



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

**Years ended December 31, 2017 and 2016**

**and  
Independent Auditors' Report**

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

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## 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 the accompanying financial statements of the Long Branch Sewerage Authority, County of Monmouth, New Jersey ("Authority"), a component unit of the City of Long Branch as of and for the years ended December 31, 2017 and 2016, 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 an opinion 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 opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2017 and 2016, and the respective changes in financial position, and cash flows, thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Correction of Errors***

As discussed in Note 11 to the basic financial statements, the December 31, 2016 net position was restated to reflect the correction of errors that were discovered by management of the Authority that resulted in a net increase in net position at December 31, 2016 in the amount of \$340,785 and adjustments have been made to net position as of December 31, 2016, to correct the errors. See Note 11 for the breakdown of the specific components related to this restatement. 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.

### ***Other Information***

Our audits were 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, such as the schedule of cash receipts, cash disbursements and changes in cash, cash equivalents and investments – unrestricted, schedule of cash receipts, cash disbursements and changes in cash and cash equivalents and investments – restricted, comparative schedule of revenues and expenses compared to budget, and schedule of long-term revenue bonds payable and the accompanying other information such as the roster of officials and surety bond/insurance coverage and general comments and recommendations are presented for purposes of additional analysis and are 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 information such as the roster of officials and surety bond/insurance coverage and the general comments and recommendations that appear 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 May 16, 2018 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 solely 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 effectiveness of the Authority's 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

May 16, 2018  
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)**

This section presents management's discussion and analysis of the Authority's financial condition and activities of the Long Branch Sewerage Authority's ("Authority") for the years ended December 31, 2017 and 2016.

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 Net Position, and the Comparative Statement of Cash Flows are prepared on the 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 Expenses 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" basis 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 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 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.

#### Comparative Statement of Net Position

The Authority’s total assets and deferred outflow of resources decreased by \$201,276 mainly due to a decrease in pension related deferred outflows of resources offset in part by increases in customer accounts receivable and investments. Total liabilities and deferred inflows of resources decreased by \$2,249,702 due mainly to the reductions in the net pension liability and in long-term revenue bonds payable offset in part by an increase in accounts payable and the pension related deferred inflow of resources. Assets and deferred outflows exceeded liabilities and deferred inflows by \$25,162,378. This compares to 2016 where assets and deferred outflows exceeded liabilities and deferred inflows by \$23,113,952, as restated.

The Authority’s net position of \$25,162,378 is comprised of the following:

1. Net investment in capital assets of \$22,193,349 includes land, construction in progress 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 \$1,090,084.

Capital assets - net	\$ 39,683,822
Less: Revenue bonds payable, net of unamortized premium	(20,099,675)
Add: Unspent bond proceeds	<u>2,609,202</u>
Net Investment in Capital Assets	<u><u>\$ 22,193,349</u></u>

2. Net position of \$200,000 is restricted for the purpose of system maintenance reserve, which is determined each year by an independent consulting engineer.

3. Net position of \$140,287 is restricted for the purpose of future debt service as required by the Authority's bond resolution.
4. Net position of \$425,000 is unrestricted - designated for insurance deductibles.
5. Net position of \$1,169,250 is unrestricted – designated for working capital.
6. Net position of \$1,835,137 unrestricted – designated for capital projects.
7. Net position of \$485,000 is unrestricted – designated for rate stabilization.
8. Unrestricted, undesignated net position (deficit) of (\$1,285,645) 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) increased by \$164,903 mainly as a result of operations.

Comparative Condensed Statements of Net Position

	<u>2017</u>	<u>December 31,</u> <u>2016</u> (As restated)	<u>2015</u>
Total current assets	\$ 7,882,199	\$ 6,656,210	\$ 6,497,956
Total restricted assets	3,044,298	3,652,216	4,890,426
Capital assets, net	39,683,822	39,878,879	39,978,311
Deferred outflows of resources	<u>1,519,948</u>	<u>2,144,238</u>	<u>965,109</u>
Total assets and deferred outflows of resources	<u>\$ 52,130,267</u>	<u>\$ 52,331,543</u>	<u>\$ 52,331,802</u>
Total current liabilities payable from unrestricted assets	\$ 535,128	\$ 564,460	\$ 646,887
Total current liabilities payable from restricted assets	2,210,789	2,092,673	1,772,250
Compensated absences payable	88,104	90,602	170,647
Bonds payable, net	18,318,332	20,275,962	22,209,493
Net pension liability	4,799,497	6,193,894	4,440,554
Deferred inflow of resources	<u>1,016,039</u>	<u>                    </u>	<u>71,396</u>
Total liabilities and deferred inflow of resources	<u>\$ 26,967,889</u>	<u>\$ 29,217,591</u>	<u>\$ 29,311,227</u>
Total Net Position	<u>\$ 25,162,378</u>	<u>\$ 23,113,952</u>	<u>\$ 23,020,575</u>

Total current assets increased because of increases in investments and customer accounts receivable offset by a decrease in cash and cash equivalents. Total restricted assets have decreased because of a decrease in investments offset in part by increases in cash and cash equivalents.

Net pension liability and deferred outflows of resources decreased and deferred inflow of resources increased due to the requirements of GASB Statement Nos. 68 and 71.

Capital assets, net decreased because depreciation expense exceeded capital asset acquisitions.

Total current liabilities payable from unrestricted assets decreased mainly due to the decrease in the current portion of the liability for compensated absences. Total current liabilities payable from restricted assets have increased due to increases in accounts payable and in the current portion of bonds payable. Long term bonds payable have decreased due to the repayments of bonds.

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

2017 operating revenues increased from 2016 levels, due to an increase in annual charges from system user charges. Total operating expenses decreased mainly due to decreases in pension and depreciation expenses. Total operating revenues less total operating expenses produced operating income of \$323,560 which is greater than 2016 operating loss of \$453,292. Total Net Position as of December 31, 2017 increased by \$2,048,426 as is depicted below.

	Years ended December 31,		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
		(As restated)	
Total operating revenues	\$ 6,464,446	\$ 5,995,606	\$ 5,945,015
Operating expenses	6,140,886	4,554,290	4,021,037
Depreciation	<u>1,611,814</u>	<u>1,894,608</u>	<u>1,901,688</u>
Total operating expenses	<u>6,140,886</u>	<u>6,448,898</u>	<u>5,922,725</u>
Operating income (loss)	323,560	(453,292)	22,290
Nonoperating revenues (expenses), net	<u>1,724,866</u>	<u>546,669</u>	<u>94,785</u>
Change in net position	2,048,426	93,377	117,075
Total net position - beginning, (as restated)	<u>23,113,952</u>	<u>23,020,575</u>	<u>22,903,500</u>
Total net position - ending	<u>\$ 25,162,378</u>	<u>\$ 23,113,952</u>	<u>\$ 23,020,575</u>

## **Comparative Statements of Cash Flows**

The net increase in cash and cash equivalents was \$94,017. This compares to a net decrease in cash and cash equivalents in 2016 of \$1,104,934. The main reason for the 2017 increase is the receipt of revenues from connection charges of \$1,636,261 which exceeded the final budgeted amount by \$1,292,856.

