

**Annual  
Financial Report**

of

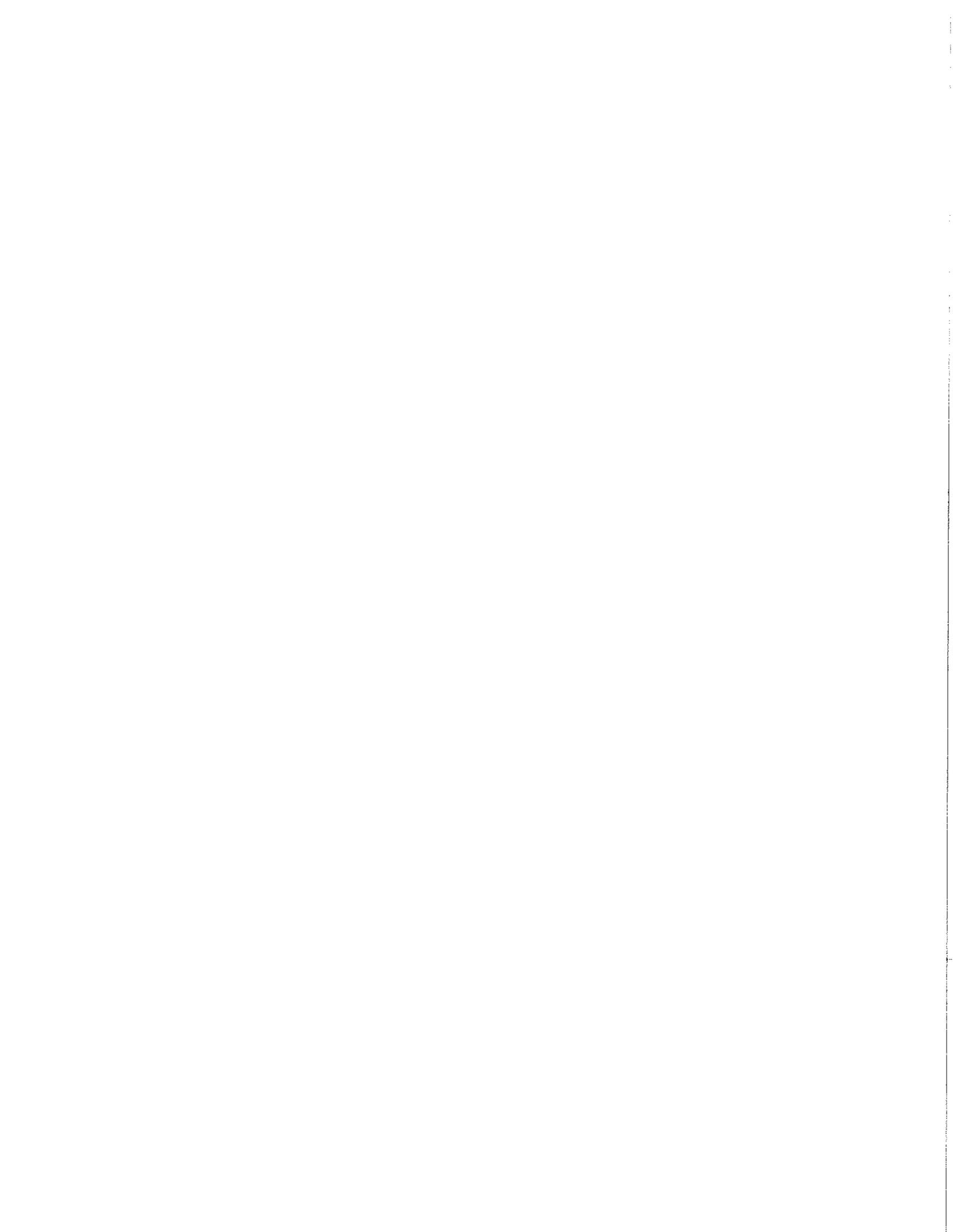
**The Linden Roselle  
Sewerage Authority**

For the Years Ended December 31, 2013 and 2012

Prepared By

The Linden Roselle Sewerage Authority

Finance Department



## **SINGLE AUDIT SECTION**

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	35-36
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	37-38
Schedule of Expenditures of Federal Awards for the Year Ended December 31, 2013	39
Notes to Schedule of Expenditures of Federal Awards for the Year Ended December 31, 2013	40
Schedule of Findings and Questioned Costs for the Year Ended December 31, 2013	41-42
Summary Schedule of Prior Findings for the Year Ended December 31, 2013	43
Roster of Officials - December 31, 2013	44
General Comments and Recommendations - December 31, 2013	45

**THE LINDEN ROSELLE SEWERAGE AUTHORITY**

**I N D E X**

	<b><u>PAGE NUMBER</u></b>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1-3
Management Discussion and Analysis (Unaudited)	4-8
<b>BASIC FINANCIAL STATEMENTS</b>	
<b><u>EXHIBITS</u></b>	
"A" Statements of Net Position - December 31, 2013 and 2012	9-10
"B" Statements of Revenues, Expenses and Changes in Net Position for the Years Ended December 31, 2013 and 2012	11
"C" Statements of Cash Flows for the Years Ended December 31, 2013 and 2012	12
Notes to Financial Statements - December 31, 2013 and 2012	13-28
<b>SUPPLEMENTARY INFORMATION</b>	
<b><u>SCHEDULES</u></b>	
"1" Schedule of Revenues, Expenses and Changes in Net Position Reserved and Unreserved - Years Ended December 31, 2013 and 2012	29
"2" Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget for the Years Ended December 31, 2013 and 2012	30-31
"3" Schedule of Bonds Payable - 1992 Refunding Revenue Bonds - Capital Appreciation Bonds - December 31, 2013	32
"4" Schedule of Bonds Payable - 2003 NJEIT Loans Payable - December 31, 2013	33
"5" Schedule of Bonds Payable - 2012 NJEIT Loans Payable - December 31, 2013	34

**FINANCIAL SECTION**



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**INDEPENDENT AUDITOR'S REPORT**

Honorable Chairman and  
Members of the Board  
The Linden Roselle Sewerage Authority  
P.O. Box 4118  
Linden, New Jersey 07036

***Report on the Financial Statements***

We have audited the accompanying financial statements of the Linden Roselle Sewerage Authority, as of and for the year ended December 31, 2013 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

## SUPLEE, CLOONEY & COMPANY

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Linden Roselle Sewerage Authority, as of December 31, 2013 and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Prior Period Financial Statements***

The financial statements of the Linden Roselle Sewerage Authority as of December 31, 2012 were audited by other auditors whose report dated April 24, 2013, expressed an unmodified opinion on those financial statements.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* 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.

## SUPLEE, CLOONEY & COMPANY

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Linden Roselle Sewerage Authority's basic financial statements. The supplemental data schedules and schedule of expenditures of federal awards, as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2014 on our consideration of the Linden Roselle Sewerage Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Linden Roselle Sewerage Authority's internal control over financial reporting and compliance.

May 9, 2014



**MANAGEMENT DISCUSSION AND ANALYSIS**

MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information.

OVERVIEW OF ANNUAL FINANCIAL REPORT

The MD&A represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's budget, bond resolutions and other management tools were used for this analysis.

The Authority's audited financial statements are presented in conformity with generally accepted accounting principles. The financial statements include: Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position; Statements of Cash Flows; and Notes to Financial Statements.

