competencies

The Authority provides wastewater conveyance and treatment services under contracts with participant municipalities and six customer municipalities and the Fort Monmouth Area.

The System consists of a wastewater treatment plant, a wastewater collection system of approximately 120 miles of gravity interceptor and force mains, 6 pumping stations and an ocean outfall line discharging into the Atlantic Ocean through a diffuser system.

The wastewater treatment plant provides primary and secondary wastewater treatment and is situated at 150 Joline Avenue, Long Branch, New Jersey.

The treatment plant has a designed capacity of 5.45 million gallons per day. The plant is designed to serve the projected treatment needs of the service area based on current zoning ordinances.

The Long Branch Sewerage Authority owns and operates the regional piping and pumping systems that receive, meter, and transport the wastewater to the Authority's treatment plant for treatment and discharge. It also owns and operates the collection system.

The user fees charged to the users of the system are the major source of revenue for the Authority. This is shown on the Comparative Statement of Revenues, Expenses and Changes in Fund Net Position as "User Charges" and is reported as operating revenue.

### **Budget Variations**

There were adjustments made during the year to the adopted 2015 budget appropriations for various operating expenditures. None of these adjustments were significant. Significant variations between final budgeted amounts and actual expenses occurred in the following budgetary line items: Disposal plant labor – where expenses were less than budgeted amounts due unfilled positions, disposal plant chemicals – where expenses were controlled and were less than anticipated, and disposal plant electric – where competition in production costs helped lower rates and in Debt Service – Bond Principal – where unforeseen credits and deobligations afforded by the NJEIT reduced required budget needs.

### **The Chairman's Outlook for the Future**

"Our mission for the Long Branch Sewerage Authority is to provide the ultimate wastewater collection and water reclamation system. Always responsive to the customers' needs and the growing community, in compliance with the applicable laws, rules and regulations, Long Branch Sewerage Authority will continue to set and exceed the standards for the protection of the environment, while operating the most efficient system and maintaining a cost effective budget."

As the mission reads, this is who and what the Authority is accountable to. The Authority's accountability, first and foremost, is to protect the environment. The goal is to provide a cost effective and reliable service, and at the same time to protect the environment. This means the Authority is accountable to its customers, the agencies and people served using the same principals: cost effective, efficient, reliable and protective. This is what the employees of the Authority strive for each and every day. And each and every day, the Authority is accountable to its employees.

As an environmental utility, the Authority is also guided by or accountable to state government and the applicable rules and regulations that govern the Long Branch Sewerage Authority. More specifically, the Authority is accountable to the Department of Community Affairs, Division of Local Government Services and the Department of Environmental Protection.

As an environmental utility, the Authority is accountable to the U.S Environmental Protection Agency.

The Authority is also accountable to the governing body of the Authority, the Long Branch Sewerage Authority Board of Directors, and as such, accountable to certain government officials.

### **Governing Body**

The governing body of the Authority consists of a five member board that is appointed by the City of Long Branch Mayor and Council for five-year staggered terms. Currently, they are:

L. Frank Blaisdell, Chairman  
Thomas George, Vice Chairman  
Michael Booth., Treasurer  
David G. Brown, Secretary  
James Mazza, Assistant Secretary/Treasurer

### **Management of the Authority**

The Executive Director of the Long Branch Sewerage Authority, Joseph Martone, manages the daily operations of the Authority. He oversees a staff of 21 and a 2015 budget of \$7.1 million. Senior staff is charged with the management of the operations and financial affairs of the Authority.

### **Independent Auditors**

The independent audit firm is Wiss & Company, LLP, Livingston, New Jersey.

### **Financial Information**

Prior audits and budgets can be obtained by contacting the Long Branch Sewerage Authority or by visiting the Authority's website at [www.lbsa.net](http://www.lbsa.net).

## **BASIC FINANCIAL STATEMENTS**

**LONG BRANCH SEWERAGE AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
A COMPONENT UNIT OF THE CITY OF LONG BRANCH  
COMPARATIVE STATEMENT OF NET POSITION  
DECEMBER 31, 2015 AND 2014**

	December 31,	
	<u>2015</u>	<u>2014</u> (As restated)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,047,964	\$ 5,604,519
Inventory	75,636	115,165
Customer accounts receivable	365,984	436,273
Miscellaneous receivables	3,606	3,632
Prepaid expenses	4,766	11,367
	<u>6,497,956</u>	<u>6,170,956</u>
Total current assets		
Restricted assets:		
Developer's escrow:		
Cash and cash equivalents	52,957	51,251
Bond service reserve fund:		
Cash and cash equivalents	287	1,127
Investments	140,000	140,000
Accrued interest receivable	391	576
Construction fund:		
Cash and Cash Equivalents	2,018,948	3,222,597
Investments	2,500,000	5,000,000
Accrued interest receivable	2,500	3,833
Due from NJ Environmental Infrastructure Trust		310,132
Maintenance reserve fund:		
Cash and cash equivalents	52,000	52,738
Investments	123,000	123,000
Accrued interest receivable	343	506
	<u>4,890,426</u>	<u>8,905,760</u>
Total restricted assets		
Non-current assets:		
Capital Assets - Non-depreciable	3,857,828	2,023,938
Capital Assets - Net of depreciation	36,120,483	35,543,023
	<u>39,978,311</u>	<u>37,566,961</u>
Total capital assets, net		
Total assets	<u>51,366,693</u>	<u>52,643,677</u>
<b>Deferred outflow of resources</b>		
Pension deferrals	965,109	358,334
	<u>965,109</u>	<u>358,334</u>
Total deferred outflow of resources		

*See accompanying notes to the basic financial statements.*



**LONG BRANCH SEWERAGE AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
A COMPONENT UNIT OF THE CITY OF LONG BRANCH  
COMPARATIVE STATEMENT OF NET POSITION  
DECEMBER 31, 2015 AND 2014**

	December 31,	
	<u>2015</u>	<u>2014</u> (As restated)
<b>Liabilities</b>		
Current liabilities payable from unrestricted assets:		
Accounts payable	\$ 528,337	\$ 433,191
Accrued expenses	47,750	38,630
Payroll deductions payable	1,723	1,448
Customer overpayments	<u>69,077</u>	<u>44,028</u>
Total current liabilities payable from unrestricted assets	<u>646,887</u>	<u>517,297</u>
Current liabilities payable from restricted assets:		
Reserve for developers' deposits	52,957	51,251
Accrued interest on bonds payable	207,361	226,539
Revenue bonds payable - current portion	<u>1,511,932</u>	<u>1,638,968</u>
Total current liabilities payable from restricted assets	<u>1,772,250</u>	<u>1,916,758</u>
Non-current liabilities:		
Net pension liability	4,440,554	3,510,006
Long-term revenue bonds payable	21,807,863	23,347,427
Unamortized bond premium (discount)	401,630	417,915
Compensated absences payable	<u>170,647</u>	<u>179,931</u>
Total noncurrent liabilities	<u>26,820,694</u>	<u>27,455,279</u>
Total liabilities	<u>29,239,831</u>	<u>29,889,334</u>
<b>Deferred inflow of resources</b>		
Pension deferrals	<u>71,396</u>	<u>209,177</u>

*See accompanying notes to the basic financial statements.*

**LONG BRANCH SEWERAGE AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
A COMPONENT UNIT OF THE CITY OF LONG BRANCH  
COMPARATIVE STATEMENT OF NET POSITION  
DECEMBER 31, 2015 AND 2014**

	December 31,	
	<u>2015</u>	<u>2014</u>
		(As restated)
<b>Net Position</b>		
Net investment in capital assets	\$ 20,775,834	\$ 20,385,248
Restricted for:		
Future debt service	140,287	140,287
System maintenance reserve	175,000	175,000
Unrestricted:		
Designated for:		
Insurance deductibles	425,000	325,000
Working capital	1,091,316	1,074,488
Capital projects	1,469,267	1,719,900
Rate stabilization	150,000	150,000
Undesignated (deficit)	<u>(1,056,129)</u>	<u>(1,066,423)</u>
Total net position	<u>\$ 23,020,575</u>	<u>\$ 22,903,500</u>