## **Debt Administration**

As of December 31, 2017, the Authority had \$24,987,276 of outstanding long-term liabilities. Of this amount, \$88,104 is for compensated absences, \$19,730,616 is for revenue bonds payable and \$369,059 represents an unamortized bond premium and \$4,799,497 is for the net pension liability. As of December 31, 2016, the Authority had \$28,379,161 of outstanding long-term liabilities.

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.

See Note 4 for additional information related to outstanding debt.

## **Capital Assets**

As of December 31, 2017 and 2016, the Authority had \$39,683,822 and 39,878,879 (as restated), respectively, invested in land and easements, construction in progress, buildings and improvements, other improvements, sewer mains and interceptors, pump stations, other equipment and vehicles, net of accumulated depreciation. The decrease in net capital assets is due to the current year's depreciation expense being greater than the current year's capital assets additions.

See Note 3 for additional information related to capital assets.

## **Core Competencies**

The Authority provides wastewater conveyance and treatment services for customers in the City of Long Branch and Monmouth University in West Long Branch.

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 Net Position as "User Charges" and is reported as operating revenue.

### **Budget Variations**

There were adjustments made during the year to the adopted 2017 budget appropriations for various operating expenditures. The most significant of these adjustments were: Personal Services – Disposal Plant – operating labor \$(99,400) and Disposal Plant – removal of sludge \$64,500. Significant variations between final budgeted amounts and actual expenses occurred in the following budgetary line items: Administrative salaries – office and executive director – where expenses were less than budgeted amounts due to the turnover in the Executive Director position during the year, Employee benefits – Public employee's retirement system where actual expenses were greater than anticipated due to the requirements of GASB Statement Nos. 68 and 71, Employee benefits – Hospitalization and other insurance where projected premium increases came in lower than expected and Debt Service – Interest on bonds due to credits given by the NJIET on interest payments.

### **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. As of December 31, 2017 they were:

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

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, 2017 AND 2016**

	December 31,	
	2017	2016
		(As restated)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,891,740	\$ 6,212,685
Investment	1,500,000	
Inventory	64,610	78,229
Customer accounts receivable	407,311	356,940
Accrued interest receivable	10,149	
Miscellaneous receivables	3,606	3,606
Prepaid expenses	4,783	4,750
Total current assets	7,882,199	6,656,210
Restricted assets:		
Developer's escrow:		
Cash and cash equivalents	105,299	85,261
Bond service reserve fund:		
Cash and cash equivalents	1,741	287
Investments	140,000	140,574
Accrued interest receivable	946	714
Construction fund:		
Cash and cash equivalents	1,109,201	717,493
Investments	1,500,000	2,507,582
Accrued interest receivable	10,033	10,678
Deposit for land purchase		14,000
Maintenance reserve fund:		
Cash and cash equivalents	53,258	51,496
Investments	123,000	123,504
Accrued interest receivable	820	627
Total restricted assets	3,044,298	3,652,216
Capital assets:		
Capital Assets - Non-depreciable	6,405,042	5,534,821
Capital Assets - Net of depreciation	33,278,780	34,344,058
Total capital assets, net	39,683,822	39,878,879
Total assets	50,610,319	50,187,305
<b>Deferred outflow of resources</b>		
Pension deferrals	1,519,948	2,144,238
Total deferred outflow of resources	1,519,948	2,144,238
Total assets and deferred outflow of resources	\$ 52,130,267	\$ 52,331,543

*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, 2017 AND 2016**

	December 31,	
	2017	2016
		(As restated)
<b>Liabilities</b>		
Current liabilities payable from unrestricted assets:		
Accounts payable	\$ 404,071	\$ 333,791
Accrued expenses	60,378	64,326
Payroll deductions payable	19,760	9,757
Compensated absences payable		87,457
Customer overpayments	50,919	69,129
Total current liabilities payable from unrestricted assets	535,128	564,460
Current liabilities payable from restricted assets:		
Reserve for developers' deposits	105,299	85,261
Accrued interest on bonds payable	181,304	194,383
Accounts payable	142,843	81,783
Bonds payable - current portions	1,781,343	1,731,246
Total current liabilities payable from restricted assets	2,210,789	2,092,673
Non-current liabilities:		
Net pension liability	4,799,497	6,193,894
Bonds payable, net	18,318,332	20,275,962
Compensated absences payable	88,104	90,602
Total noncurrent liabilities	23,205,933	26,560,458
Total liabilities	25,951,850	29,217,591
<b>Deferred inflow of resources</b>		
Pension deferrals	1,016,039	

*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, 2017 AND 2016**

	December 31,	
	2017	2016
		(As restated)
<b>Net Position</b>		
Net investment in capital assets	\$ 22,193,349	\$ 21,096,747
Restricted for:		
Future debt service	140,287	140,287
System maintenance reserve	200,000	200,000
Unrestricted:		
Designated for:		
Insurance deductibles	425,000	425,000
Working capital	1,169,250	1,126,774
Capital projects	1,835,137	1,575,692
Rate stabilization	485,000	
Undesignated (deficit)	(1,285,645)	(1,450,548)
Total net position	\$ 25,162,378	\$ 23,113,952

*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 NET POSITION  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	December 31,	
	<u>2017</u>	<u>2016</u> (As restated)
Operating revenues:		
User charges	\$ 6,464,446	\$ 5,995,606
Total operating revenues	<u>6,464,446</u>	<u>5,995,606</u>
Operating expenses:		
Administration	2,173,123	2,422,328
Disposal plant	2,009,695	1,787,439
Collection system and pumping stations	346,254	344,523
Depreciation	<u>1,611,814</u>	<u>1,894,608</u>
Total operating expenses	<u>6,140,886</u>	<u>6,448,898</u>
Operating income (loss)	<u>323,560</u>	<u>(453,292)</u>
Nonoperating revenues (expenses):		
Interest on bonds	(190,485)	(271,866)
Interest income	48,270	21,529
Interest on delinquent accounts	76,031	69,945
Connection fees	1,636,261	226,580
Miscellaneous revenue	358	16,098
Federal Emergency Management Agency - Hurricane Sandy		438,948
Insurance proceeds		70,827
Prior year's liability cancelled	160,000	
Major repairs and replacements	<u>(5,569)</u>	<u>(25,392)</u>
Total nonoperating revenues (expenses)	<u>1,724,866</u>	<u>546,669</u>
Change in net position	2,048,426	93,377
Total net position - beginning	<u>23,113,952</u>	<u>23,020,575</u>
Total net position - ending	<u>\$ 25,162,378</u>	<u>\$ 23,113,952</u>