The Statements of Net Position present the financial position of the Authority on a historical cost basis. These statements present information on the Authority's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position is one indicator of whether the financial position of the Authority is improving or deteriorating.

While the Statements of Net Position provide information about the nature and amount of resources and obligations at year-end, the Statements of Revenues, Expenses and Changes in Net Position present the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year.

The Statements of Cash Flows present changes in cash and cash equivalents, resulting from operational, financing, and investing activities. These statements present cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The Notes to Financial Statements provide required disclosures and other information that are essential to an understanding of material data provided in the basic financial statements. The notes present information that include accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

## AUTHORITY'S FINANCIAL REPORT

### Condensed Statements of Net Position

	December 31		
	2013	2012	2011
Current Assets	\$10,732,271	\$13,599,493	\$ 8,927,602
Non Current Assets	-0-	-0-	215,355
Capital Assets, Net of Accumulated Depreciation	<u>31,772,158</u>	<u>28,496,014</u>	<u>25,181,144</u>
Total assets	<u>\$42,504,429</u>	<u>\$42,095,507</u>	<u>\$34,324,101</u>
Accounts Payable and Accrued Expenses	\$ 1,414,737	\$ 1,405,009	\$ 746,523
Bonds Payable	<u>15,922,131</u>	<u>17,125,864</u>	<u>10,205,641</u>
Total Liabilities	17,336,868	18,530,873	10,952,164
Net Position	<u>25,167,561</u>	<u>23,564,634</u>	<u>23,371,937</u>
Total Liabilities and Net Position	<u>\$42,504,429</u>	<u>\$42,095,507</u>	<u>\$ 34,324,101</u>

Current assets is comprised largely of cash and cash equivalents and accounts receivable. Cash and cash equivalents totals \$8.9 million and \$9.1 million at December 31, 2013 and 2012, respectively, which decreased \$0.2 million or 2.2%. Accounts Receivable totals \$760 thousand and \$1.6 million at December 31, 2013 and 2012, respectively; a decrease of \$840 thousand or 52.5%.

Capital assets, net of accumulated depreciation, amounted to \$31.8 million and \$28.5 million at December 31, 2013 and 2012, respectively; an increase of \$3.3 million. This increase is the result of capital asset purchases of \$4.8 million and depreciation expense of \$1.5 million. The Authority's capital assets consist of land, buildings and improvements, machinery and equipment, furniture and fixtures, and construction in progress which aggregate \$73.9 million and \$69.1 million at December 31, 2013 and 2012, respectively. Accumulated depreciation amounts to \$42.1 million and \$40.6 million at December 31, 2013 and 2012, respectively.

Proceeds from the New Jersey Environmental Infrastructure Trust (NJEIT) of \$4.4 million and \$4.5 million were received in 2013 and 2012, respectively. The Authority received \$1,740,729 from the Trust in 2013 as loan forgiveness which is shown as grant income on the financial statements.

Bonds payable of \$15.9 million and \$17.1 million at December 31, 2013 and 2012 decreased \$1.2 million or 7.0%.

Net position totals \$25.2 million and \$23.6 million at December 31, 2013 and 2012, respectively; an increase of \$1.6 million in 2013. Net position includes: (i) Investments in capital assets, net of related liabilities, totaling \$16.5 million and \$14.8 million at December 31, 2013 and 2012, respectively; (ii) Restricted net position totaling \$3.9 million and \$3.6 million at December 31, 2013 and 2012, respectively; and (iii) Unrestricted net position of \$4.8 million and \$5.2 million at December 31, 2013 and 2012, respectively. An appropriation of \$400 thousand and \$1,500 thousand, respectively, of unrestricted net position at December 31, 2013 and 2012 has been made to fund a portion of the Year 2014 and 2013 Operating Budgets, respectively.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>Years Ended December 31</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Revenues	\$ 9,248,022	\$10,215,083	\$10,339,817
Operating Expenses	7,827,405	7,996,534	8,404,393
Depreciation	<u>1,469,474</u>	<u>1,469,474</u>	<u>1,472,364</u>
Total Operating Expenses	<u>\$ 9,296,879</u>	<u>\$ 9,466,008</u>	<u>\$ 9,876,757</u>
Operating Income	\$ (48,857)	\$ 749,075	\$ 463,060
<u>Nonoperating Revenues, Net:</u>			
Interest Expense, Net	(325,699)	(344,423)	(288,224)
Other, Net	<u>1,977,483</u>	<u>(29,300)</u>	<u>(33,795)</u>
Net Income (Loss)	\$ 1,602,927	\$ 375,352	\$ 141,041
<u>Net Position:</u>			
Beginning of Year			
(Previously Reported)	23,564,634	23,371,937	23,230,896
Prior Period Adjustment	<u>-0-</u>	<u>(182,655)</u>	<u>-0-</u>
Beginning of Year (Restated)	<u>23,564,634</u>	<u>23,189,282</u>	<u>23,230,896</u>
End of Year	<u>\$ 25,167,561</u>	<u>\$ 23,564,634</u>	<u>\$ 23,371,937</u>

Operating revenues are comprised largely of Service Charges from the City of Linden (City), the Borough of Roselle (Borough) and certain industrial and commercial customers (Major Users) for the recovery of the Authority's operating and maintenance costs, debt service costs, and required reserves appropriated in the annual budget. Operating revenues of \$9.2 million in 2013 compare to \$10.2 million in 2012, a decrease of \$967 thousand or 9.5%.

Operating expenses total \$9.3 million in 2013 compare to \$9.4 million in 2012, a decrease of \$169 thousand or 1.8%.

Interest expense amounted to \$326 thousand in 2013 compared to \$344 thousand in 2012, a decrease of \$18.7 thousand or 5.4%. Interest costs are decreasing as the Authority's debt is being repaid.

The service charges to the City, the Borough and Major Users for the last five years are as follows:

<u>Year</u>	<u>City</u>	<u>Borough</u>	<u>Major Users</u>	<u>Total</u>
2013	\$ 4,467,023	\$ 2,703,510	\$ 1,588,326	\$ 8,758,859
2012	4,969,223	2,641,364	1,596,750	9,207,337
2011	4,839,696	2,630,926	2,364,155	9,834,777
2010	4,740,354	2,639,987	2,764,344	10,144,685
2009	4,786,180	2,686,517	2,658,227	10,130,924

#### Condensed Statements of Cash Flows

	<u>Years Ended December 31</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net Cash Provided by Operating Activities	\$1,880,499	\$3,303,629	\$1,456,319
Net Cash Used in Capital and Financing Activities	(2,051,221)	(1,545,326)	(2,475,775)
Net Cash Provided by Investing Activities	<u>4,071</u>	<u>3,400</u>	<u>2,565</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (166,651)	\$1,761,703	\$(1,016,891)
<u>Cash and Cash Equivalents:</u>			
Beginning of Year	<u>9,068,458</u>	<u>7,306,755</u>	<u>8,323,646</u>
End of Year	<u>\$ 8,901,807</u>	<u>\$9,068,458</u>	<u>\$7,306,755</u>

Net cash provided by operating activities amounted to \$1.9 million and \$3.3 million in the years ended December 31, 2013 and 2012, respectively. The \$1.4 million net decrease in the year 2013 was principally due to a decrease in receipts from service charges in the year 2013.