*See accompanying notes to the basic financial statements.*

**LONG BRANCH SEWERAGE AUTHORITY**  
**COUNTY OF MONMOUTH, NEW JERSEY**  
**A COMPONENT UNIT OF THE CITY OF LONG BRANCH**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	December 31,	
	<u>2015</u>	<u>2014</u>
		(As restated)
Operating revenues:		
User charges	\$ 5,945,015	\$ 5,877,483
Total operating revenues	<u>5,945,015</u>	<u>5,877,483</u>
Operating expenses:		
Administration	1,983,358	1,997,294
Disposal plant	1,685,522	1,644,691
Collection system and pumping stations	352,157	338,492
Depreciation	1,901,688	1,793,943
Total operating expenses	<u>5,922,725</u>	<u>5,774,420</u>
Operating income	<u>22,290</u>	<u>103,063</u>
Nonoperating:		
Interest on bonds	(216,182)	(297,720)
Interest on notes		(5,451)
Interest income	23,822	21,629
Interest on delinquent accounts	95,882	84,158
Connection fees	164,784	308,007
Miscellaneous revenue	14,981	7,233
Federal emergency management agency - hurricane sandy	81,119	429,285
Prior year's receivable cancelled	(63,748)	
Major repairs and replacements	(5,873)	
Total nonoperating revenues (expenses)	<u>94,785</u>	<u>547,141</u>
Change in net position	117,075	650,204
Total net position - beginning	22,903,500	25,777,053
Restatement for pension liability and related expense		<u>(3,523,757)</u>
Total net position - beginning, as restated	<u>22,903,500</u>	<u>\$ 22,253,296</u>
Total net position - ending	<u>\$ 23,020,575</u>	<u>\$ 22,903,500</u>

*See accompanying notes to the basic financial statements.*

LONG BRANCH SEWERAGE AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
A COMPONENT UNIT OF THE CITY OF LONG BRANCH  
COMPARATIVE STATEMENT OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2015 AND 2014

	December 31,	
	2015	2014 (As restated)
Cash flows from operating activities:		
Receipts from customers	\$ 6,040,379	\$ 6,041,146
Payments to employees	(1,530,450)	(1,440,539)
Payments to suppliers	(2,143,294)	(2,509,753)
Net cash provided by operating activities	<u>2,366,635</u>	<u>2,090,854</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(3,926,276)	(1,667,200)
NJ Environmental Infrastructure Trust proceeds	173,753	
Project anticipation notes issued (redeemed)		(1,850,000)
Proceeds from revenue bond issuance		10,058,711
Repayment of revenue bonds payable	(1,593,969)	(2,465,063)
Net cash (used in) provided by capital and related financing activities	<u>(5,346,492)</u>	<u>4,076,448</u>
Cash flows from investing activities:		
Interest received	25,503	18,194
Interest paid on revenue bonds and notes	(638,407)	(240,035)
Redemption (purchase) of investment securities	2,500,000	(4,260,000)
Net cash provided by (used in) investing activities	<u>1,887,096</u>	<u>(4,481,841)</u>
Cash flows from noncapital financing activities:		
Connection charges	164,784	308,007
Major repairs and replacements	(5,873)	
Miscellaneous income	191,982	520,677
Net cash provided by noncapital financing activities	<u>350,893</u>	<u>828,684</u>
Net (decrease) increase in cash and cash equivalents	(741,868)	2,514,145
Cash and cash equivalents, beginning of year	<u>8,914,024</u>	<u>6,399,879</u>
Cash and cash equivalents, end of year	<u>\$ 8,172,156</u>	<u>\$ 8,914,024</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 22,290	\$ 103,063
Depreciation	1,901,688	1,793,943
Changes in assets and liabilities:		
Decrease in receivables:		
Unrestricted accounts	116,445	66,962
Increase (decrease) in current liabilities:		
Payable from unrestricted assets	114,072	92,116
Payable from restricted assets	1,706	4,567
Increase in net pension liability	930,548	119,902
(Decrease) increase in deferred inflows of resources	(137,781)	209,177
(Increase) in deferred outflows of resources	(606,775)	(291,508)
Increase in pension related accounts payable	33,726	39,105
(Decrease) in other liabilities	(9,284)	(46,473)
Net cash provided by operating activities	<u>\$ 2,366,635</u>	<u>\$ 2,090,854</u>
Reconciliation to Statement of Net Position:		
Unrestricted cash and cash equivalents	\$ 6,047,964	\$ 5,604,519
Restricted cash and cash equivalents	<u>2,124,192</u>	<u>3,327,713</u>
	<u>\$ 8,172,156</u>	<u>\$ 8,932,232</u>

See accompanying notes to the basic financial statements

**NOTES TO BASIC FINANCIAL STATEMENTS**

**LONG BRANCH SEWERAGE AUTHORITY**  
**(A Component Unit of the City of Long Branch)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2015 and 2014**

**1. Summary of Significant Accounting Policies**

The financial statements of the Long Branch Sewerage Authority (Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

**A. Reporting Entity:**

The Long Branch Sewerage Authority, Monmouth County, New Jersey is a public body politic and corporate of the State of New Jersey, created by virtue of an ordinance adopted by the City Council of the City of Long Branch, New Jersey on April 28, 1953, pursuant to the Sewerage Authority Law of the State of New Jersey (P.L. 1946, Chapter 138 as amended and supplemented). The Authority functions independently through a five member board appointed to five-year staggered terms by the City of Long Branch. The purpose of the Authority is to keep the local waters free of pollution.

The Authority has adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The Authority is a component unit of the primary government unit, the City of Long Branch.

The Authority has oversight responsibility and control over all activities related to the Long Branch Sewerage Authority. The Authority receives funding from federal and state government sources and must comply with requirements of these funding source entities.

**B. Basis of Presentation, Basis of Accounting:**

**Basis of Presentation**

The operations of the Authority are accounted for as a proprietary fund. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to proprietary funds as defined by the Governmental Accounting Standards Board ("GASB"). All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets, deferred outflows of resources and all liabilities and deferred inflows of resources, whether current or non-current, associated with their activity are included on their Comparative Statement of Net Position. Their reported fund equity (net position) is segregated into capital assets net of debt and restricted and unrestricted net position. Unrestricted net position is segregated into designated and undesignated portions. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position. Depreciation of all exhaustive capital assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on the proprietary fund Comparative Statement of Net Position. Depreciation has been provided over the estimated useful lives using the straight-line method.



**LONG BRANCH SEWERAGE AUTHORITY**  
**(A Component Unit of the City of Long Branch)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2015 and 2014**

**B. Basis of Presentation, Basis of Accounting (continued):**

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

**C. Assets, Liabilities and Net Position:**

**Cash and Cash Equivalents:**

Amounts include petty cash and change funds, interest-bearing checking accounts and short-term investments with an original maturity date of three months or less from the date of purchase, carried at cost, which equals fair market value.

**Investments:**

Investments consist of Certificates of Deposit. Investments in Certificates of Deposit, with maturities of three months or more are carried at cost, which equals fair market value.

**Accounts Receivable:**

User charges are established by the Board annually. The charges are subject to adjustment by the Board and a public hearing must be advertised and held prior to adjustment. Receivables are evaluated periodically for collectability. Unpaid user charges are reported to the municipality where the user resides and referred for inclusion in annual tax sales. Allowances for doubtful accounts are established when deemed necessary.

**Inventories:**

Inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. At December 31, 2015 and 2014, the value of the inventory, consisting of chemicals and supplies on hand, was \$75,636 and \$115,165, respectively.

**Capital Assets:**

Capital assets, which include land, property, plant, equipment and construction in progress, are reported in financial statements. The Authority has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. The capitalization threshold used by Authorities in the State of New Jersey is \$2,000.

**LONG BRANCH SEWERAGE AUTHORITY**  
**(A Component Unit of the City of Long Branch)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2015 and 2014**

**C. Assets, Liabilities and Net Position-(Continued)**

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Treatment Plant	40 - 75
Collection System and Pump Stations	5 - 40
Office Furniture and Equipment	10 - 15
Vehicles	5 - 10

**Net Position:**

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Designations of unrestricted net position are imposed by action of the Authority's Board.

**D. Revenues, Operating Revenues and Expenses:**

**Revenues - Exchange and Non-exchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the accrual basis, revenue from system user charges is recognized in the fiscal year for which the user fees are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Operating Revenues and Expenses:**

Operating revenues are those revenues that are generated directly from the primary activity of the Authority. For the Authority, these revenues are for the collection and treatment of waste water. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Authority.

**E. Management Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**LONG BRANCH SEWERAGE AUTHORITY**  
**(A Component Unit of the City of Long Branch)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2015 and 2014**

**F. GASBS Implemented in the 2015 Fiscal Year**

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (“GASB No. 68”). The primary objective of this Statement is to improve 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. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This Statement replaces the requirement of Statement No. 27, *Accounting for Pensions by State and Local Governmental 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 requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2014.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68* (“GASB 71”). The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68 concerning the transition provisions related to certain pension contributions made to defined benefit pension plans prior to the implementation of that Statement by employers and nonemployer contributing entities. The requirements of this Statement will eliminate the source of a potential understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the

**LONG BRANCH SEWERAGE AUTHORITY**  
**(A Component Unit of the City of Long Branch)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2015 and 2014**

**F. GASBS Implemented in the 2015 Fiscal Year-(Continued)**

beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

**G. Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense / expenditure) until then. Currently, the Authority has one item that qualifies for reporting in this category, deferred amounts related to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category, deferred amounts related to pensions.