**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, 2017 AND 2016**

	December 31,	
	<u>2017</u>	<u>2016</u>
		(As restated)
Cash flows from operating activities:		
Receipts from customers	\$ 6,395,865	\$ 6,004,702
Payments to employees	(1,684,649)	(1,614,552)
Payments to suppliers	<u>(2,596,027)</u>	<u>(2,569,720)</u>
Net cash provided by operating activities	<u>2,115,189</u>	<u>1,820,430</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(965,585)	(1,330,419)
Deposit on land acquisition		(14,000)
Repayment of revenue bonds payable	<u>(1,731,247)</u>	<u>(1,697,932)</u>
Net cash (used in) capital and related financing activities	<u>(2,696,832)</u>	<u>(3,042,351)</u>
Cash flows from investing activities:		
Interest received	38,341	12,744
Interest paid on revenue bonds and notes	(578,422)	(667,818)
Redemption (purchase) of investment securities	<u>(491,340)</u>	<u>(8,660)</u>
Net cash (used in) provided by investing activities	<u>(1,031,421)</u>	<u>(663,734)</u>
Cash flows from noncapital financing activities:		
Connection charges	1,636,261	226,580
Major repairs and replacements	(5,569)	(25,392)
Miscellaneous income	<u>76,389</u>	<u>579,533</u>
Net cash provided by noncapital financing activities	<u>1,707,081</u>	<u>780,721</u>
Net increase (decrease) in cash and cash equivalents	94,017	(1,104,934)
Cash and cash equivalents, beginning of year	<u>7,067,222</u>	<u>8,172,156</u>
Cash and cash equivalents, end of year	<u>\$ 7,161,239</u>	<u>\$ 7,067,222</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 323,560	\$ (453,292)
Depreciation	1,611,814	1,894,608
Changes in assets and liabilities:		
( Increase) decrease in current assets:		
Unrestricted accounts	(36,785)	6,467
Increase (decrease) in current liabilities:		
Payable from unrestricted assets	(29,332)	(82,427)
Payable from restricted assets		32,304
Increase (decrease) in current liabilities:		
Decrease (increase) in net pension liability	(1,394,397)	1,753,340
Increase (decrease) in deferred inflows of resources	1,016,039	(71,396)
Decrease (increase) in deferred outflows of resources	624,290	(1,179,129)
(Decrease) in other liabilities		<u>(80,045)</u>
Net cash provided by operating activities	<u>\$ 2,115,189</u>	<u>\$ 1,820,430</u>
Reconciliation to Statement of Net Position:		
Unrestricted cash and cash equivalents	\$ 5,891,740	\$ 6,212,685
Restricted cash and cash equivalents	<u>1,269,499</u>	<u>854,537</u>
	<u>\$ 7,161,239</u>	<u>\$ 7,067,222</u>

See accompanying notes to the basic financial statements

**NOTES TO BASIC FINANCIAL STATEMENTS**

**LONG BRANCH SEWERAGE AUTHORITY**  
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**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. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*. 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 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 net investment in capital assets 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.

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**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 value.

**Investments:**

Investments consist of Certificates of Deposit. Investments in Certificates of Deposit, with maturities of three months or more are carried at 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. At December 31, 2017 and 2016, no such allowances had been established.

**Inventories:**

Inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. At December 31, 2017 and 2016, the value of the inventory, consisting of chemicals and supplies on hand, was \$64,610 and \$78,229, 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 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.

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**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:

<b>Asset Class</b>	<b>Estimated Useful Lives</b>
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 investment in capital assets 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.

**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 user charges billed annually to system users. Operating expenses are all costs related to providing the service. All other revenue and expenses not meeting these definitions are reported as non-operating revenues and expenses.

**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.

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**F. 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 at December 31, 2017 and no items that qualify as of December 31, 2016.

**G. Recent Pronouncements**

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (“GASB No. 75”). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. The Statement will become effective for the Authority in the 2018 fiscal year. Management has not yet determined the impact of this Statement on the financial statements.

**H. Subsequent Events**

Management has reviewed and evaluated all events and transactions occurring from December 31, 2017 through the date of the financial statements were available for issuance, May 16, 2018, for possible disclosure and recognition in the accompanying financial statements. The effects of those events and transactions that provide additional pertinent information about conditions that existed at the statement of net position date have been recognized in the accompanying financial statements

**2. 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, 2017, the carrying amount of the Authority’s deposits was \$7,161,239 and the bank balance was \$6,401,016. Of the bank balance, \$500,000 was insured with Federal Deposit Insurance Corporation. At December 31, 2016, the carrying amount of the Authority’s deposits was \$7,067,222 and the bank balance was \$7,122,865.

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**2. Deposits and Investments – (Continued)**

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.

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

At December 31, 2017 and 2016, \$5,901,016 and \$6,622,865, 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.

*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.

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**2. Deposits and Investments – (Continued)**

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

As of December 31, 2017 and 2016, the Authority's investments in Certificates of Deposit totaled \$3,263,000 and \$2,771,660 respectively, with both years investment covered under GUDPA.

GASB 72 established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement.) The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Following is a description of the valuation methodologies used for assets measured at fair value:

*Certificates of Deposit:* Held to maturity certificates of deposit held by the Authority's Trustee are valued at amortized cost which approximates fair value.

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**3. Capital Assets**

The following schedule is a summarization of the changes in capital assets for the year ended December 31, 2017:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 4,382,241	\$ 1,049,746	\$ (336,550)	\$ 5,095,437
Land and easements	<u>1,152,580</u>	<u>157,025</u>	<u>-</u>	<u>1,309,605</u>
Total capital assets, not being depreciated	<u>5,534,821</u>	<u>1,206,771</u>	<u>(336,550)</u>	<u>6,405,042</u>
Capital assets, being depreciated:				
Treatment plant	35,249,687	150,659	336,550	35,736,896
Collection system	34,351,424	22,711	-	34,374,135
Pump stations	1,825,087	-	-	1,825,087
Vehicles and equipment	798,606	36,616	-	835,222
Office furniture and equipment	<u>245,553</u>	<u>-</u>	<u>-</u>	<u>245,553</u>
Total assets being depreciated	<u>72,470,357</u>	<u>209,986</u>	<u>336,550</u>	<u>73,016,893</u>
Accumulated depreciation	<u>(38,126,299)</u>	<u>(1,611,814)</u>	<u>-</u>	<u>(39,738,113)</u>
Total capital assets, being depreciated, net	<u>34,344,058</u>	<u>(1,401,828)</u>	<u>336,550</u>	<u>33,278,780</u>
Net Capital Assets	<u>\$ 39,878,879</u>	<u>\$ (195,057)</u>	<u>\$ -</u>	<u>\$ 39,683,822</u>