Net cash used in capital and financing activities largely relate to principal and interest payments on the Authority's long term debt (\$1.5 million and \$1.3 million in 2013 and 2012, respectively) along with additions to capital assets (\$4.8 million and \$4.7 million in 2013 and 2012, respectively). These were partially offset with the receipt of proceeds from the New Jersey Environmental Infrastructure Trust (NJEIT) of \$4.4 million and \$4.5 million in 2013 and 2012, respectively.

## AUTHORITY OVERVIEW

### General

The Linden Roselle Sewerage Authority (the "Authority") is a public body politic and corporate, organized and existing under the Sewerage Authorities Law, constituting Chapter 138 of the P.L. of 1946 of the State of New Jersey and by parallel ordinances adopted in December 1947 by the City of Linden (the "City") and the Borough of Roselle (the "Borough").

The Authority owns and operates a sanitary sewer system providing treatment and disposal of sewerage from the City and the Borough.

Revenue is provided primarily from annual service charges collected from the City, the Borough and customers classified as major industrial users (Major Users). The service charges are based generally on the Authority's operation and maintenance costs, debt service costs and required reserves appropriated in the annual budget.

The service charges of the City and the Borough are calculated in accordance with provisions of the Municipal Contract, as amended and supplemented, entered into by and among the Authority, the City and the Borough. The service charges to the Major Users are calculated taking into account the volume (flow in million gallons) and strength of their wastewater discharges (biological oxygen demand and suspended solids in tons).

Wastewater beneficial reuse fees are amounts collected from certain power utility companies for reservation of capacity to draw treated effluent from the Authority to be used for cooling water. These revenues are utilized by the Authority to offset the service charges.

The Authority operates in a fully developed service area. The industrial user base has changed substantially with companies relocating, reducing or ceasing manufacturing. This has resulted in a loss of revenue which has been a challenge for the Authority in avoiding large sewer rate increases. With the future reductions in revenue and the increasing costs of operations, maintenance, regulatory compliance and plant upgrades, the Authority maintains strict budgetary controls on expenditures and explores alternative sources of revenues to support its service charge rates. The Authority's future capital projects will downsize the facility organic capacity and implement energy efficient equipment which will result in reduced operating costs for the foreseeable future.

### Contacting the Authority's Management

Questions concerning the Authority's annual financial report should be addressed to the Authority's Executive Director at The Linden Roselle Sewerage Authority, 5005 South Wood Avenue, Linden, New Jersey 07036.

**BASIC FINANCIAL STATEMENTS**

THE LINDEN ROSELLE SEWERAGE AUTHORITY

STATEMENTS OF NET POSITION  
DECEMBER 31, 2013 AND 2012

	<u>2013</u>	Restated <u>2012</u>
<u>ASSETS</u>		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 4,958,406	\$ 5,727,770
Insurance Claims Receivable	1,630	450,000
Accounts Receivable	<u>758,611</u>	<u>1,106,593</u>
<u>Total Unrestricted Assets</u>	<u>\$ 5,718,647</u>	<u>\$ 7,284,363</u>
Restricted Assets:		
Cash and Cash Equivalents	\$ 3,943,401	\$ 3,340,688
Funds held by the NJEIT	<u>1,070,223</u>	<u>2,974,442</u>
<u>Total Restricted Assets</u>	<u>\$ 5,013,624</u>	<u>\$ 6,315,130</u>
Property, Plant and Equipment, at Cost	\$ 73,862,474	\$ 69,116,856
Less: Accumulated Depreciation	<u>42,090,316</u>	<u>40,620,842</u>
<u>Net Property, Plant and Equipment</u>	<u>\$ 31,772,158</u>	<u>\$ 28,496,014</u>
<u>TOTAL ASSETS</u>	<u>\$ 42,504,429</u>	<u>\$ 42,095,507</u>

See accompanying notes to financial statements.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

STATEMENTS OF NET POSITION  
DECEMBER 31, 2013 AND 2012

	<u>2013</u>	Restated <u>2012</u>
<u>LIABILITIES AND NET POSITION</u>		
Current Liabilities Payable From Unrestricted Assets:		
Accounts Payable	\$ 505,667	\$ 722,089
Accrued Liabilities	396,166	495,655
Accounts Payable-Construction	382,061	
Deferred Income		20,559
	<u>1,283,894</u>	<u>1,238,303</u>
<u>Total Current Liabilities Payable From Unrestricted Assets</u>	<u>\$ 1,283,894</u>	<u>\$ 1,238,303</u>
Current Liabilities Payable From Restricted Assets:		
Accrued Interest Payable	\$ 130,843	\$ 166,706
Current Portion of Long-term Debt	1,251,432	1,224,742
	<u>1,382,275</u>	<u>1,391,448</u>
<u>Total Current Liabilities Payable From Restricted Assets</u>	<u>\$ 1,382,275</u>	<u>\$ 1,391,448</u>
Total Long-Term Debt, Net of Current Maturities	<u>\$ 14,670,699</u>	<u>\$ 15,901,122</u>
	<u>\$ 17,336,868</u>	<u>\$ 18,530,873</u>
<u>Total Liabilities</u>	<u>\$ 17,336,868</u>	<u>\$ 18,530,873</u>
Net Position:		
Invested in Capital Assets, net of Related Liabilities	\$ 16,538,189	\$ 14,820,059
Restricted:		
Operations	2,757,268	2,777,500
Debt Service Reserve	140,039	140,051
Renewal and Replacement	1,046,094	700,869
Unrestricted:		
Insurance	250,000	
General	4,435,971	5,126,155
	<u>25,167,561</u>	<u>23,564,634</u>
<u>Total Net Position</u>	<u>\$ 25,167,561</u>	<u>\$ 23,564,634</u>
<u>TOTAL LIABILITIES AND NET POSITION</u>	<u>\$ 42,504,429</u>	<u>\$ 42,095,507</u>

See accompanying notes to financial statements.

THE LINDEN ROSELLE SEWERAGE AUTHORITY  
 STATEMENTS OF REVENUES, EXPENSES  
 AND CHANGES IN NET POSITION  
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>Restated 2012</u>
Operating Revenues:		
Service Charges	\$ 8,758,859	\$ 9,207,337
Wastewater Beneficial Reuse Fees	232,865	318,794
Interest on Delinquent Accounts	79,663	109,652
Lease Income	41,965	40,876
Insurance Income	42,795	450,000
Roughing Filter Fee	40,000	80,000
Miscellaneous Income	51,875	8,424
	<hr/>	<hr/>
<u>Total Operating Revenues</u>	\$ 9,248,022	\$ 10,215,083
Operating Expenses:		
Total Operating Costs	\$ 7,827,405	\$ 7,996,534
Depreciation	1,469,474	1,469,474
	<hr/>	<hr/>
<u>Total Operating Expenses</u>	\$ 9,296,879	\$ 9,466,008
<u>Operating Income (Loss)</u>	\$ (48,857)	\$ 749,075
Nonoperating Revenues (Expenses):		
Interest Income	\$ 4,071	\$ 3,400
Interest Expense, Net	(325,699)	(344,423)
Grant Income/Loan Forgiveness	1,740,729	
Other Expenses	(34,405)	(32,700)
Miscellaneous	267,088	
	<hr/>	<hr/>
<u>Net Income</u>	\$ 1,602,927	\$ 375,352
Net Position, Beginning of Year, as Previously Reported	\$ 23,564,634	\$ 23,371,937
Prior Period Adjustment		(182,655)
Net Position, Beginning of Year, as Restated	<hr/>	<hr/>
	23,564,634	23,189,282
Net Position, End of Year	<hr/>	<hr/>
	\$ 25,167,561	\$ 23,564,634

See accompanying notes to financial statements.