**H. Subsequent Events**

Management has reviewed and evaluated all events and transactions occurring from December 31, 2015 through the date of the financial statement issuance, June 8, 2016, for possible disclosure and recognition in the accompanying financial statements and no such items have come to the attention of the Authority which would require disclosure or recognition.

**LONG BRANCH SEWERAGE AUTHORITY**  
**(A Component Unit of the City of Long Branch)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2015 and 2014**

**2. Change in Accounting Principle**

Effective in the fiscal year ended December 31, 2015, the Authority implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

The Authority adjusted its December 31, 2013 net position as a result of retrospective adjustments for the implementation of accounting principles (GASBs No. 68 and 71) as follows:

Balance, December 31, 2013 prior to restatement	\$ 25,777,053
Restatement for pension liability and related expense	<u>(3,523,757)</u>
Balance, December 31, 2013 as restated	<u><u>\$ 22,253,296</u></u>

The Authority adjusted its December 31, 2014 net position as a result of retrospective adjustments for the implementation of accounting principles (GASBs No. 68 and 71) as follows:

Balance, December 31, 2014 prior to restatement	\$ 26,503,933
Restatement for pension liability and related expense	<u>(3,600,433)</u>
Balance, December 31, 2014 as restated	<u><u>\$ 22,903,500</u></u>

**3. Deposits and Investments:**

**Cash and Cash Equivalents:**

Operating cash, in the form of checking and money market accounts, is held in the Authority's name by commercial banking institutions. At December 31, 2015, the carrying amount of the Authority's deposits was \$10,672,158 and the bank balance was \$10,735,332. Of the bank balance, \$500,000 was insured with Federal Deposit Insurance Corporation. At December 31, 2014, the carrying amount of the Authority's deposits was \$8,932,232 and the bank balance was \$9,085,387.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the Authority's accounts are examined in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of bank failure, the Authority's deposits or investments may not be returned). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the Authority's name.



**LONG BRANCH SEWERAGE AUTHORITY**  
**(A Component Unit of the City of Long Branch)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2015 and 2014**

**3. Deposits and Investments – (Continued):**

*Custodial Credit Risk:* The Authority does not have a policy for custodial credit risk.

At December 31, 2015 and 2014, \$10,235,332 and \$8,585,397 respectively of the Authority's deposits were unsecured and uncollateralized. The Authority does not have a policy for the management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA. The Authority has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

**Investments:**

New Jersey statutes permit the Authority to purchase the following types of securities:

Bonds and other obligations of the United States or obligations guaranteed by the United States.

Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank which have a maturity date not greater than 397 days from the date of purchase.

New Jersey Cash Management Fund and Government money market mutual funds.

The Authority's investments consisted of Certificates of Deposit.

*Credit Risk:* The Authority does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. Government or investments guaranteed by the U.S. government.

*Interest Rate Risk:* The Authority does not have a policy to limit interest rate risk.

*Concentration of Credit Risk:* The Authority places no limit on the amount the Authority may invest in any one issuer.

As of December 31, 2015 and 2014, the Authority's investments in Certificates of Deposit totaled \$2,763,000 and \$5,263,000, respectively.



**LONG BRANCH SEWERAGE AUTHORITY**  
**(A Component Unit of the City of Long Branch)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2015 and 2014**

**4. Capital Assets**

The following schedule is a summarization of the changes in capital assets for the year ended December 31, 2015.

	Beginning Balance	Increases	Transfers/ Disposals	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	\$ 871,358	\$ 3,774,134	\$ (1,940,244)	\$ 2,705,248
Land and easements	1,152,580	-	-	1,152,580
Total capital assets, not being depreciated	<u>2,023,938</u>	<u>3,774,134</u>	<u>(1,940,244)</u>	<u>3,857,828</u>
Capital assets, being depreciated:				
Treatment plant	33,142,991	68,345	1,940,244	35,151,580
Collection system	34,289,610	47,576		34,337,186
Pump stations	1,825,087	-		1,825,087
Vehicles and equipment	683,708	364,180	(249,282)	798,606
Office furniture and equipment	180,912	58,803	-	239,715
Total assets being depreciated	<u>70,122,308</u>	<u>538,904</u>	<u>1,690,962</u>	<u>72,352,174</u>
Accumulated depreciation	<u>(34,579,285)</u>	<u>(1,901,688)</u>	<u>249,282</u>	<u>(36,231,691)</u>
Total capital assets, being depreciated, net	<u>35,543,023</u>	<u>(1,362,784)</u>	<u>1,940,244</u>	<u>36,120,483</u>
Net Capital Assets	<u>\$ 37,566,961</u>	<u>\$ 2,411,350</u>	<u>\$ -</u>	<u>\$ 39,978,311</u>

**LONG BRANCH SEWERAGE AUTHORITY**  
**(A Component Unit of the City of Long Branch)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2015 and 2014**

**4. Capital Assets – (Continued)**

The following schedule is a summarization of the changes in capital assets for the year ended December 31, 2014.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:			
Construction in progress		\$ 871,358	\$ 871,358
Land and easements	\$ 1,152,580	-	1,152,580
Total capital assets, not being depreciated	<u>1,152,580</u>	<u>871,358</u>	<u>2,023,938</u>
Capital assets, being depreciated:			
Treatment plant	32,410,310	732,681	33,142,991
Collection system	34,289,610		34,289,610
Pump stations	1,810,716	14,371	1,825,087
Vehicles and equipment	640,053	43,655	683,708
Office furniture and equipment	<u>175,777</u>	<u>5,135</u>	<u>180,912</u>
Total assets being depreciated	<u>69,326,466</u>	<u>795,842</u>	<u>70,122,308</u>
Accumulated depreciation	<u>(32,785,342)</u>	<u>(1,793,943)</u>	<u>(34,579,285)</u>
Total capital assets, being depreciated, net	<u>36,541,124</u>	<u>(998,101)</u>	<u>35,543,023</u>
Net Capital Assets	<u>\$ 37,693,704</u>	<u>\$ (126,743)</u>	<u>\$ 37,566,961</u>

**5. Long-Term Liabilities**

During the year ended December 31, 2015, the following changes occurred in long-term liabilities.

	<u>Beginning Balance</u>	<u>Decreases</u>	<u>Ending Balance</u>
Compensated absences	\$ 179,931	\$ 9,284	\$ 170,647
Revenue bonds payable	<u>24,986,395</u>	<u>1,666,600</u>	<u>23,319,795</u>
	<u>\$ 25,166,326</u>	<u>\$ 1,675,884</u>	<u>\$ 23,490,442</u>
Current Portion	<u>\$ 1,638,968</u>		<u>\$ 1,511,932</u>

**LONG BRANCH SEWERAGE AUTHORITY**  
**(A Component Unit of the City of Long Branch)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2015 and 2014**

**5. Long-term liabilities – (Continued)**

During the year ended December 31, 2014, the following changes occurred in long-term liabilities.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Compensated absences	\$ 226,404		\$ 43,473	\$ 179,931
Revenue bonds payable	<u>18,301,458</u>	<u>\$9,150,000</u>	<u>2,465,063</u>	<u>24,986,395</u>
	<u>\$ 18,527,862</u>	<u>\$9,150,000</u>	<u>\$2,508,536</u>	<u>\$ 25,166,326</u>
Current Portion	<u>\$ 2,002,003</u>			<u>\$ 1,638,968</u>

2000 New Jersey Environmental Infrastructure Trust Bonds

On October 15, 2000, the Authority issued \$6,355,000 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust 2000 financing program. These Trust Loan Bonds mature annually through 2020 and carry remaining interest rates ranging from 5.13% to 5.25%.

On October 15, 2000, the Authority issued \$6,155,563 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust 2000 financing program. These Fund Loan Bonds mature semi-annually through August 2020 and were issued on an interest-free basis. \$155,667 of the bonds were deobligated, with savings therefrom being applied as principal credits beginning in 2013.