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**3. Capital Assets – (Continued)**

The following schedule is a summarization of the changes in capital assets for the year ended December 31, 2016, as restated:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:			
Construction in progress	\$ 2,705,248	\$ 1,676,993	\$ 4,382,241
Land and easements	<u>1,152,580</u>	<u>-</u>	<u>1,152,580</u>
Total capital assets, not being depreciated	<u>3,857,828</u>	<u>1,676,993</u>	<u>5,534,821</u>
Capital assets, being depreciated:			
Treatment plant	35,151,580	98,107	35,249,687
Collection system	34,337,186	14,238	34,351,424
Pump stations	1,825,087	-	1,825,087
Vehicles and equipment	798,606	-	798,606
Office furniture and equipment	<u>239,715</u>	<u>5,838</u>	<u>245,553</u>
Total assets being depreciated	<u>72,352,174</u>	<u>118,183</u>	<u>72,470,357</u>
Accumulated depreciation	<u>(36,231,691)</u>	<u>(1,894,608)</u>	<u>(38,126,299)</u>
Total capital assets, being depreciated, net	<u>36,120,483</u>	<u>(1,776,425)</u>	<u>34,344,058</u>
Net Capital Assets	<u>\$ 39,978,311</u>	<u>\$ (99,432)</u>	<u>\$ 39,878,879</u>

**4. Long-Term Liabilities**

During the year ended December 31, 2017, the following changes occurred in long-term liabilities.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable	\$ 21,621,863	\$ -	\$ 1,891,247	\$ 19,730,616	\$ 1,781,343
Unamortized Original Issue Premium	<u>385,345</u>		<u>16,286</u>	<u>369,059</u>	<u>16,286</u>
Bonds Payable, Net	22,007,208		1,907,533	20,099,675	1,797,629
Net Pension Liability	6,193,894		1,394,397	4,799,497	
Compensated Absences	<u>178,059</u>	<u>\$ 8,322</u>	<u>98,277</u>	<u>88,104</u>	
	<u>\$ 28,379,161</u>	<u>\$ 8,322</u>	<u>\$3,400,207</u>	<u>\$ 24,987,276</u>	<u>\$ 1,797,629</u>

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

During the year ended December 31, 2016, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable	\$ 23,319,795		\$ 1,697,932	\$ 21,621,863	\$ 1,731,246
Unamortized Original Issue Premium	<u>401,630</u>		<u>16,285</u>	<u>385,345</u>	<u>16,285</u>
Bonds Payable, Net	23,721,425		1,714,217	22,007,208	1,747,531
Net Pension Liability	4,440,554	\$1,753,340		6,193,894	
Compensated Absences	<u>170,647</u>	<u>7,412</u>		<u>178,059</u>	<u>87,457</u>
	<u>\$ 28,332,626</u>	<u>\$1,760,752</u>	<u>\$ 1,714,217</u>	<u>\$ 28,379,161</u>	<u>\$ 1,834,988</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 a remaining interest rate of 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 that began 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 \$705,000 are 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:

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

	Term Bonds Due June 1, 2023
<u>Year</u>	<u>Sinking Fund Installments</u>
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 issued \$18,396,931 in Revenue Bonds through the New Jersey Environmental 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.

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

2014 Sewer Revenue Bonds

On March 10, 2014, the Authority issued \$9,150,000 in Sewer Revenue Bonds to (i) permanently finance improvements to the Authority’s wastewater treatment plant and collection system and (ii) pay 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 3.00% to 5.00%.

Mandatory Sinking Fund Redemptions

The Series 2014 Bonds maturing on April 1, 2034 in the amount of \$1,375,000 are subject to mandatory sinking fund installments at a redemption price of 100% of the principal amount 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	475,000
	<u>\$ 1,375,000</u>

The Series 2014 Bonds maturing on April 1, 2039 in the amount of \$2,695,000 are subject to mandatory sinking fund installments at a redemption price of 100% of the principal amount 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	585,000
	<u>\$ 2,695,000</u>

**Optional redemption**

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

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**4. 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 principal and interest payments on all outstanding debt of the Authority are presented below.

<u>Year</u>	<u>Bond Principal</u>	<u>Interest on Bonds</u>	<u>Grand Total</u>
2018	\$ 1,781,343	\$ 601,400	\$ 2,382,743
2019	1,818,526	558,113	2,376,639
2020	1,861,934	510,057	2,371,991
2021	1,077,285	464,137	1,541,422
2022	1,105,284	429,031	1,534,315
2023-2027	5,297,875	1,729,065	7,026,940
2028-2032	3,158,369	1,039,207	4,197,576
2033-2037	2,485,000	513,487	2,998,487
2038-2042	<u>1,145,000</u>	<u>49,194</u>	<u>1,194,194</u>
	<u>\$ 19,730,616</u>	<u>\$ 5,893,691</u>	<u>\$ 25,624,307</u>

**5. 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 \$88,104 and \$178,059 as of December 31, 2017 and 2016, respectively.

**LONG BRANCH SEWERAGE AUTHORITY**  
**(A Component Unit of the City of Long Branch)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2017 and 2016**

**6. 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 system 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.

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 7.06% to 7.20% of employees' annual compensation. An additional increase is being phased in through 2018 that will bring the total pension contribution rate to 7.50% of employees' annual compensation. Employers are required to contribute at an actuarially determined

**LONG BRANCH SEWERAGE AUTHORITY**  
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**6. Pension Plans – (Continued)**

rate for PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The Authority’s actuarially determined contributions to PERS for the years ended December 31, 2017, 2016 and 2015 were \$185,790 \$170,068 and \$154,550, 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, 2017 and 2016, the Authority reported a liability of \$4,799,497 and \$6,193,894, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2016, which was rolled forward to June 30, 2017. 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, 2017, the Authority’s proportion was 0.0206178111 percent, which was a decrease of 0.0002954022 from its proportion measured as of June 30, 2016. For the years ended December 31, 2017 and 2016, the Authority recognized full accrual pension expense of \$439,540 and \$696,466, respectively, in the financial statements. At December 31, 2017 and 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

<u>2017</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 966,933	\$ 963,388
Net difference between projected and actual earnings on pension plan investments	32,681	
Changes in proportion	311,821	52,651
Difference between expected and actual experience	113,012	
Authority contributions subsequent to the measurement date	95,501	
	<u>\$ 1,519,948</u>	<u>\$ 1,016,039</u>

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**6. Pension Plans – (Continued)**

<u>2016</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 1,283,044	\$ -
Net difference between projected and actual earnings on pension plan investments	236,179	
Changes in proportion	416,932	-
Difference between expected and actual experience	115,188	
Authority contributions subsequent to the measurement date	<u>92,895</u>	
	<u>\$ 2,144,238</u>	<u>\$ -</u>

For the year ended December 31, 2017, \$95,501 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>		
2018	\$	227,712
2019		227,712
2020		200,094
2021		(117,386)
2022		<u>(129,724)</u>
	<u>\$</u>	<u>408,408</u>

*Actuarial Assumptions*

The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.25%
Salary increases	
Through 2026	1.65-4.15%
	based on age
Thereafter	2.65-5.15%
	based on age
Investment rate of return	7.00%

**LONG BRANCH SEWERAGE AUTHORITY**  
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**6. Pension Plans – (Continued)**

*Actuarial Assumptions*

The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	
Through 2026	1.65-4.15% based on age
Thereafter	2.65-5.15% based on age
Investment rate of return	7.00%

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions the emerging liability may be higher or lower than anticipated. The more the expectation deviates, the larger the impact on future financial statements.