THE LINDEN ROSELLE SEWERAGE AUTHORITY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>Restated</u> <u>2012</u>
<u>Cash Flows from Operating Activities:</u>		
Receipts from Service Charges	\$ 9,083,006	\$ 9,721,592
Receipts from Wastewater Beneficial Reuse Fees	232,865	398,794
Receipts from Leases	41,965	41,117
Interest Received on Delinquent Accounts	79,663	109,652
Miscellaneous Receipts	606,875	458,424
Payments to Employees	(2,843,481)	(2,484,399)
Payments for Employee Benefits and Payroll Taxes	(1,589,590)	(1,498,345)
Payments for Operations and Maintenance	<u>(3,730,804)</u>	<u>(3,443,206)</u>
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 1,880,499</u>	<u>\$ 3,303,629</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Principal Payments on Bonds and Loans	\$ (1,219,742)	\$ (1,009,618)
Acquisition of Property, Plant and Equipment	(4,870,644)	(4,716,720)
Funds Received from the NJEIT	4,400,727	4,525,435
Interest Paid on Bonds	<u>(361,562)</u>	<u>(344,423)</u>
<u>Net Cash Used in Capital and Financing Activities</u>	<u>\$ (2,051,221)</u>	<u>\$ (1,545,326)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest Received	\$ 4,071	\$ 3,400
<u>Net Cash Provided by Investing Activities</u>	<u>\$ 4,071</u>	<u>\$ 3,400</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (166,651)	\$ 1,761,703
Cash and Cash Equivalents, Beginning of Year	<u>9,068,458</u>	<u>7,306,755</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,901,807</u>	<u>\$ 9,068,458</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>		
Operating Income	\$ (48,857)	\$ 749,075
Depreciation	1,469,474	1,469,474
<u>Changes in Operating Assets and Liabilities:</u>		
Accounts Receivable	347,982	514,255
Insurance Claims Receivable	448,370	
Accounts Payable and Accrued Liabilities	(315,911)	570,585
Deferred Income	<u>(20,559)</u>	<u>240</u>
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 1,880,499</u>	<u>\$ 3,303,629</u>

See accompanying notes to financial statements.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

(1) GENERAL

The Linden Roselle Sewerage Authority (the "Authority") is a public body politic and corporate, organized and existing under the Sewerage Authorities Law, constituting Chapter 138 of the P.L. of 1946 of the State of New Jersey and by parallel ordinances adopted in December 1947 by the City of Linden (the "City") and the Borough of Roselle (the "Borough").

The Authority owns and operates a sanitary sewer system providing treatment and disposal of sewerage from the City and the Borough.

Revenue is provided primarily from annual service charges collected from the City, the Borough and customers classified as major industrial users. The service charges are based generally on the Authority's operation and maintenance costs, debt service costs and required reserves appropriated in the annual budget.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the accounting policies are described below.

Basis of Financial Statement Presentation

The financial statements of the Authority have been prepared on the accrual basis and in accordance with generally accepted accounting principles applicable to enterprise funds of state and local governments. An Enterprise Fund is used to account for operations: (i) that are financed primarily through user charges, or (ii) where the governing body has decided that determination of net income is appropriate.

The accounting and financial reporting applied by the Authority is determined by its measurement focus. The financial statements are reported using the economic measurement focus and the accrual basis of accounting. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included in the Statements of Net Position. Net Position (totals assets and deferred outflows net of total liabilities and deferred inflows) are segregated into invested in capital assets, restricted and unrestricted components.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Authority's financial statements include the operations of the wastewater treatment plant for which the Board of Commissioners of the Authority exercises financial accountability. The Authority is considered a joint venture of the participating governments. Board members are appointed to five-year terms by their respective municipalities. There are no additional entities required to be included in the reporting entity and the Authority is not included in any other reporting entity.

Net Position

Equity is classified as net position and displayed in three components:

- 1) Invested in Capital Assets - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted - when constraints placed on net position are either a) externally imposed by creditors (such as the bond resolution), grantors, or laws or regulations of other governments or b) imposed by law.
- 3) Unrestricted - any other net position that does not meet the definition of "restricted" or "invested in capital assets."

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds and Accounts Established by Bond Resolutions and Trust Agreement

In accordance with Bond Resolutions and Trust Agreement securing the 1992 Revenue Bonds and the 1996 Revenue Bonds, the Authority has established various cash and investment accounts with a trustee with restrictions on the use of funds, as follows:

**Construction Fund** – The construction fund has been established for the payment of the cost of each project for which bonds have been issued under the Trust Agreement. Upon completion of the construction project, any funds remaining and not reserved for unpaid costs shall be transferred to the renewal and replacement fund.

**Revenue Fund** – All pledged revenues as defined in the Trust Agreement are required to be paid over to the trustee upon receipt and deposited in the revenue fund. Transfers from the revenue fund shall be made on the first day of each month in amounts needed to establish the respective fund balances as follows:

*Operating Fund* – to the greater of the amount of (i) the Authority's net operating expenses for the current month and the next succeeding three months or (ii) \$1,600,000.

*Debit Service Fund* – to equal the interest and principal falling due on the Bonds during the fiscal year.

*Sinking Fund* – to equal the aggregate amount of all sinking fund installments, if any, required to be paid during the fiscal year.

*Debt Service Reserve Fund* – to maintain or provide an amount equal to the maximum annual net debt service requirement as defined in the Trust Agreement on the bonds for any succeeding fiscal year.

*Renewal and Replacement Fund* – to equal the reasonably required reserve called for by the Trust Agreement.

*General Fund* – to deposit therein the balance of the pledged revenues to the extent any monies are available.

**Operating Fund** – The operating fund is used to pay all reasonable and necessary costs of operating, maintaining and repairing the sewer system (other than the types of repairs budgeted or authorized for payment from the renewal and replacement fund).

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds and Accounts Established by Bond Resolutions and Trust Agreement (Continued)

**Debt Service Fund** – The debt service fund shall be used to pay principal and interest on the bonds. When bonds are purchased or redeemed, the amount, if any, in the debt service fund representing interest thereon shall be applied to the payment of accrued interest in connection with any such redemption or purchase and any excess thereof together with any amount representing principal shall be transferred to the renewal and replacement fund.

**Sinking Fund** – The Trustee shall establish and maintain a separate account for each series of outstanding bonds that mature on a single date and for which sinking fund installments are established. Monies paid into the sinking fund shall be segregated and set aside in said accounts in proportion to the respective amounts of sinking fund installments payable during the next fiscal year with respect to the particular bonds for which such amount is maintained.

The Authority by resolution shall determine whether a sinking fund account established for any series of bonds shall operate as a redemption sinking fund account or as an invested sinking fund account. In addition to transfers from the revenue fund, moneys from the debt service fund may be transferred into this fund as described below.

**Debt Service Reserve Fund** – The debt service reserve fund is used to make up any deficiencies in the debt service fund or any other sinking fund account. In addition to transfers from the revenue fund, moneys from the renewal and replacement and the general funds may be transferred into this fund as described below.