2002A Sewer Revenue Bonds

On December 19, 2002, the Authority issued \$1,810,000 in Revenue Bonds to (i) provide supplemental financing for the Authority's Phase II Sanitary Sewer System Rehabilitation Program and (ii) pay the costs and expenses related to the issuance of these bonds. The Bonds mature with a final term bond maturity due on June 1, 2023 at 4.75%. The Bonds are not subject to optional redemption prior to maturity.

Mandatory Sinking Fund Redemption

The Series 2002A Bonds maturing on June 1, 2023 in the amount of \$900,000 shall be subject to mandatory sinking fund installments at a redemption price of 100% of the principal amount thereof plus accrued interest to the date of redemption on June 1 in the following principal amounts:

**LONG BRANCH SEWERAGE AUTHORITY**  
**(A Component Unit of the City of Long Branch)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2015 and 2014**

**5. Long-term liabilities – (Continued)**

<u>Year</u>	<u>Sinking Fund Installments</u>
2016	\$ 95,000
2017	100,000
2018	105,000
2019	110,000
2020	115,000
2021	120,000
2022	125,000
2023	130,000

2010 Series Bonds - New Jersey Environmental Infrastructure Trust (NJEIT)

On March 10, 2010, the Authority completed its issuance of \$18,396,931 in Revenue Bonds through the New Jersey Infrastructure Trust. A portion of the Revenue Bonds were funded by the American Recovery and Reinvestment Act ("ARRA").

2010 ARRA Revenue Bonds

The ARRA portion of the Revenue Bonds totaled \$13,721,000. This amount was segregated into two portions: Trust Loan Bonds of \$3,420,000 which mature annually on August 1 of each year through 2029 at interest rates ranging from 3.00% to 5.00% and Fund Loan Bonds of \$10,301,000. Principal forgiveness of \$5,000,000 in 2010 on this portion of the Bonds resulted in net Fund Loan Bonds payable of \$5,301,000, which mature semi-annually through August, 2029 with no interest. Annual maturities and interest rates are more fully described in Schedule 4. \$27,361 of these bonds were deobligated in 2015.

2010 Traditional Revenue Bonds

The Traditional portion of the Revenue Bonds totaled \$4,675,931. This amount was segregated into two portions: Trust Loan Bonds of \$1,150,000 which mature annually on August 1 of each year through 2029 in amounts ranging from \$50,000 to \$85,000 at interest rates ranging from 3.00% to 5.00%, and Fund Loan Bonds of \$3,525,931 which mature semi-annually through August, 2027 in amounts ranging from \$30,980 to \$119,523, with no interest. Annual maturities and interest rates are more fully described in Schedule 4.

2014 Sewer Revenue Bonds

On March 10, 2014, the Authority issued \$9,150,000 in Revenue Bonds to (i) permanently finance various improvements to the Authority's wastewater treatment plant and collection system (ii) pay

**LONG BRANCH SEWERAGE AUTHORITY**  
**(A Component Unit of the City of Long Branch)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2015 and 2014**

**5. Long-term liabilities - (Continued):**

the costs and expenses related to the issuance of these bonds. The Bonds mature annually on April 1, through 2031 with final term bond maturities on April 1, 2034 and April 1, 2039. Interest rates range from 2.00% to 5.00%.

Mandatory Sinking Fund Redemptions

The Series 2014 Bonds maturing on April 1, 2034 in the amount of \$1,375,000 shall be subject to mandatory sinking fund installments at a redemption price of 100% of the principal amount thereof plus accrued interest to the date of redemption on April 1 in the following principal amounts:

<u>Term Bonds Due April 1, 2034</u>	
<u>Year</u>	<u>Sinking Fund Installments</u>
2032	\$ 440,000
2033	460,000
2034	<u>475,000</u>
	<u>\$ 1,375,000</u>

The Series 2014 Bonds maturing on April 1, 2039 in the amount of \$2,695,000 shall be subject to mandatory sinking fund installments at a redemption price of 100% of the principal amount thereof plus accrued interest to the date of redemption on April 1 in the following principal amounts:

<u>Term Bonds Due April 1, 2039</u>	
<u>Year</u>	<u>Sinking Fund Installments</u>
2035	\$ 495,000
2036	515,000
2037	540,000
2038	560,000
2039	<u>585,000</u>
	<u>\$ 2,695,000</u>

**Optional redemption**

The Series 2014 Bonds maturing prior to April 1, 2025 are not subject to optional redemption prior to maturity.

**LONG BRANCH SEWERAGE AUTHORITY**  
**(A Component Unit of the City of Long Branch)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2015 and 2014**

**5. Long-term liabilities - (Continued):**

The Series 2014 Bonds maturing on or after April 1, 2025 are subject to redemption prior to their stated maturity date, at the option of the Authority, on or after April 1, 2024, as a whole at any time or in part at any time at the redemption price of one hundred percent (100%) of the principal amount of the Series 2014 Bonds to be redeemed together with interest accrued thereon to the date fixed for redemption.

Remaining annual principal and interest payments are depicted below.

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,697,932	\$ 689,747	\$ 2,387,679
2017	1,731,246	649,461	2,380,707
2018	1,781,343	606,280	2,387,623
2019	1,830,526	559,288	2,389,814
2020	1,873,934	511,115	2,385,049
2021-2025	5,466,423	2,009,844	7,476,267
2026-2030	4,448,391	1,314,962	5,763,353
2031-2035	2,290,000	711,569	3,001,569
2036-2039	<u>2,200,000</u>	<u>191,888</u>	<u>2,391,888</u>
	<u>\$ 23,319,795</u>	<u>\$ 7,244,154</u>	<u>\$ 30,563,949</u>

**6. Compensated Absences**

The Authority records a liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee and is accrued as employees earn the rights to the benefits. The Authority uses the “vesting method” for estimating its accrued sick and vacation leave liability.

Authority employees are granted vacation and sick leave in varying amounts under the Authority’s personnel policies and according to negotiated contracts. In the event of retirement, according to contract, an employee is reimbursed for accumulated vacation and sick leave. The liability for vested compensated absences of the Authority amounted to \$170,647 and \$179,931 as of December 31, 2015 and December 31, 2014, respectively.

**LONG BRANCH SEWERAGE AUTHORITY**  
**(A Component Unit of the City of Long Branch)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2015 and 2014**

## **7. Pension Plans**

### **Description of Systems:**

Substantially all of the Authority's employees participate in the following contributory defined benefit public employee retirement system, which have been established by State statute; the Public Employees' Retirement System (PERS). This systems is sponsored and administered by the State of New Jersey. The Public Employees Retirement System is considered a cost-sharing multiple-employer plan.

### **Public Employees' Retirement System (PERS):**

The Public Employees' Retirement System (PERS) was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan.

Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, Authority or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively 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 credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

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

### **Funding Policy**

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, employee contribution rates for PERS increased from 5.5% to 6.5% of employees' annual compensation. An additional increase is to be phased in over the next seven years that will bring the total pension contribution rate to 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate for PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.



**LONG BRANCH SEWERAGE AUTHORITY**  
**(A Component Unit of the City of Long Branch)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2015 and 2014**

**7. Pension Plans – (Continued)**

The Authority's actuarially determined contributions to PERS for the years ended December 31, 2015, 2014 and 2013 were \$154,550 \$133,653 and \$130,659, respectively, equal to the required contributions for each year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Public Employee's Retirement System (PERS)*

At December 31, 2015 and 2014, the Authority reported a liability of \$4,440,554 and 3,510,006, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2014, which was rolled forward to June 30, 2015. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating Authorities', actuarially determined. At June 30, 2015, the Authority's proportion was 0.0197815178 percent, which was an increase of 0.0010342223 from its proportion measured as of June 30, 2014. For the years ended December 31, 2015 and 2014, the Authority recognized full accrual pension expense of \$356,060 and \$210,329 in the financial statements. At December 31, 2015 and 2014, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<b>2015</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ 476,880	
Net difference between projected and actual earnings on pension plan investments	105,936	\$ 71,396
Changes in proportion and differences between Authority contributions and proportionate share of contributions	297,259	-
Authority contributions subsequent to the measurement date	85,034	
	<u>\$ 965,109</u>	<u>\$ 71,396</u>

**LONG BRANCH SEWERAGE AUTHORITY**  
**(A Component Unit of the City of Long Branch)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2015 and 2014**

**7. Pension Plans – (Continued)**

	2014	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 110,373	
Net difference between projected and actual earnings on pension plan investments		\$ 209,177
Changes in proportion and differences between Authority contributions and proportionate share of contributions	162,927	-
Authority contributions subsequent to the measurement date	85,034	
	<u>\$ 358,334</u>	<u>\$ 209,177</u>

\$85,034 is reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>		
2016	\$	151,055
2017		151,055
2018		151,054
2019		151,054
2020		157,722
Thereafter		46,739
	<u>\$</u>	<u>808,679</u>

***Actuarial Assumptions***

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

Inflation rate	3.04%
Salary increases	
2012-2021	2.15 - 4.40%
	based on age
Thereafter	3.15 - 5.40%
	based on age
Investment rate of return	7.90%

**LONG BRANCH SEWERAGE AUTHORITY**  
**(A Component Unit of the City of Long Branch)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2015 and 2014**

**7. Pension Plans – (Continued)**

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. 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 liability may be higher or lower than anticipated. The more the expectation deviates, the larger the impact on future financial statements.