*Mortality Rates*

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

*Long-Term Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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.

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**6. Pension Plans – (Continued)**

Best estimates of arithmetic real rates of return for each major asset class included in PERS’s target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S.equity	30.00%	8.19%
Non-U.S. developed markets equ	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	<u>100.00%</u>	

*Discount rate*

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 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 contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefits payments after that date in determining the total pension liability.

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**6. Pension Plans – (Continued)**

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation 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 contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefits 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, 2017 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 (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current rate:

	<b>At 1% Decrease (4.00%)</b>	<b>At Current Discount Rate (5.00%)</b>	<b>At 1% Increase (6.00%)</b>
Authority's proportionate share of the net pension liability	\$ 5,954,102	\$ 4,799,497	\$ 3,837,568

The following presents the Authority's proportionate share of the net pension liability as of December 31, 2016 calculated using the discount rate as disclosed above as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98 percent) or 1-percentage-point higher (4.98 percent) than the current rate:

	<b>At 1% Decrease (2.98%)</b>	<b>At Current Discount Rate (3.98%)</b>	<b>At 1% Increase (4.98%)</b>
Authority's proportionate share of the net pension liability	\$ 7,589,894	\$ 6,193,894	\$ 5,041,375

**LONG BRANCH SEWERAGE AUTHORITY**  
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**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2017 and 2016**

**6. 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*

Collective balances of the Local Group at the end of the current measurement period, June 30, 2017 are as follows:

Deferred outflows of resources	\$	6,424,455,842
Deferred inflows of resources	\$	5,700,625,981
Net pension liability	\$	23,278,401,588
Authority's Proportion		0.0206178111%

Collective pension expense for the Local Group for the measurement period ended June 30, 2017 is \$1,694,305,613.

Collective balances of the Local Group at the end of the measurement period, June 30, 2016 are as follows:

Deferred outflows of resources	\$	8,685,338,380
Deferred inflows of resources	\$	870,133,595
Net pension liability	\$	29,617,131,759
Authority's Proportion		0.0209132133%

Collective pension expense for the Local Group for the measurement period ended June 30, 2016 is \$2,830,763,540.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2016 (the beginning of the measurement period ended June 30, 2017) is 5.48 years. The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2015 (the beginning of the measurement period ended June 30, 2016) is 5.57 years.

**7. 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.

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**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2017 and 2016**

**8. 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 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.

**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.

**9. 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 any 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.

**10. Restrictions on Net Position**

Certain portions of net position have been restricted. Restrictions include net position restricted for system maintenance reserve of \$200,000 and restricted for future debt service of \$140,287.

**LONG BRANCH SEWERAGE AUTHORITY**  
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**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2017 and 2016**

**11. Correction of Errors**

The Authority adjusted its December 31, 2016 net position for restatements for the correction of errors as follows:

Net Position - December 31, 2016	\$ 22,773,167
2016 Depreciation expense reduction	<u>340,785</u>
Net Position - December 31, 2016 (as restated)	<u>\$ 23,113,952</u>

The Authority restated its financial statements for the year ended December 31, 2016 to reflect a reduction in depreciation expense on Collection System capital assets, which was overstated in the prior year due to a computational error. The Authority did not properly account for this depreciation expense in the prior year financial statements. In the prior year, the Authority recorded depreciation expense in the amount of \$2,235,393. The current year restatement corrects the prior year presentation by reducing depreciation expense by \$340,785 and by reducing accumulated depreciation by \$340,785. The net effect on the Comparative Statement of Revenues, Expenses, and Changes in Fund Net Position was an increase in total net position of \$340,785. The effect of the restatement resulted in an increase to the net investment in capital assets portion of net position of \$340,785 as of December 31, 2016 and increase of the same amount in Capital Assets – Net of Depreciation.

Below is a summary of the retrospective adjustment due to the restatement for the correction of errors as of and for the year ended December 31, 2016:

	2016 Balance per prior year Audited Financial Statements	<u>Correction:</u> Capital Assets		2016 Balance per Financial Statements (As restated)
Capital Assets - Net of depreciation	\$ 34,003,273	\$ 340,785	\$	34,344,058
Total capital assets, net	39,538,094	340,785		39,878,879
Net position	22,773,167	340,785		23,113,952

**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  
Required Supplementary Information and Notes to Required Supplementary Information

Last Ten Fiscal Years

	Years Ended December 31,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Authority's proportion of the net pension liability (asset) - Local Group	0.0206178111%	0.0209132133%	0.0197815178%	0.0187472955%	N/A	N/A	N/A	N/A	N/A	N/A
Authority's proportionate share of the net pension liability (asset)	\$ 4,799,497	\$ 6,193,894	\$ 4,440,554	\$ 3,510,006	N/A	N/A	N/A	N/A	N/A	N/A
Authority's covered-employee payroll	\$ 1,409,788	\$ 1,305,366	\$ 1,309,154	\$ 1,263,438	\$ 1,205,654	\$ 1,170,198	\$ 1,169,580	\$ 1,140,371	\$ 1,100,475	\$ 1,090,982
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	340.44%	474.49%	339.19%	277.81%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability - Local Group	48.10%	40.14%	47.93%	48.72%	N/A	N/A	N/A	N/A	N/A	N/A

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

N/A - Information not available.

Notes to the Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from the measurement date of June 30, 2015 of 4.90% to 3.98% as of the measurement date of June 30, 2016.

The discount rate changed from the measurement date of June 30, 2016 of 3.98% to 5.00% as of the measurement date of June 30, 2017.