**Renewal and Replacement Fund** – If the amount in the debt service reserve fund shall be less than the maximum annual net debt service requirement, the Trustee shall withdraw from the renewal and replacement fund and pay into the debt service reserve fund the amount needed to increase the amount in the debt service reserve fund so that it equals such maximum annual net debt service requirement. Monies in the fund may be applied to the reasonable and necessary expenses of the Authority with respect to the sewer system for extraordinary improvements, constructions, major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals and for costs or equipment.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds and Accounts Established by Bond Resolutions and Trust Agreement (Continued)

**General Fund** – If the amount in the debt service reserve fund shall be less than the maximum annual net debt service requirement, the Trustee shall withdraw from the general fund and pay into the debt service reserve fund the amount needed to increase the amount in the debt service reserve fund so that it equals the maximum annual net debt service requirement. Under the conditions set forth in the Trust Agreement, the Trustee may transfer monies from the general fund to the revenue fund of the Authority to be spent for any lawful purpose.

**Annual Net Debt Service Reserve Requirement** – Under the Trust Agreement, this represents debt service requirements for any fiscal year, including principal and interest due on all outstanding bonds and any sinking fund installments, less determinable investment income projected to be received on investment securities and other investment obligations purchased from time to time from pledged revenues and held by the trustee in the invested sinking fund.

The Authority has determined that, for purposes of funding the debt service reserve funds as required under the Trust Agreement, the maximum annual net debt service requirement amounts to \$140,039, and does not include the debt service on the loans payable to the New Jersey Environmental Infrastructure Trust and the New Jersey Economic Development Authority.

Revenue and Expense Classification

The Authority distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. Operating revenues consists of service charges and wastewater beneficial reuse fees derived from the operation of the Authority's sanitary sewer system and the providing of treatment and disposal of sewerage from the City, the Borough and other customers. Operating expenses consists primarily of personnel costs, administrative expenses, power, sludge removal and other plant expenses related to the operation of the sanitary sewer system and the delivery of treatment and disposal services. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Cash Equivalents

The Authority considers investments with original maturities of three months or less when acquired to be cash equivalents.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are stated at cost which includes direct construction costs and capitalized interest (net of related interest income and other expenses related to construction). The capitalization threshold for the particular classification of capital assets is as follows:

<u>Asset</u>	<u>Threshold</u>
Land	All
Buildings and Improvements	All
Machinery and Equipment	\$2,500
Furniture and Fixtures	\$1,000
Computer Equipment	\$1,000

Depreciation is determined on a straight-line basis for all capital assets, except land and construction in progress. Depreciation is provided over the estimated useful lives of the assets ranging from 3 to 48 years.

Details of property, plant and equipment as of December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Land	\$ 236,512	\$ 236,512
Buildings and Improvements	58,036,573	58,036,573
Machinery and Equipment	5,568,490	5,568,490
Furniture and Fixtures	53,878	53,878
Construction in Progress	<u>9,967,021</u>	<u>5,221,403</u>
	\$73,862,474	\$69,116,856
Less: Accumulated Depreciation	<u>42,090,316</u>	<u>40,620,842</u>
Net Property, Plant and Equipment	<u>\$31,772,158</u>	<u>\$28,496,014</u>

Interest Expense – Capital Appreciation Bonds

The original issue discount on the Capital Appreciation Bonds is being amortized over the life of the bonds by the effective-interest method.

Accounts Receivable

The Authority has no allowance for doubtful accounts for receivables that may be uncollectible. The Authority considers all accounts receivable to be fully collectible. If amounts become uncollectible, they will be charged to operations when that determination is made

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory of spare parts and supplies is recorded as an expense when purchased and accordingly, is not included in the statements of net position.

Income Taxes

No provision for income taxes has been made as the Authority is exempt from Federal and State income taxes.

Net Position

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and unrestricted resources as needed.

Compensated Absences

The Authority permits employees to accrue unused sick pay, which may be taken at a later date as sick time off or paid at a later date at current rates of pay. Payments for accumulated sick time are limited to a maximum dollar amount at retirement.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(3) BUDGETARY PROCEDURES

The Authority follows these procedures in establishing the Operating Fund budget:

The annual budget for each fiscal year of the Authority is introduced by resolution passed by not less than a majority of the governing body. Copies are submitted to the Director of the Division of Local Government Services Director (Director) for approval prior to its adoption.

The budget must comply with the terms and provisions of loan agreements, and is to be in such form and detail as to items of revenue, expenses and other contents as required by law or by rules and regulations of the Local Finance Board.

No authority budget can be finally adopted until the Director has approved the budget.

Public hearings are conducted to obtain citizen comments on the proposed budget.

Operating expense appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

The level at which expenditures cannot exceed the budget is at the total budget level.

The budget may be increased after adoption when an item of revenue has been made available after the adoption date.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(4) DEPOSITS AND INVESTMENTS

Cash and cash equivalents consist primarily of cash deposits and treasury money market funds. Cash on deposit (unrestricted and restricted), which totaled \$8,901,807 and \$9,068,458 in 2013 and 2012, respectively, is partially insured by federal deposit insurance in the amount of \$250,000 in each depository. Balances above the federal deposit insurance amount are insured by a collateral pool maintained by the bank as required by New Jersey statutes under the New Jersey Governmental Unit Deposit Protection Act ("GUDPA").

GASB Statement No. 40 requires that the Authority disclose whether its deposits are exposed to custodial credit risk (risk that in the event of failure of the counterparty, the Authority would not be able to recover the value of its deposit or investment). Deposits are considered to be exposed to custodial credit risk if they are: uninsured and uncollateralized (securities are not pledged to the depositor), collateralized with the securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the Authority.

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. At December 31, 2013, the Authority was not exposed to custodial credit risk.

(5) FUNDS HELD BY NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST ("NJEIT")

The Authority has borrowed funds from the State of New Jersey Environmental Infrastructure Trust. The aforementioned bond proceeds have not been received by the Authority in full. As of December 31, 2013 and 2012, the balance due the Authority was \$1,070,223 and \$2,974,442, respectively.

As part of this financing the Authority was granted \$2,000,000 of loan forgiveness which is being treated as grant income on the financial statements. In 2013, the Authority recorded \$1,740,729 of this loan forgiveness as grant income.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(6) CAPITAL ASSETS

Capital Assets are summarized as follows:

	<u>Balance</u> <u>Dec 31, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>Dec 31, 2013</u>
Land	\$ 236,512			\$ 236,512
Buildings and Improvements	58,036,573			58,036,573
Machinery and Equipment	5,568,490			5,568,490
Furniture and Fixtures	53,878			53,878
Construction in Progress	<u>5,221,403</u>	<u>\$4,745,618</u>	<u>\$ -0-</u>	<u>9,967,021</u>
	<u>\$69,116,856</u>	<u>\$4,745,618</u>	<u>\$ -0-</u>	<u>\$73,862,474</u>
Less: Accumulated Depreciation	<u>40,620,842</u>	<u>1,469,474</u>	<u>-0-</u>	<u>42,090,316</u>
Net Property, Plant and Equipment	<u>\$28,496,014</u>	<u>\$3,276,144</u>	<u>\$ -0-</u>	<u>\$31,772,158</u>

(7) COMPENSATED ABSENCES

Certain employees are allowed to accumulate (with restrictions) unused vacation benefits and sick leave. Accrued expenses related to these costs included in current liabilities at December 31, 2013 amounted to \$108,836.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(8) LONG TERM DEBT