*Mortality Rates*

Mortality rates 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 with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

*Long-Term Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<b>Asset Class</b>	<b>Allocation</b>	<b>Real Rate of Return</b>
Cash	5.00%	1.04%
Core Bonds	1.75%	1.64%
Intermediate-Term Bonds	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Markets	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds / Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
	<u>100.00%</u>	

**LONG BRANCH SEWERAGE AUTHORITY**  
**(A Component Unit of the City of Long Branch)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2015 and 2014**

**7. Pension Plans – (Continued)**

*Discount rate*

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*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 as of December 31, 2015 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 (3.90 percent) or 1-percentage-point higher (5.90 percent) than the current rate:

	<b>At 1% Decrease (3.90%)</b>	<b>At Current Discount Rate (4.90%)</b>	<b>At 1% Increase (5.90%)</b>
Authority's proportionate share of the net pension liability	\$ 5,519,065	\$ 4,440,554	\$ 3,536,338

The following presents the Authority's proportionate share of the net pension liability as of December 31, 2014 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 (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	<b>At 1% Decrease (4.39%)</b>	<b>At Current Discount Rate (5.39%)</b>	<b>At 1% Increase (6.39%)</b>
Authority's proportionate share of the net pension liability	\$ 4,415,707	\$ 3,510,006	\$ 2,749,448

**LONG BRANCH SEWERAGE AUTHORITY**  
**(A Component Unit of the City of Long Branch)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2015 and 2014**

**7. Pension Plans – (Continued)**

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Public Employees Retirement System.

*Additional Information*

Local Group collective balances at June 30, 2015 are as follows:

Collective deferred outflows of resources	\$	2,946,265,815
Collective deferred inflows of resources	\$	360,920,604
Collective net pension liability - Local Group	\$	22,447,996,119

Authority's Proportion	0.0197815178%
------------------------	---------------

The average of the expected remaining service lives of all plan members is 5.72 and 6.44 years for 2015 and 2014, respectively.

**8. Defined Contribution Retirement Program**

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

**9. Risk Management**

The 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.

**Property and Liability Insurance:**

The Authority maintains commercial insurance coverage through the New Jersey Utility Authorities Joint Insurance Fund for property, liability and surety bonds and does not retain risk of loss. A complete schedule of insurance coverage can be found in the Other Supplementary Information section of the report. There have been no significant reductions in insurance coverage from the prior year and no settlements have exceeded insurance coverage over the past three years.

**LONG BRANCH SEWERAGE AUTHORITY**  
**(A Component Unit of the City of Long Branch)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2015 and 2014**

**9. 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. There are sufficient funds maintained in the separate unemployment compensation account to pay current billings.

**10. Contingent Liabilities**

**Grant Programs:**

The Authority participates in federal and state grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the Authority has not complied with the rules and regulations governing grants, refunds of any money received may be required. Management is not aware of any material items of noncompliance, which would result in the disallowance of program expenditures.

**Litigation:**

The Authority is not involved in a pending lawsuits.

In the opinion of the Authority, there are no other significant contingent liabilities relating to compliance with the rules and regulations governing the Authority or its respective grants; therefore, no provisions have been recorded in the accompanying basic financial statements for such contingencies.

**11. Restrictions on Net Position**

Certain portions of net position have been restricted. Restrictions include net position restricted for system maintenance reserve of \$175,000 and restricted for future debt service of \$140,287.

**REQUIRED SUPPLEMENTARY INFORMATION AND NOTE TO REQUIRED**  
**SUPPLEMENTARY INFORMATION – PART II**



Long Branch Sewerage Authority  
Schedule of the Authority's Proportionate Share of the Net Pension Liability  
Public Employee's Retirement System

Last Ten Fiscal Years\*

	Years Ended June 30,	
	2015	2014
Authority's proportion of the net pension liability (asset) - Local Group	0.0197815178%	0.0187472955%
Authority's proportionate share of the net pension liability (asset)	\$ 4,440,554	\$ 3,510,006
Authority's covered-employee payroll	\$ 1,305,366	\$ 1,309,154
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	340.18%	268.11%
Plan fiduciary net position as a percentage of the total pension liability - Local Group	47.93%	48.72%

\* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

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

Long Branch Sewerage Authority  
Schedule of Authority Contributions  
Public Employee's Retirement System

Last Ten Fiscal Years\*

	Years Ended June 30,	
	2015	2014
Contractually required contribution	\$ 170,068	\$ 154,550
Contributions in relation to the contractually required contribution	(170,068)	(154,550)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 1,305,366	\$ 1,309,154
Contributions as a percentage of covered-employee payroll	13.03%	11.81%

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

LONG BRANCH SEWERAGE AUTHORITY

Note to Required Supplementary Information

Year ended December 31, 2015

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The inflation and discount rates used to measure the total pension liability were as follows:

<u>Measurement date</u>	<u>Discount Rate</u>	<u>Inflation Rate</u>
June 30, 2015	4.90%	3.04%
June 30, 2014	5.39%	3.01%

**SUPPLEMENTARY INFORMATION**

LONG BRANCH SEWERAGE AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
A COMPONENT UNIT OF THE CITY OF LONG BRANCH  
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN CASH AND CASH EQUIVALENTS  
UNRESTRICTED ACCOUNTS  
YEAR ENDED DECEMBER 31, 2015

Schedule 1

	<u>Revenue Fund</u>	<u>General Fund</u>	<u>Total</u>
Cash and Cash Equivalents:			
January 1, 2015	\$ 2,484,745	\$ 3,119,774	\$ 5,604,519
Cash Receipts:			
Transfer from general fund	180		180
Transfer from revenue fund		200,000	200,000
Interest received	3,352	196	3,548
Customer overpayments	69,077		69,077
Annual service charges	6,015,304		6,015,304
Connection fees	164,784		164,784
FEMA receipts	81,119		81,119
Miscellaneous fees and charges	23,264		23,264
Interest on delinquent accounts	95,882		95,882
Transfer from maintenance reserve fund	1,291		1,291
Transfer from bond service reserve fund	1,466		1,466
	<hr/>	<hr/>	<hr/>
Total Cash Available	8,940,464	3,319,970	12,260,434
	<hr/>	<hr/>	<hr/>
Cash Disbursed:			
Accounts payable and accrued expenses	320,985		320,985
Suppliers and employees	3,701,528		3,701,528
Transfer to bond service fund	614,213		614,213
Transfer to revenue fund		180	180
Transfer to general fund	200,000		200,000
Prepaid Expenses	4,766		4,766
Payment of bond principal and interest	826,022		826,022
Capital projects expenditures	544,776		544,776
	<hr/>	<hr/>	<hr/>
Total Cash Disbursed	6,212,290	180	6,212,470
	<hr/>	<hr/>	<hr/>
Cash and Cash Equivalents:			
December 31, 2015	\$ <u>2,728,174</u>	\$ <u>3,319,790</u>	\$ <u>6,047,964</u>
Balance Comprised of:			
Change Fund/Petty Cash	\$ 400	\$	\$ 400
Cash	667,611		667,611
US Treasury Obligations - Money Market	<u>2,060,163</u>	<u>3,319,790</u>	<u>5,379,953</u>
	<hr/>	<hr/>	<hr/>
	\$ <u>2,728,174</u>	\$ <u>3,319,790</u>	\$ <u>6,047,964</u>

**LONG BRANCH SEWERAGE AUTHORITY**  
**COUNTY OF MONMOUTH, NEW JERSEY**  
**A COMPONENT UNIT OF THE CITY OF LONG BRANCH**  
**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS**  
**AND CHANGES IN CASH, CASH EQUIVALENTS AND INVESTMENTS**  
**RESTRICTED ACCOUNTS**  
**YEAR ENDED DECEMBER 31, 2015**