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

Last Ten Fiscal Years

	Years Ended December 31,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 185,790	\$ 170,068	\$ 154,550	\$ 133,653	\$ 130,659	\$ 138,460	\$ 130,861	\$ 101,158	\$ 82,142	\$ 88,004
Contributions in relation to the contractually required contribution	(185,790)	(170,068)	(154,550)	(133,653)	(130,659)	(138,460)	(130,861)	(101,158)	(82,142)	(88,004)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 1,523,247	\$ 1,409,788	\$ 1,305,366	\$ 1,309,154	\$ 1,263,438	\$ 1,205,654	\$ 1,170,198	\$ 1,169,580	\$ 1,140,371	\$ 1,100,475
Contributions as a percentage of covered-employee payroll	12.20%	12.06%	11.84%	10.21%	10.34%	11.48%	11.18%	8.65%	7.20%	8.00%

**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, CASH EQUIVALENTS AND INVESTMENTS  
UNRESTRICTED ACCOUNTS  
YEAR ENDED DECEMBER 31, 2017**

Schedule 1

	<u>Revenue Fund</u>	<u>General Fund</u>	<u>Total</u>
Cash, Cash Equivalents and Investments January 1, 2017	\$ 2,913,444	\$ 3,299,241	\$ 6,212,685
Cash Receipts:			
Transfer from general fund	475,000		475,000
Interest received	11,274	3,533	14,807
Customer overpayments	50,919		50,919
Annual service charges	6,414,075		6,414,075
Connection fees	1,636,261		1,636,261
Miscellaneous fees and charges	358		358
Interest on delinquent accounts	76,031		76,031
	11,577,362	3,302,774	14,880,136
Total Cash Available			
Cash Disbursements:			
Accounts payable and accrued expenses	398,117		398,117
Suppliers and employees	4,171,208		4,171,208
Transfer to bond service fund	743,700		743,700
Transfer to revenue fund		475,000	475,000
Transfer to construction fund	88,318		88,318
Payment of bond principal and interest	1,401,247		1,401,247
Capital projects expenditures	210,806		210,806
	7,013,396	475,000	7,488,396
Total Cash Disbursements			
Cash, Cash Equivalents and Investments December 31, 2017	\$ <u>4,563,966</u>	\$ <u>2,827,774</u>	\$ <u>7,391,740</u>
Balance Comprised of:			
Change Fund/Petty Cash	\$ 400	\$	\$ 400
Cash	1,358,145		1,358,145
US Treasury Obligations - Money Market	3,205,421	1,327,774	4,533,195
	4,563,966	1,327,774	5,891,740
Investments - Certificates of deposit		1,500,000	1,500,000
	\$ <u>4,563,966</u>	\$ <u>2,827,774</u>	\$ <u>7,391,740</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, 2017**

	Accounts Required by Bond Resolution					<u>Totals</u>
	<u>Bond Service Fund</u>	<u>Bond Service Reserve Fund</u>	<u>Maintenance Reserve Fund</u>	<u>Construction Fund</u>	<u>Escrow Fund</u>	
Cash, Cash Equivalents and Investments: January 1, 2017	\$	\$ 140,861	\$ 175,000	\$ 3,225,075	\$ 85,261	\$ 3,626,197
Cash Receipts:						
Interest received		880	1,258	19,276	498	21,912
Transfer from revenue fund	743,700			88,318		832,018
Developer's deposits					1,013,771	1,013,771
<b>Total Cash Available</b>	<u>743,700</u>	<u>141,741</u>	<u>176,258</u>	<u>3,332,669</u>	<u>1,099,530</u>	<u>5,493,898</u>
Cash Disbursements:						
Payment of bond principal	330,000					330,000
Payment of interest on bonds	413,700					413,700
Land acquisition				126,000		126,000
Developer's escrow					994,231	994,231
Construction projects				597,468		597,468
<b>Total Cash Disbursements</b>	<u>743,700</u>			<u>723,468</u>	<u>994,231</u>	<u>2,461,399</u>
Cash, Cash Equivalents and Investments: December 31, 2017	\$ <u>-</u>	\$ <u>141,741</u>	\$ <u>176,258</u>	\$ <u>2,609,201</u>	\$ <u>105,299</u>	\$ <u>3,032,499</u>
Balance Comprised of:						
Savings accounts	\$	\$	\$	\$	\$ 105,299	\$ 105,299
US Treasury Obligations - Money Market		1,741	53,258	1,109,201		1,164,200
Certificates of deposit - Investments		140,000	123,000	1,500,000		1,763,000
	<u>\$ -</u>	<u>\$ 141,741</u>	<u>\$ 176,258</u>	<u>\$ 2,609,201</u>	<u>\$ 105,299</u>	<u>\$ 3,032,499</u>

**LONG BRANCH SEWERAGE AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
A COMPONENT UNIT OF THE CITY OF LONG BRANCH  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES  
COMPARED TO BUDGET  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	December 31, 2017				December 31, 2016		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Realized</u>	Variance to <u>Final</u>	<u>Final Budget</u>	<u>Realized</u>	Variance to <u>Final</u>
Revenues:							
Net position appropriated	\$ 475,000	\$ 475,000	\$ 475,000	\$	\$ 453,715	\$ 453,715	\$
User charges and fees	6,441,400	6,441,400	6,464,446	23,046	6,020,000	5,995,606	(24,394)
Interest on delinquent accounts	85,000	85,000	76,031	(8,969)	85,000	69,945	(15,055)
Interest income	8,000	8,000	48,270	40,270	7,000	21,529	14,529
Connection fees	343,405	343,405	1,636,261	1,292,856	227,200	226,580	(620)
Other revenue:							
Federal Emergency Management Agency					200,000	438,948	238,948
Insurance proceeds						70,827	70,827
Miscellaneous	10,000	10,000	358	(9,642)	10,000	16,098	6,098
<b>Total Revenues</b>	<u>\$ 7,362,805</u>	<u>\$ 7,362,805</u>	<u>\$ 8,700,366</u>	<u>\$ 1,337,561</u>	<u>\$ 7,002,915</u>	<u>\$ 7,293,248</u>	<u>\$ 290,333</u>

	December 31, 2017				December 31, 2016		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Paid or Charged</u>	Variance to <u>Final</u>	<u>Adopted/Final Budget</u>	<u>Paid or Charged</u>	Variance to <u>Final</u>
Expenses:							
Personal Services:							
Disposal plant - operating labor	\$ 982,852	\$ 883,452	\$ 883,368	\$ 84	\$ 932,488	\$ 858,594	\$ 73,894
Collection system - maintenance labor	260,000	260,000	258,065	1,935	257,082	260,503	(3,421)
Administrative salaries:							
Office and executive director salaries	499,954	499,954	449,314	50,640	532,000	514,977	17,023
Officers' and members' comp.	12,500	12,500	12,500		12,500	12,500	
<b>Total Personal Services</b>	<u>\$ 1,755,306</u>	<u>\$ 1,655,906</u>	<u>\$ 1,603,247</u>	<u>\$ 52,659</u>	<u>\$ 1,734,070</u>	<u>\$ 1,646,574</u>	<u>\$ 87,496</u>

**LONG BRANCH SEWERAGE AUTHORITY**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**A COMPONENT UNIT OF THE CITY OF LONG BRANCH**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES**  
**COMPARED TO BUDGET**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