Long-term debt activity for the years ended December 31, 2013 and 2012 was as follows:

	<u>2013</u>	<u>2012</u>
1992 Capital Appreciation Bonds:		
Principal	\$ 415,000	\$ 550,000
Unamortized Original Issue Discount	<u>(39,811)</u>	<u>(69,090)</u>
Accreted Value	375,189	480,910
New Jersey Environmental Infrastructure Trust 2003 Loans	7,963,655	8,656,646
Unamortized Premium	<u>64,556</u>	<u>77,825</u>
Loan Carrying Value	8,028,211	8,734,471
New Jersey Environmental Infrastructure Trust 2012 Loans	7,421,509	7,764,648
New Jersey Economic Development Loan, Non- Interest Bearing	<u>97,222</u>	<u>145,835</u>
Total Debt	\$15,922,131	\$17,125,864
Less Current Maturities	<u>1,251,432</u>	<u>1,224,742</u>
Total Long-Term Debt	<u>\$14,670,699</u>	<u>\$15,901,122</u>

Detail information regarding Long Term Debt at December 31, 2013 and 2012 is as follows:

1992 Revenue Refunding Bonds (the "1992 Bonds")

The 1992 capital appreciation bonds mature in annual installments through 2016 at varying accreted values ranging from \$135,000 to \$140,000 per year. The yield on these bonds is 6.90%. The 1992 bonds are not subject to redemption prior to maturity.

Pledged revenues include all revenues derived from the ownership of the Sewer System. The bonds are payable with pledged revenue through 2016. Total principal and interest remaining on the debt totals \$415,000 and \$550,000 at December 31, 2013 and 2012, respectively.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(8) LONG TERM DEBT (CONTINUED)

2003 NJEIT Loans

New Jersey Environmental Infrastructure Trust ("NJEIT") financing consists of an interest-bearing loan in the amount of \$7,090,000 (the "Trust Loan") and a non-interest-bearing loan in the amount of \$6,807,579 (the "Fund Loan"). This financing completed the Authority's funding requirements of the Sludge Handling Facilities Project in 2003.

The Trust Loan consists of bonds maturing in annual installments ranging from \$315,000 to \$540,000 to 2023. The yield on these bonds ranges from 4.00% to 5.00%.

The Fund Loan consists of bonds maturing in semiannual installments through 2023.

2012 NJEIT Loans

The Authority completed financing of the Liquid End Project in 2012 with NJEIT. The financing consisted of an interest-bearing loan in the amount of \$3,715,000 (the "Trust Loan" and a non-interest-bearing loan in the amount of \$4,049,648 (the "Fund Loan").

The Trust Loan consists of bonds maturing in annual installments ranging from \$130,000 to \$275,000 from 2013 through 2031. The yields on these bonds range from 2.00% to 5.00%.

The Fund Loan consists of bonds maturing in semi-annual installments on March 1 and September 1 of each year through 2031.

New Jersey Economic Development Loan

The Port Authority of New York and New Jersey (the "PANYNJ") provided the Authority with a non interest-bearing credit facility of up to \$875,000 to finance the costs of certain improvements to the sewer system. The funds were released to the Authority on a monthly basis based upon actual costs incurred on the project from August 8, 1991 to April 30, 1996. On November 1, 1996, PANYNJ assigned its rights, title and interest to receive the loan payments, loan amount and the original loan agreement to the New Jersey Economic Development Authority. The loan is payable with equal annual installments of \$48,611 through 2015. The amount outstanding at December 31, 2013 is \$97,222.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(8) LONG TERM DEBT (CONTINUED)

Annual Debt Service on Outstanding Bonds and Loans

Aggregate long-term principal debt payment requirements during the next five years are as follows:

2014	\$1,251,432
2015	1,267,508
2016	1,248,651
2017	1,128,036
2018	1,146,543

(9) NET POSITION

The components of net position are as follows:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Net Position:		
Invested in Capital Assets, Net of Related liabilities	\$16,538,189	\$14,820,059
Restricted:		
Operations	2,757,268	2,777,500
Debt Service Reserve	140,039	140,051
Renewal and Replacement	<u>1,046,094</u>	<u>700,869</u>
Total Restricted	<u>\$ 3,943,401</u>	<u>\$ 3,618,420</u>
Unrestricted - Insurance	250,000	-0-
Unrestricted - General	<u>4,435,971</u>	<u>5,126,155</u>
	<u>\$25,167,561</u>	<u>\$23,564,634</u>

The Authority appropriated \$400,000 and \$1,500,000 of Unrestricted Net Position to fund a portion of its Operating Budgets for the years 2014 and 2013, respectively.

(10) PENSION PLAN

Authority employees participate in the Public Employees' Retirement System (PERS) of New Jersey, a multi-employer cost sharing plan. The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the plan. The plan does not maintain separate records for each member in the state and, therefore, the actuarial data for the Authority is not available.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(11) PENSION PLAN (CONTINUED)

The plans provide retirement and disability benefits and death benefits to plan members and beneficiaries. The plans are cost sharing multiple-employer defined benefit plans and as such do not maintain separate records for each Authority in the state and, therefore, the actual data for the Authority is not available. The division of pensions issues publicly available financial reports for each of the plans that include financial statements and required supplementary information. The reports may be obtained by writing the State of New Jersey, Division of Pensions.

Covered employees are required by State Statute to contribute a certain percentage of their salary to the plan. In addition, the PERS may bill the Authority annually at an actuarially determinable rate for its required contribution. The current employee rate is 6.78% of base salary.

The contribution requirements of plan members and the Authority are established and may be amended by the PERS Board of Trustees. The Authority was required to contribute \$295,101 to the plan for the year ended December 31,, 2013 and \$290,833 for the year ended December 31, 2012.

(12) OTHER POST-EMPLOYMENT BENEFITS

The Authority provides post-retirement health benefits to employees who retire with 25 years or more of service within the system. Employees with ten (10) or more years of service may also qualify for benefits under the Disability Retirement Provisions of the Plan. There are currently twelve (12) retirees who meet this requirement and are receiving benefits.

Plan Description. The Authority contributes to the State Health Benefits Program (SHBP) a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents. The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(12) OTHER POST-EMPLOYMENT BENEFITS

That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions>.

Funding Policy. Contributions to pay for the health premiums of participating employees in the SHBP are billed to the Authority on a monthly basis. Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. The Authority's contributions to SHBP for the years ended December 31, 2013 and 2012 were \$912,564 and \$792,055, respectively, which equaled the required contributions for each year.

(13) RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destructions of assets; error and omission; injuries to employees; and natural disaster. The Authority contracts for commercial liability insurance for property, general liability, auto liability, public official liability, law enforcement liability, workers' compensation, employee health and life insurance. There were no significant reductions in insurance coverage for each of the past three years.

(14) PRIOR PERIOD ADJUSTMENT/RESTATEMENT

During the current year, the Authority implemented GASB Statement No. 65, items previously reported as assets and liabilities. The accounting changes required to conform to GASB No. 65 are to be retroactively applied by restating prior periods presented. The result of this retroactive application was an adjustment of \$182,655 to the January 1, 2012 opening balance of net position, which was the amount of unamortized debt issue costs as of that date.