	Accounts Required by Bond Resolution				Escrow	
	Bond Service Fund	Bond Service Reserve Fund	Maintenance Reserve Fund	Construction Fund	Fund	Totals
Cash and Cash Equivalents:						
January 1, 2015	\$	\$ 141,127	\$ 175,738	\$ 8,222,597	\$ 51,251	\$ 8,414,975
Cash Receipts:						
Interest received		626	553	30,896		31,522
Transfer from revenue fund	614,213					614,213
Developer's deposits					67,228	67,228
Total Cash Available	614,213	141,753	176,291	8,253,493	118,479	9,127,938
Cash Disbursements:						
Payment of bond principal	205,000					205,000
Payment of interest on bonds	409,213					409,213
Developer's escrow					65,522	65,522
Construction projects				3,734,545		3,734,545
Transfer to revenue fund		1,466	1,291			1,466
Total Cash Disbursed	614,213	1,466	1,291	3,734,545	65,522	4,415,746
Cash and Cash Equivalents:						
December 31, 2015	\$	\$ 140,287	\$ 175,000	\$ 4,518,948	\$ 52,957	\$ 4,712,192
Balance Comprised of:						
Savings accounts	\$	\$	\$	\$	\$ 52,957	\$ 52,957
US Treasury Obligations- Money Market		287	52,000	2,018,948		2,019,235
Certificates of deposit		140,000	123,000	2,500,000		2,640,000
	\$	\$ 140,287	\$ 175,000	\$ 4,518,948	\$ 52,957	\$ 4,712,192

LONG BRANCH SEWERAGE AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
A COMPONENT UNIT OF THE CITY OF LONG BRANCH  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
COMPARED TO BUDGET  
YEARS ENDED DECEMBER 31, 2015 AND 2014

	December 31, 2015				December 31, 2014			
	Original Budget	Final Budget	Realized	Variance to Final	Final Budget	Realized	Variance to Final	
Revenues:								
Net position appropriated	\$ 552,684	\$ 552,684	\$ 552,684	\$	\$ 209,023	\$ 209,023	\$	
User charges and fees	6,020,000	6,020,000	5,945,015	(74,985)	6,015,880	5,877,483	(138,397)	
Interest on delinquent accounts	85,000	85,000	95,882	10,882	90,000	84,158	(5,842)	
Interest income	8,000	8,000	23,822	15,822	10,000	21,629	11,629	
Connection fees	131,790	131,790	164,784	32,994	171,880	308,007	136,127	
Other revenue:								
Federal Emergency Management Agency	100,000	100,000	81,119	(18,881)				
Miscellaneous	10,000	10,000	23,264	13,264	10,000	436,518	426,518	
Reserve for rate stabilization	150,000	150,000	150,000					
2002 B Series bonds reserve released					740,500	740,500		
Total Revenues	\$ 7,057,474	\$ 7,057,474	\$ 7,036,570	\$ (20,904)	\$ 7,247,283	\$ 7,677,318	\$ 430,035	

	December 31, 2015				December 31, 2014			
	Original Budget	Final Budget	Paid or Charged	Variance to Final	Adopted/Final Budget	Paid or Charged	Variance to Final	
Expenditures:								
Personal Services:								
Disposal plant - operating labor	\$ 911,385	\$ 911,385	\$ 820,869	\$ 90,516	\$ 852,181	\$ 753,206	\$ 98,975	
Collection system - maintenance labor	245,000	252,500	248,417	4,083	235,000	234,232	768	
Administrative salaries:								
Executive director's salary	174,678	174,678	170,313	4,365	171,868	174,428	(2,560)	
Office salaries	309,322	309,322	278,462	30,860	316,838	266,173	50,665	
Officers' and members' comp.	12,500	12,500	12,500		12,500	12,500		
Total Personal Services	\$ 1,652,885	\$ 1,660,385	\$ 1,530,561	\$ 129,824	\$ 1,588,387	\$ 1,440,539	\$ 147,848	



LONG BRANCH SEWERAGE AUTHORITY  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
A COMPONENT UNIT OF THE CITY OF LONG BRANCH  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
COMPARED TO BUDGET  
DECEMBER 31, 2015 AND 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Paid or Charged</u>	<u>Variance to Final</u>	<u>Adopted/Final Budget</u>	<u>Paid or Charged</u>	<u>Variance to Final</u>
Expenditures (Continued):							
Employee benefits:							
Social security tax	\$ 100,000	\$ 123,000	\$ 101,725	\$ 21,275	\$ 125,352	\$ 109,895	\$ 15,457
Unemployment compensation	20,000	20,000	11,260	8,740	15,000	11,561	3,439
Hospitalization and other insurance	619,068	619,068	638,883	(19,815)	400,000	589,836	(189,836)
Other benefits	1,500	1,500	75	1,425	1,500	9,432	(7,932)
Public employee's retirement system	165,000	165,000	356,060	(191,060)	148,824	190,066	(41,242)
Provision for future benefits	10,000	10,000	10,000		16,000		16,000
Total Employee Benefits	915,568	938,568	1,118,003	(179,435)	706,676	910,790	(204,114)
Administrative Services:							
Engineering	45,000	42,500	28,290	14,210	60,000	60,604	(604)
Legal	45,000	42,500	37,070	5,430	50,000	46,240	3,760
Audit	45,000	45,000	36,375	8,625	40,000	36,875	3,125
Trustee	64,000	54,000	46,775	7,225	78,000	56,187	21,813
Other	6,000	6,000	16,159	(10,159)	7,000	213	6,787
Telephone	6,000	6,000	4,117	1,883	6,000	4,394	1,606
Office and maintenance	75,000	75,000	39,153	35,847	70,000	61,806	8,194
Insurance	200,000	190,000	174,266	15,734	200,000	167,160	32,840
Automobile	7,000	7,000	2,911	4,089	7,000	3,996	3,004
Miscellaneous	16,000	18,000	18,964	(964)	16,000	10,996	5,004
Total Administrative Services	\$ 509,000	\$ 486,000	\$ 404,080	\$ 81,920	\$ 534,000	\$ 448,471	\$ 85,529

LONG BRANCH SEWERAGE AUTHORITY  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
A COMPONENT UNIT OF THE CITY OF LONG BRANCH  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
COMPARED TO BUDGET  
DECEMBER 31, 2015 AND 2014

	Original Budget	Final Budget	Paid or Charged	Variance to Final	Adopted/Final Budget	Paid or Charged	Variance to Final
Expenditures (Continued):							
Disposal System:							
Repairs and supplies	\$ 180,000	\$ 230,000	\$ 255,593	\$ (25,593)	\$ 205,000	\$ 183,061	\$ 21,939
Removal of sludge	250,000	250,000	225,889	24,111	235,000	212,710	22,290
Operating permits	68,500	68,500	35,741	32,759	60,000	58,698	1,302
Automobile and truck expenses	15,000	15,000	7,620	7,380	15,000	13,410	1,590
Chemicals	145,000	145,000	79,353	65,647	145,000	114,510	30,490
Heat	75,000	75,000	49,534	25,466	75,000	54,257	20,743
Electricity	310,000	260,000	193,346	66,654	315,000	232,357	82,643
Water	25,000	25,000	13,760	11,240	25,000	18,544	6,456
Telephone	6,000	6,000	3,817	2,183	6,000	3,938	2,062
Total Disposal System	1,074,500	1,074,500	864,653	209,847	1,081,000	891,485	189,515
Pumping Stations:							
Repairs and supplies	40,000	39,000	23,830	15,170	40,000	38,347	1,653
Electricity	45,000	45,000	32,258	12,742	40,000	32,089	7,911
Water	1,000	2,000	852	1,148	1,000	709	291
Total Pumping Stations	86,000	86,000	56,940	29,060	81,000	71,145	9,855
Collection System:							
Repairs and supplies	40,000	40,000	36,285	3,715	40,000	22,318	17,682
Automobile and truck expenses	20,000	12,500	10,515	1,985	20,000	10,797	9,203
Total Collection System	60,000	52,500	46,800	5,700	60,000	33,116	26,885
Total Operating	\$ 4,297,953	\$ 4,297,953	\$ 4,021,037	\$ 276,916	\$ 4,051,063	\$ 3,795,546	\$ 255,518

LONG BRANCH SEWERAGE AUTHORITY  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
A COMPONENT UNIT OF THE CITY OF LONG BRANCH  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
COMPARED TO BUDGET  
DECEMBER 31, 2015 AND 2014