	December 31, 2017				December 31, 2016		
	<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>
Expenses (Continued):							
Employee benefits:							
Social security tax	\$ 135,000	\$ 135,000	\$ 121,083	\$ 13,917	\$ 111,000	\$ 110,047	\$ 953
Unemployment compensation	25,000	25,000	13,303	11,697	20,000	10,235	9,765
Hospitalization and other insurance	758,000	753,500	699,920	53,580	692,695	672,090	20,605
Other benefits	1,500	6,000	8,589	(2,589)	1,500	7,123	(5,623)
Public employee's retirement system	185,790	185,790	439,540	(253,750)	171,000	526,398	(355,398)
Provision for future benefits	15,000	15,000	13,797	1,203	15,000	8,578	6,422
<b>Total Employee Benefits</b>	<u>1,120,290</u>	<u>1,120,290</u>	<u>1,296,232</u>	<u>(175,942)</u>	<u>1,011,195</u>	<u>1,334,471</u>	<u>(323,276)</u>
Administrative Services:							
Engineering	40,000	40,000	25,001	14,999	40,000	11,911	28,089
Legal	40,000	40,000	29,852	10,148	40,000	29,724	10,276
Audit	40,000	40,000	38,750	1,250	40,000	37,750	2,250
Trustee	45,000	45,000	40,175	4,825	45,000	40,192	4,808
Other	6,000	6,000	950	5,050	6,000	1,600	4,400
Telephone	6,000	6,000	5,670	330	6,000	4,780	1,220
Office and maintenance	75,000	75,000	68,017	6,983	75,000	69,179	5,821
Insurance	195,000	195,000	188,364	6,636	198,000	175,155	22,845
Automobile	7,000	7,000	3,652	3,348	7,000	4,269	2,731
Miscellaneous	20,000	20,000	14,646	5,354	20,000	15,752	4,248
<b>Total Administrative Services</b>	<u>\$ 474,000</u>	<u>\$ 474,000</u>	<u>\$ 415,077</u>	<u>\$ 58,923</u>	<u>\$ 477,000</u>	<u>\$ 390,312</u>	<u>\$ 86,688</u>

**LONG BRANCH SEWERAGE AUTHORITY**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**A COMPONENT UNIT OF THE CITY OF LONG BRANCH**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES**  
**COMPARED TO BUDGET**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

	December 31, 2017				December 31, 2016		
	<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>
Expenses (Continued):							
Disposal System:							
Repairs and supplies	\$ 200,000	\$ 189,200	\$ 205,116	\$ (15,916)	\$ 240,000	\$ 243,761	\$ (3,761)
Removal of sludge	240,000	304,500	325,529	(21,029)	230,000	213,200	16,800
Operating permits	65,000	55,000	54,873	127	68,000	42,607	25,393
Automobile and truck expenses	15,000	8,000	7,417	583	15,000	8,561	6,439
Chemicals	135,000	169,600	159,823	9,777	125,000	119,470	5,530
Heat	70,000	70,200	70,104	96	60,000	55,612	4,388
Electricity	250,000	290,000	289,999	1	250,000	232,732	17,268
Water	20,000	8,400	8,387	13	15,000	8,565	6,435
Telephone	6,000	5,500	5,079	421	6,000	4,337	1,663
<b>Total Disposal System</b>	<u>1,001,000</u>	<u>1,100,400</u>	<u>1,126,327</u>	<u>(25,927)</u>	<u>1,009,000</u>	<u>928,845</u>	<u>80,155</u>
Pumping Stations:							
Repairs and supplies	40,000	40,000	7,019	32,981	39,000	17,875	21,125
Electricity	50,000	50,000	22,712	27,288	45,000	19,038	25,962
Water	1,500	1,500	2,325	(825)	1,500	934	566
<b>Total Pumping Stations</b>	<u>91,500</u>	<u>91,500</u>	<u>32,056</u>	<u>59,444</u>	<u>85,500</u>	<u>37,847</u>	<u>47,653</u>
Collection System:							
Repairs and supplies	50,000	50,000	44,333	5,667	38,500	39,918	(1,418)
Automobile and truck expenses	15,000	15,000	11,800	3,200	10,000	6,255	3,745
<b>Total Collection System</b>	<u>65,000</u>	<u>65,000</u>	<u>56,133</u>	<u>8,867</u>	<u>48,500</u>	<u>46,173</u>	<u>2,327</u>
<b>Total Operating</b>	<u>\$ 4,507,096</u>	<u>\$ 4,507,096</u>	<u>\$ 4,529,072</u>	<u>\$ (21,976)</u>	<u>\$ 4,365,265</u>	<u>\$ 4,384,222</u>	<u>\$ (18,957)</u>

LONG BRANCH SEWERAGE AUTHORITY  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
A COMPONENT UNIT OF THE CITY OF LONG BRANCH  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES  
COMPARED TO BUDGET  
YEARS ENDED DECEMBER 31, 2017 AND 2016

	December 31, 2017				December 31, 2016		
	Original Budget	Final Budget	Paid or Charged	Variance to Final	Adopted/Final Budget	Paid or Charged	Variance to Final
Expenses (Continued):							
Capital Outlay:							
Administration:							
Office equipment	\$ 40,000	\$ 40,000	\$ 40,000	\$	\$ 20,000	\$ 20,000	\$
Geographical Information System - GIS	5,000	5,000	5,000		5,000	5,000	
Telecommunications system	5,000	5,000	5,000		5,000	5,000	
Treatment Plant:							
Secondary treatment equipment							
Other plant equipment	100,000	100,000	100,000		50,000	50,000	
Security system	10,000	10,000	10,000		10,000	10,000	
Roof replacements	20,000	20,000	20,000		10,000	10,000	
Secondary treatment equipment	75,000	75,000	75,000		20,000	20,000	
Vehicles	10,000	10,000	10,000				
Digester covers & cleaning	35,000	35,000	35,000		20,000	20,000	
Collection System:							
Jet truck	30,000	30,000	30,000				
Various improvements	55,000	55,000	55,000		35,000	35,000	
Pump station equipment	40,000	40,000	40,000		35,000	35,000	
TV Truck	50,000	50,000	50,000		30,000	30,000	
Reserve for Future Collection System Improvements					10,000	10,000	
Total Capital Outlay	475,000	475,000	475,000		250,000	250,000	
Debt Service and Reserves:							
Bond principal	1,731,247	1,731,247	1,731,246	1	1,716,452	1,697,932	18,520
Interest on bonds	649,462	649,462	582,883	66,579	671,198	671,127	71
Total Debt Service	2,380,709	2,380,709	2,314,129	66,580	2,387,650	2,369,059	18,591
Total Expenses	\$ 7,362,805	\$ 7,362,805	\$ 7,318,201	\$ 44,604	\$ 7,002,915	\$ 7,003,281	\$ (366)