As a result of an accounting error, the Authority restated its 2012 financial statements to reflect \$627,235 of operating expenses that were not accrued in 2012. The effect of this correction results in a decrease in unrestricted net position of \$627,235.

(15) SUBSEQUENT EVENTS

The Authority has evaluated subsequent events occurring after the financial statement date through May 9, 2014, which is the date the financial statements were available to be issued. Based on this evaluation, the Authority has determined that no subsequent events have occurred which require disclosure in the financial statements.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(16) COMMITMENTS AND CONTINGENCIES

The Authority engaged the services of a private contractor for sludge removal and disposal under various contracts extending up to June 2012. Subsequent contracts are on a month to month basis. The contractor is compensated on a per ton basis at annual rates specified in the contracts which are based on estimated annual tonnages. Sludge removal and disposal costs based on the currently effective agreement amounted to \$887,433 and \$627,268 in the years 2013 and 2012, respectively.

The Authority has been named in an ongoing lawsuit regarding liability for the remediation of Passaic River pollution. As a result of the litigation, the Authority has approved a settlement and has deposited funds with the court and is awaiting disposition of an appeal.

The Authority is subject to extensive federal and state environmental regulations. The Authority's management is not aware of any violations that may have a material effect on the financial statements.

In the ordinary conduct of its business, the Authority may be a party to litigation. At December 31, 2013, in the opinion of management based upon consultation with legal counsel, there were no matters pending or threatened which would have a material adverse effect on the financial position of the Authority.

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**SUPPLEMENTARY INFORMATION**

THE LINDEN ROSELLE SEWERAGE AUTHORITY

SCHEDULE OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION RESERVED AND UNRESERVED  
YEARS ENDED DECEMBER 31, 2013 AND 2012

	OPERATING AND REVENUE FUNDS AND INVESTMENT IN CAPITAL ASSETS, NET	OPERATIONS	RESTRICTED DEBT SERVICE RESERVE	RENEWAL AND REPLACEMENT	TOTAL 2013	TOTAL 2012
Operating Revenues:						
Service Charges	\$ 8,758,859	\$	\$	\$	\$ 8,758,859	\$ 9,207,337
Wastewater Beneficial Reuse Fees	232,865				232,865	398,794
Interest on Delinquent Accounts	79,663				79,663	109,652
Lease Income	41,965				41,965	40,876
Insurance Income	42,795				42,795	450,000
Roughing Filter Fee	40,000				40,000	
Miscellaneous Income	51,875				51,875	8,424
<u>Total Operating Revenues</u>	<u>\$ 9,248,022</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 9,248,022</u>	<u>\$ 10,215,083</u>
Operating Expenses:						
Total Operating Costs	\$ 7,827,405	\$	\$	\$	\$ 7,827,405	\$ 7,996,534
Depreciation	1,469,474				1,469,474	1,469,474
<u>Total Operating Expenses</u>	<u>\$ 9,296,879</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 9,296,879</u>	<u>\$ 9,466,008</u>
Operating Income	<u>(48,857)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>(48,857)</u>	<u>\$ 749,075</u>
Nonoperating Revenues (Expenses):						
Interest Income	\$ 3,708	\$	\$	\$ 315	\$ 4,071	\$ 3,400
Interest Expense, Net	(325,699)				(325,699)	(344,423)
Grant Income/Loan Forgiveness	1,740,729				1,740,729	
Other Expenses	(34,405)				(34,405)	(32,700)
Miscellaneous	267,088				267,088	
Income Before Transfers	1,602,564	\$	\$ 48	\$ 315	1,602,927	375,352
Interfund Transactions	(324,618)	(20,232)	(60)	344,910	-	-
Net Position, Beginning of Year, as Previously Stated Prior Period Adjustment	19,946,214	2,777,500	140,051	700,869	23,564,634	23,371,937
Net Position, Beginning of Year, as Restated	<u>19,946,214</u>	<u>2,777,500</u>	<u>140,051</u>	<u>700,869</u>	<u>23,564,634</u>	<u>23,189,282</u>
Net Position, End of Year	<u>21,224,160</u>	<u>2,757,268</u>	<u>140,039</u>	<u>1,046,094</u>	<u>25,167,561</u>	<u>23,564,634</u>

THE LINDEN ROSELLE SEWERAGE AUTHORITY

SCHEDULE OF OPERATING REVENUES  
AND COSTS FUNDED BY OPERATING  
REVENUES COMPARED TO BUDGET  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u> <u>BUDGET</u>	<u>2013</u> <u>ACTUAL</u>	<u>2012</u> <u>ACTUAL</u>
Revenues:			
Service Charges:			
Major Users	\$ 1,406,255	\$ 1,393,884	\$ 1,360,975
Other Users	4,676,355	4,467,023	4,969,223
Borough of Roselle	2,701,159	2,703,510	2,641,364
Industry Assessment:			
Service Charges		194,442	235,775
Wastewater Beneficial Reuse Fees	230,000	232,865	318,794
Lease Income	41,200	41,965	40,876
Interest on Delinquent Accounts	80,000	79,663	109,652
Insurance Income		42,795	450,000
Roughing Filter Fee	80,000	40,000	80,000
Miscellaneous	15,000	51,875	8,424
Interest Income	5,000	4,071	3,400
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>TOTAL REVENUES</u>	<u>\$ 9,234,969</u>	<u>\$ 9,252,093</u>	<u>\$ 10,218,483</u>

THE LINDEN ROSELLE SEWERAGE AUTHORITY

SCHEDULE OF OPERATING REVENUES  
AND COSTS FUNDED BY OPERATING  
REVENUES COMPARED TO BUDGET  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u> <u>BUDGET</u>	<u>2013</u> <u>ACTUAL</u>	<u>2012</u> <u>ACTUAL</u>
Operating Expenses:			
Salaries and Wages	\$ 2,884,350	\$ 2,799,474	\$ 2,854,464
Employee Benefits	1,622,200	1,591,991	1,498,345
Office Expense	69,500	87,190	53,785
Trustee and Paying Agent Fee	3,000	3,767	3,017
Professional, Consulting and Training	487,200	169,683	232,315
Insurance	147,200	189,656	119,653
Power	1,301,800	1,127,814	1,295,953
Gas, Fuel, Oil and Water	164,000	108,864	96,350
Chemicals	178,400	126,061	135,018
Plant Maintenance, Supplies and Equipment	151,000	413,063	163,531
Contract Services	69,000	41,373	36,473
Lab Supplies and Equipment	56,235	15,950	15,351
Outside Labs and Permits	53,815	68,109	20,548
Sludge Removal	850,800	892,929	627,268
User Charge Expense	52,000	43,761	45,084
Other Environmental Enforcement Requirements	182,000	124,395	126,174
Contingency and Miscellaneous	60,000	23,325	45,972
Total Operating Expenses	<u>\$ 8,332,500</u>	<u>\$ 7,827,405</u>	<u>\$ 7,369,301</u>
Other Costs Funded by Revenues:			
Interest Expense	\$ 432,727	\$ 325,699	\$ 344,423
Principal Maturity on Notes and Bonds	1,219,742	1,219,742	1,009,618
Renewal and Replacement Reserve	500,000	500,000	100,000
Insurance Reserve	250,000	250,000	
Total Other Costs	<u>\$ 2,402,469</u>	<u>\$ 2,295,441</u>	<u>\$ 1,454,041</u>
TOTAL COSTS	<u>\$ 10,734,969</u>	<u>\$ 10,122,846</u>	<u>\$ 8,823,342</u>
Unrestricted Net Position Utilized	<u>(1,500,000)</u>	<u>(1,500,000)</u>	
Net Total Appropriations	<u>9,234,969</u>	<u>8,622,846</u>	<u>8,823,342</u>
EXCESS OF REVENUES OVER COSTS	<u>\$ -</u>	<u>\$ 629,247</u>	<u>\$ 1,395,141</u>