	Original Budget	Final Budget	Paid or Charged	Variance to Final	Adopted/Final Budget	Paid or Charged	Variance to Final
Expenditures (Continued):							
Capital Outlay:							
Administration:							
Office equipment	\$ 40,000	\$ 40,000	\$ 40,000	\$	\$ 30,000	\$ 30,000	\$
Geographical Information System - GIS	5,000	5,000	5,000		5,000	5,000	
Treatment Plant:							
Secondary treatment equipment					10,000	10,000	
Other plant equipment	50,000	50,000	50,000		50,000	50,000	
Security system	10,000	10,000	10,000		10,000	10,000	
Roof replacements	2,500	2,500	2,500		2,318	2,318	
Secondary treatment equipment	30,000	30,000	30,000				
Vehicles	10,000	10,000	10,000		15,000	15,000	
Reserve for future digester cleaning					30,000	30,000	
Collection System:							
Jet truck	51,643	51,643	51,643		120,000	120,000	
Various improvements	35,000	35,000	35,000		25,000	25,000	
Pump station equipment	30,000	30,000	30,000		30,000	30,000	
Reserve for Future Digester Cleaning	30,000	30,000	30,000				
Total Capital Outlay	294,143	294,143	294,143		327,318	327,318	
Debt Service and Reserves:							
Bond principal	1,656,445	1,656,445	1,593,969	62,476	2,018,770	1,957,033	61,737
Reserve for rate stabilization					150,000	150,000	
Reserve for insurance premium deductibles	100,000	100,000	100,000		100,000	100,000	
Interest on project notes					25,160	5,451	19,709
Interest on bonds	708,933	708,933	619,230	89,703	574,972	633,423	(58,451)
Total Debt Service	2,465,378	2,465,378	2,313,199	152,179	2,868,902	2,845,907	22,995
Total Expenditures	\$ 7,057,474	\$ 7,057,474	\$ 6,628,379	\$ 429,095	\$ 7,247,283	\$ 6,968,770	\$ 278,513

LONG BRANCH SEWERAGE AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
A COMPONENT UNIT OF THE CITY OF LONG BRANCH  
LONG-TERM REVENUE BONDS PAYABLE  
YEAR ENDED DECEMBER 31, 2015

Purpose	Date of Issue	Maturities		Interest Rate	Balance December 31, 2014	Paid	NJFIT Project Credit Applied	Deobligated	Balance December 31, 2015
		Date	Amount						
\$6,155,563 New Jersey Environmental Infrastructure Trust 2000	10/15/2000	2/1/2016	\$ 36,956	0.000%					
		8/1/2016	291,211	0.000%					
		2/1/2017	30,441	0.000%					
		8/1/2017	297,099	0.000%					
		2/1/2018	23,441	0.000%					
		8/1/2018	305,602	0.000%					
		2/1/2019	16,034	0.000%					
		8/1/2019	313,699	0.000%					
		2/1/2020	8,221	0.000%					
		8/1/2020	321,389	0.000%					
					\$ 1,972,252	\$ 328,160	\$	\$	\$ 1,644,092
\$6,355,000 New Jersey Environmental Infrastructure Trust 2000	10/15/2000	8/1/2016	391,480	5.130%					
		8/1/2017	410,422	5.250%					
		8/1/2018	434,015	5.250%					
		8/1/2019	457,508	5.250%					
		8/1/2020	481,040	5.250%					
					2,546,988	372,524			2,174,464
\$1,810,000 Series 2002A Bonds to provide supplemental funding for the Phase II Rehab. Program	12/19/2002	6/1/2016	95,000	4.750%					
		6/1/2017	100,000	4.750%					
		6/1/2018	105,000	4.750%					
		6/1/2019	110,000	4.750%					
		6/1/2020	115,000	4.750%					
		6/1/2021	120,000	4.750%					
		6/1/2022	125,000	4.750%					
		6/1/2023	130,000	4.750%					
					990,000	90,000			900,000

LONG BRANCH SEWERAGE AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
A COMPONENT UNIT OF THE CITY OF LONG BRANCH  
LONG-TERM REVENUE BONDS PAYABLE  
YEAR ENDED DECEMBER 31, 2015

Purpose	Date of Issue	Maturities		Interest Rate	Balance	Paid	NJFIT Project Credit Applied	Deobligated	Balance
		Date	Amount		December 31, 2014				December 31, 2015
\$ 5,301,000 New Jersey Environmental Infrastructure Trust 2010-ARRA Fund Loan Portion	3/10/2010	2/1/2016	\$ 93,000	0.000%					
		8/1/2016	186,000	0.000%					
		2/1/2017	93,000	0.000%					
		8/1/2017	186,000	0.000%					
		2/1/2018	93,000	0.000%					
		8/1/2018	186,000	0.000%					
		2/1/2019	93,000	0.000%					
		8/1/2019	186,000	0.000%					
		2/1/2020	93,000	0.000%					
		8/1/2020	186,000	0.000%					
		2/1/2021	93,000	0.000%					
		8/1/2021	186,000	0.000%					
		2/1/2022	93,000	0.000%					
		8/1/2022	186,000	0.000%					
		2/1/2023	93,000	0.000%					
		8/1/2023	186,000	0.000%					
		2/1/2024	93,000	0.000%					
		8/1/2024	186,000	0.000%					
		2/1/2025	93,000	0.000%					
		8/1/2025	186,000	0.000%					
		2/1/2026	93,000	0.000%					
		8/1/2026	186,000	0.000%					
		2/1/2027	93,000	0.000%					
		8/1/2027	186,000	0.000%					
		2/1/2028	93,000	0.000%					
		8/1/2028	186,000	0.000%					
		2/1/2029	93,000	0.000%					
		8/1/2029	186,000	0.000%					
					\$ 4,185,000	\$ 279,000	\$	\$ 27,631	\$ 3,878,369
\$3,420,000 New Jersey Environmental Infrastructure Trust 2010-ARRA Trust Loan Portion	3/10/2010	8/1/2016	150,000	5.000%					
		8/1/2017	155,000	5.000%					
		8/1/2018	165,000	5.000%					
		8/1/2019	170,000	4.000%					
		8/1/2020	180,000	5.000%					
		8/1/2021	185,000	3.000%					
		8/1/2022	195,000	4.000%					
		8/1/2023	200,000	4.000%					
		8/1/2024	210,000	4.000%					
		8/1/2025	215,000	4.000%					
		8/1/2026	225,000	3.500%					
		8/1/2027	235,000	4.000%					
		8/1/2028	245,000	4.000%					
		8/1/2029	250,000	4.000%					
							2,920,000	140,000	

LONG BRANCH SEWERAGE AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
A COMPONENT UNIT OF THE CITY OF LONG BRANCH  
LONG-TERM REVENUE BONDS PAYABLE  
YEAR ENDED DECEMBER 31, 2015

Purpose	Date of Issue	Maturities		Interest Rate	Balance	Paid	NJEIT Project	Deobligated	Balance
		Date	Amount		December 31, 2014		Credit Applied		December 31, 2015
\$3,525,931									
New Jersey Environmental Infrastructure Trust 2010- Traditional - Fund Loan Portion	3/10/2010	2/1/2016	\$ 59,762	0.000%					
		8/1/2016	119,523	0.000%					
		2/1/2017	59,762	0.000%					
		8/1/2017	119,523	0.000%					
		2/1/2018	59,762	0.000%					
		8/1/2018	119,523	0.000%					
		2/1/2019	59,762	0.000%					
		8/1/2019	119,523	0.000%					
		2/1/2020	59,762	0.000%					
		8/1/2020	119,523	0.000%					
		2/1/2021	59,762	0.000%					
		8/1/2021	119,523	0.000%					
		2/1/2022	59,762	0.000%					
		8/1/2022	119,523	0.000%					
		2/1/2023	59,762	0.000%					
		8/1/2023	119,523	0.000%					
		2/1/2024	59,762	0.000%					
		8/1/2024	119,523	0.000%					
		2/1/2025	59,762	0.000%					
		8/1/2025	119,523	0.000%					
		2/1/2026	59,762	0.000%					
		8/1/2026	119,523	0.000%					
		2/1/2027	59,762	0.000%					
		8/1/2027	119,523	0.000%					
		2/1/2028	59,762	0.000%					
		8/1/2028	30,980	0.000%					
					\$ 2,242,155	\$ 179,285		\$	2,062,870
\$1,150,000									
New Jersey Environmental Infrastructure Trust 2010 Traditional - Trust Loan Portion	3/10/2010	8/1/2016	50,000	5.000%					
		8/1/2017	50,000	5.000%					
		8/1/2018	55,000	5.000%					
		8/1/2019	60,000	4.000%					
		8/1/2020	60,000	5.000%					
		8/1/2021	65,000	3.000%					
		8/1/2022	65,000	4.000%					
		8/1/2023	65,000	4.000%					
		8/1/2024	70,000	4.000%					
		8/1/2025	75,000	4.000%					
		8/1/2026	75,000	3.500%					
		8/1/2027	80,000	4.000%					
		8/1/2028	80,000	4.000%					
		8/1/2029	85,000	4.000%					
					980,000		\$ 45,000		935,000