LONG BRANCH SEWERAGE AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
A COMPONENT UNIT OF THE CITY OF LONG BRANCH  
SCHEDULE OF LONG-TERM REVENUE BONDS PAYABLE  
YEAR ENDED DECEMBER 31, 2017

Purpose	Date of Issue	Maturities		Interest Rate	Balance December 31, 2016	Paid	Deobligated	Balance December 31, 2017
		Date	Amount					
\$6,155,563 New Jersey Environmental Infrastructure Trust 2000	10/15/2000	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%				
					\$ 1,315,925	\$ 327,540	\$	\$ 988,385
\$6,355,000 New Jersey Environmental Infrastructure Trust 2000	10/15/2000	8/1/2018	434,015	5.250%				
		8/1/2019	457,508	5.250%				
		8/1/2020	481,040	5.250%				
						1,782,984	410,422	
\$1,810,000 Series 2002A Bonds to provide supplemental funding for the Phase II Rehab. Program	12/19/2002	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%				
					805,000	100,000		705,000

LONG BRANCH SEWERAGE AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
A COMPONENT UNIT OF THE CITY OF LONG BRANCH  
SCHEDULE OF LONG-TERM REVENUE BONDS PAYABLE  
YEAR ENDED DECEMBER 31, 2017

Purpose	Date of Issue	Maturities		Interest Rate	Balance December 31, 2016	Paid	Deobligated	Balance December 31, 2017
		Date	Amount					
\$ 5,301,000 New Jersey Environmental Infrastructure Trust 2010- ARRA Fund Loan Portion	3/10/2010	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%						
					\$ 3,599,369	\$ 279,000	\$	\$ 3,320,369
\$3,420,000 New Jersey Environmental Infrastructure Trust 2010- ARRA Trust Loan Portion	3/10/2010	8/1/2018	165,000	5.000%				
		8/1/2019	161,000	4.000%				
		8/1/2020	171,000	5.000%				
		8/1/2021	173,000	3.000%				
		8/1/2022	185,000	4.000%				
		8/1/2023	189,000	4.000%				
		8/1/2024	199,000	4.000%				
		8/1/2025	204,000	4.000%				
		8/1/2026	213,000	3.500%				
		8/1/2027	224,000	4.000%				
		8/1/2028	233,000	4.000%				
		8/1/2029	238,000	4.000%				
2,355,000.00					2,630,000	155,000	120,000	2,355,000

LONG BRANCH SEWERAGE AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
A COMPONENT UNIT OF THE CITY OF LONG BRANCH  
SCHEDULE OF LONG-TERM REVENUE BONDS PAYABLE  
YEAR ENDED DECEMBER 31, 2017

Purpose	Date of Issue	Maturities		Interest Rate	Balance December 31, 2016	Paid	Deobligated	Balance December 31, 2017
		Date	Amount					
\$3,525,931								
New Jersey Environmental Infrastructure Trust 2010-Traditional - Fund Loan Portion	3/10/2010	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	30,980	0.000%				
					\$ 1,883,585	\$ 179,285	\$	\$ 1,704,300
\$1,150,000								
New Jersey Environmental Infrastructure Trust 2010-Traditional - Trust Loan Portion	3/10/2010	8/1/2018	55,000	5.000%				
		8/1/2019	57,000	4.000%				
		8/1/2020	57,000	5.000%				
		8/1/2021	61,000	3.000%				
		8/1/2022	62,000	4.000%				
		8/1/2023	62,000	4.000%				
		8/1/2024	66,000	4.000%				
		8/1/2025	71,000	4.000%				
		8/1/2026	71,000	3.500%				
		8/1/2027	76,000	4.000%				
		8/1/2028	76,000	4.000%				
		8/1/2029	81,000	4.000%				
					885,000	50,000	40,000	795,000

LONG BRANCH SEWERAGE AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
A COMPONENT UNIT OF THE CITY OF LONG BRANCH  
SCHEDULE OF LONG-TERM REVENUE BONDS PAYABLE  
YEAR ENDED DECEMBER 31, 2017

Purpose	Date of Issue	Maturities		Interest Rate	Balance December 31, 2016	Paid	Deobligated	Balance December 31, 2017
		Date	Amount					
\$9,150,000 Sewer Revenue Bonds	3/10/2014	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%				
					\$ 8,720,000	\$ 230,000	\$	\$ 8,490,000
Grand Total					\$ 21,621,863	\$ 1,731,247	\$ 160,000	\$ 19,730,616
Detail:								
Current portion					\$ 1,731,246			\$ 1,781,343
Long-term portion					19,890,617			17,949,273
* Term Bonds					\$ 21,621,863			\$ 19,730,616

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, 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 (“Division”), the basic financial statements of the Long Branch Sewerage Authority, in the County of Monmouth, New Jersey (“Authority”), a component unit of the City of Long Branch as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated May 16, 2018.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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.

## **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*

WISS & COMPANY, LLP

May 16, 2018  
Livingston, New Jersey

**OTHER INFORMATION**

**ROSTER OF OFFICIALS AND SURETY BOND/INSURANCE COVERAGE**

**LONG BRANCH SEWERAGE AUTHORITY**

**ROSTER OF OFFICIALS**

**YEAR ENDED DECEMBER 31, 2017**

<u>Name</u>	<u>Title</u>	<u>Surety Bond</u>
Thomas George	Chairman	A, B, C
Michael Booth	Vice Chairman	A, B, C
David G. Brown	Treasurer	A, B, C
James Mazza	Secretary	A, B, C
L. Frank Blaisdell	Assistant Secretary/Treasurer	A, B, C
Thomas Roguski	Executive Director	A, B, C
Marion Uyeyama	Comptroller	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. \$10,000,000 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 \$10,000,000 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**  
**SURETY BOND/INSURANCE COVERAGE**  
**FISCAL YEAR ENDED DECEMBER 31, 2017**

A blanket policy issued by the New Jersey Utility Authorities Joint Insurance Fund for a one-year period expiring on January 1, 2018, 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
Cyber and Technology Liability – Third Party	6,000,000
Worker's Compensation	Statutory
Environmental Liability – Third Party	1,000,000
Travel Accident Insurance (Commissioners)	500,000
Flood / Building – Third Party	500,000
Flood / Contents – Third Party	30,000 - 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 INFORMATION**

**GENERAL COMMENTS AND RECOMMENDATIONS**

## **GENERAL COMMENTS DECEMBER 31, 2017**

### Cash and Investments

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 as the Authority did not have a Qualified Purchasing Agent. Through December 31, 2017, a Qualified Purchasing Agent had not been employed.

**GENERAL COMMENTS (CONTINUED)**  
**DECEMBER 31, 2017**

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, 2017 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, 2017, 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, 2017.

Vouchers were examined on a test basis.

A test was made of the employees' compensation records for the year ended December 31, 2017 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. There were no prior year's 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.