LONG BRANCH SEWERAGE AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
A COMPONENT UNIT OF THE CITY OF LONG BRANCH  
LONG-TERM REVENUE BONDS PAYABLE  
YEAR ENDED DECEMBER 31, 2015

<u>Purpose</u>	<u>Date of Issue</u>	<u>Maturities</u>		<u>Interest Rate</u>	<u>Balance December 31, 2014</u>	<u>Paid</u>	<u>NJEIT Project Credit Applied</u>	<u>Deobligated</u>	<u>Balance December 31, 2015</u>
		<u>Date</u>	<u>Amount</u>						
\$9,150,000 Sewer Revenue Bonds	3/10/2014	4/1/2016	\$ 225,000	2.000%					
		4/1/2017	230,000	3.000%					
		4/1/2018	235,000	3.000%					
		4/1/2019	245,000	4.000%					
		4/1/2020	250,000	4.000%					
		4/1/2021	265,000	5.000%					
		4/1/2022	275,000	5.000%					
		4/1/2023	290,000	5.000%					
		4/1/2024	305,000	5.000%					
		4/1/2025	320,000	4.000%					
		4/1/2026	330,000	4.000%					
		4/1/2027	345,000	5.000%					
		4/1/2028	360,000	5.000%					
		4/1/2029	380,000	5.000%					
		4/1/2030	400,000	5.000%					
		4/1/2031	420,000	5.000%					
		4/1/2034 *	1,375,000	4.000%					
		4/1/2039 *	2,695,000	4.250%					
					\$ 9,150,000	\$ 205,000			\$ 8,945,000
Grand Total					\$ 24,986,395	\$ 1,593,969	\$ 45,000	\$ 27,631	\$ 23,319,795
Detail:									
Current portion									\$ 1,511,932
Long-term portion									21,807,863
* Term Bonds									\$ 23,319,795



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*

Independent Auditors' Report

Honorable Chairman and Members  
of the Board of Commissioners  
Long Branch Sewerage Authority  
Long Branch, New Jersey  
County of Monmouth

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 the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey the financial statements of the Long Branch Sewerage Authority, in the County of Monmouth, New Jersey, a component unit of the City of Long Branch (the "Authority") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 8, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Authority'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. Given these limitations, during our audit we did not identify any

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and the audit requirements as prescribed 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 Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



WISS & COMPANY, LLP

June 8, 2016  
Livingston, New Jersey

**OTHER SUPPLEMENTARY INFORMATION**

**OFFICIALS IN OFFICE AND SURETY BOND/INSURANCE COVERAGE**

# LONG BRANCH SEWERAGE AUTHORITY

## ROSTER OF OFFICIALS

YEAR ENDED DECEMBER 31, 2015

<u>Name</u>	<u>Title</u>	<u>Surety Bond</u>
L. Frank Blaisdell	Chairman	A, B
Thomas George	Vice Chairman	A, B
Michael Booth	Treasurer	A, B
David G. Brown	Secretary	A
James Mazza	Assistant Secretary/Treasurer	A
Joseph Martone	Executive Director	A, B, C
Maser Consulting, Inc.	Consulting Engineers	
John Bonello	Attorney	
Bank of New York/Mellon	Trustee	

### Surety Coverages:

- A. Municipal Excess Liability Joint Insurance Fund: Public Officials Liability/Employment Practices. \$5,000,000 in the aggregate on claims made basis per member local unit for each fund year subject to a deductible and coinsurance. There is a combined POL/EPL \$5,000,000 per member annual aggregate.
- B. Municipal Excess Liability Joint Insurance Fund: Excess Public Officials Bond. \$950,000 in the aggregate.
- C. Municipal Excess Liability Joint Insurance Fund: Public Official Bond. Blanket Bond All Employees \$50,000.

## **LONG BRANCH SEWERGE AUTHORITY**

### **INSURANCE COVERAGE**

**FISCAL YEAR ENDED DECEMBER 31, 2015**

A blanket policy issued by the New Jersey Utility Authorities Joint Insurance Fund for a one-year period expiring on January 1, 2016, payable semi-annually was in force during the period under audit. The following coverages were provided:

Commercial Property Package	\$ 150,000,000
Other Coverages in Effect:	
Underground & Outfall Pipe	5,000,000
Mobile Equipment	5,000,000
Business Auto	10,000,000
Uninsured Motorists	15,000 / 30,000
Commercial Excess Liability	10,000,000
Public Official Liability	2,000,000
Boiler and Machinery	150,000,000
Crime Coverage	50,000
Worker's Compensation	Statutory
Environmental Liability – Third Party	1,000,000
Travel Accident Insurance (Commissioners)	500,000
Flood / Building	500,000
Flood / Contents	150,000

All of the insurance policies in force were examined. No attempt was made to determine the adequacy of coverage as part of this report. Adequacy of coverage is the responsibility of the Authority. Insurance coverages continued uninterrupted through the date of this report.

**OTHER SUPPLEMENTARY INFORMATION**

**GENERAL COMMENTS AND RECOMMENDATIONS**

## **GENERAL COMMENTS DECEMBER 31, 2015**

### Cash Balances

The cash and cash equivalent balances were verified with the statements rendered by the trustee and other depositories and also confirmed by direct communication.

The petty cash/change fund was verified by a physical cash count.

### Contracts and Agreements Requiring Advertisement for Bids

The Commissioners and Executive Director of the Long Branch Sewerage Authority have the responsibility of determining whether any contract or agreement might result in violation of the statute. Where a question arises, the Authority Counsel's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertising for various supplies, chemicals, contracts and services.

The minutes also indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S. 40A:11-5 (as amended).

Inasmuch 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 result of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed.

N.J.S. 40A:11-4 (as amended) states, "Every contract or agreement, for the performance of any work or the 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 after public act or specifically by any other law."

Effective January 1, 2011, the bid threshold in accordance with N.J.S.A. 40-A: 11-2 was decreased to \$17,500.00 as the Authority did not have a Qualified Purchasing Agent. Through December 31, 2015, a Qualified Purchasing Agent had not been employed.

**GENERAL COMMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

Delinquent Sewer Charges and Connection Charges

A detail of all unpaid sewer charges is being properly carried on the Authority's records. An abstract taken from these records as at December 31, 2015 covering all unpaid charges on that date, was verified with the accounting control figures shown in this report.

A test verification of delinquent charges outstanding at December 31, 2015, and of accounts with no balances and overpaid accounts was made; and the results indicated that the accounts of the Authority were in order, based on the replies returned on the confirmations mailed.

Collection of Interest on Delinquent Sewer Charges

The statutes provide the method for authorizing interest and maximum rates to be charged for nonpayment of sewer charges on or before the date when they would become delinquent.

The Commissioners have adopted a resolution fixing the rate of 1½% per month on delinquent charges when the charges remain unpaid from thirty days following the date the bills were due. The resolution was complied with.

Revenues

The Authority's annual service charge was adequate in providing sufficient operating revenues to cover operating, maintenance and debt service costs and required coverage factors.

Receipts from connection charges and other charges were checked to the records maintained and verified as proper in conjunction with the fees established by the Authority.

The Authority's rules and regulations established various fees for application filings, legal and engineering inspections and performance bond requirements. The receipts for these fees were checked to the records maintained.

Expenditures

In accordance with the Bond Resolution, Section 611, the Authority adopted an annual operating budget for the fiscal year ending December 31, 2015.

Vouchers were examined on a test basis.

A test was made of the employees' compensation records for the year ended December 31, 2015 to determine that salaries were paid in conformity with the amounts of salaries and wages authorized in the minutes or employee contracts. For those employees tested no exceptions were noted.



### Other

An exit audit conference with the Authority was held.

### Follow-up on Prior Year's Recommendations

In accordance with Government Auditing Standards, our procedures included a review of all prior year's recommendations including findings. A corrective action plan was adopted for the 2013 audit recommendation. The corrective action was effective and there are no repeated audit recommendations.

### Acknowledgment

We wish to express our appreciation for the complete cooperation received from the Authority officials and employees and we greatly appreciate the courtesies extended to the members of the audit team during the course of the audit.

### Filing Audit Report, N.J.S.A. 40A:5A-15

A copy of this report has been filed with the Division of Local Government Services.

## **RECOMMENDATIONS**

None.

The findings noted in our audit were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole and were not deemed to be material weaknesses or significant deficiencies.