THE LINDEN ROSELLE SEWERAGE AUTHORITY

BONDS PAYABLE

1992 REFUNDING REVENUE BONDS  
CAPITAL APPRECIATION BONDS

DECEMBER 31, 2013

<u>YEAR OF MATURITY</u>	<u>INTEREST RATE</u>	<u>ISSUED VALUE</u>	<u>PRINCIPAL DUE JUNE 1</u>	<u>ACCRETED VALUE</u>
2014	6.900%	\$ 30,709	\$ 140,000	\$ 135,297
2015	6.900%	27,656	135,000	121,850
2016	6.900%	26,786	140,000	118,042
		<u>\$ 85,151</u>	<u>\$ 415,000</u>	<u>\$ 375,189</u>

The bonds pay interest annually.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

BONDS PAYABLE

2003 NJEIT LOANS PAYABLE

DECEMBER 31, 2013

<u>YEAR OF MATURITY</u>	<u>TRUST LOAN</u>				<u>FUND LOAN</u>		<u>TOTAL</u>
	<u>INTEREST RATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>PRINCIPAL</u>		
2014	5.000%	\$ 365,000	\$ 203,980	\$ 349,682	\$	918,662	
2015	4.000%	385,000	185,730	350,758		921,488	
2016	4.000%	400,000	170,330	350,512		920,842	
2017	4.200%	415,000	154,330	349,897		919,227	
2018	4.250%	430,000	136,900	348,404		915,304	
2019	5.000%	450,000	118,625	349,464		918,089	
2020	5.000%	470,000	96,125	347,928		914,053	
2021	4.500%	495,000	72,625	349,849		917,474	
2022	4.750%	520,000	50,350	350,524		920,874	
2023	4.750%	540,000	25,650	346,636		912,286	
		<u>\$ 4,470,000</u>	<u>\$ 1,214,645</u>	<u>\$ 3,493,654</u>	<u>\$</u>	<u>9,178,299</u>	

The bonds pay interest semi-annually.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

BONDS PAYABLE

2012 NJEIT LOANS PAYABLE

DECEMBER 31, 2013

<u>YEAR OF MATURITY</u>	<u>INTEREST RATE</u>	<u>TRUST LOAN</u>		<u>FUND LOAN PRINCIPAL</u>	<u>TOTAL</u>
		<u>PRINCIPAL</u>	<u>INTEREST</u>		
2014	3.000%	\$ 135,000	\$ 150,843	\$ 213,139	\$ 498,982
2015	4.000%	135,000	146,793	213,139	494,932
2016	5.000%	145,000	141,393	213,139	499,532
2017	5.000%	150,000	134,143	213,139	497,282
2018	5.000%	155,000	126,643	213,139	494,782
2019	5.000%	165,000	118,893	213,139	497,032
2020	5.000%	175,000	110,643	213,139	498,782
2021	5.000%	180,000	101,893	213,139	495,032
2022	5.000%	190,000	92,893	213,139	496,032
2023	5.000%	200,000	83,393	213,139	496,532
2024	5.000%	210,000	73,393	213,139	496,532
2025	5.000%	220,000	62,893	213,139	496,032
2026	5.000%	230,000	51,893	213,139	495,032
2027	3.000%	245,000	40,393	213,139	498,532
2028	3.000%	250,000	33,043	213,139	496,182
2029	3.125%	260,000	25,543	213,139	498,682
2030	3.200%	265,000	17,418	213,139	495,557
2031	3.250%	275,000	8,938	213,140	497,078
		<u>\$ 3,585,000</u>	<u>\$ 1,521,044</u>	<u>\$ 3,836,503</u>	<u>\$ 8,942,547</u>

The bonds pay interest semi-annually.

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**SINGLE AUDIT**



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Chairman and  
Members of the Board  
The Linden Roselle Sewerage Authority  
P.O. Box 4118  
Linden, New Jersey 07036

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Linden Roselle Sewerage Authority as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Linden Roselle Sewerage Authority's financial statements, and have issued our report thereon dated May 9, 2014.

***Internal Control Over Financial Reporting***

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

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

## SUPLEE, CLOONEY & COMPANY

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any 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 Linden Roselle Sewerage 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*.

### ***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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

May 9, 2014





# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

Honorable Chairman and  
Members of the Board  
The Linden Roselle Sewerage Authority  
P.O. Box 4118  
Linden, New Jersey 07036

***Report on Compliance for Each Major Federal Program***

We have audited the Linden Roselle Sewerage Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Linden Roselle Sewerage Authority's major federal programs for the year ended December 31, 2013. The Linden Roselle Sewerage Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Linden Roselle Sewerage Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Linden Roselle Sewerage Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Linden Roselle Sewerage Authority's compliance.

## SUPLEE, CLOONEY & COMPANY

### *Opinion on Each Major Federal Program*

In our opinion, the Linden Roselle Sewerage Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

### **Report on Internal Control Over Compliance**

Management of the Linden Roselle Sewerage Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Linden Roselle Sewerage Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Linden Roselle Sewerage Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

May 9, 2014



THE LINDEN ROSELLE SEWERAGE AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>GRANT PERIOD</u>	<u>CFDA NUMBER</u>	<u>GRANTOR'S NUMBER</u>	<u>GRANT AWARD AMOUNT</u>	<u>EXPENDITURES</u>
<u>Direct Programs</u>					
Department of Environmental Protection Agency Passed Through: N.J. Department of Environmental Protection	2013	66.458	S340299-07	\$ 10,255,655	\$ 4,400,727
				<u>\$</u>	<u>\$</u>

LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1: GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of Linden Roselle Sewerage Authority. The Authority is defined in the Notes to the Authority's basic financial statements. All federal awards passed through other government agencies are included on the schedule of expenditures of federal awards.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree with amounts reported in the Authority's basic financial statements.

NOTE 4: RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

LINDEN ROSELLE SEWERAGE AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**Section I - Summary of Auditor's Results**

**Financial Statements**

- |  |               |
|--|---------------|
| (1) Type of Auditor's Report Issued:   | Unmodified    |
| (2) Internal Control Over Financial Reporting:   |               |
| (a) Material weaknesses identified?  | None Reported |
| (b) Significant deficiencies identified that are not considered to be material weaknesses? | N/A           |
| (3) Noncompliance material to the basic financial statements noted?                        | None Reported |

**Federal Program(s)**

- |  |               |
|--|---------------|
| (1) Internal Control Over Major Federal Programs:  |               |
| (a) Material weaknesses identified?  | None Reported |
| (b) Significant deficiencies identified that are not considered to be material weaknesses?               | N/A           |
| (2) Type of Auditor's Report issued on compliance for major federal program(s)?                          | Unmodified    |
| (3) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133? | None Reported |

(4) Identification of Major Federal Program(s):

<u>Program</u>	<u>Grant Number</u>
Department of Environmental Protection New Jersey Environmental Infrastructure Trust	66.458

(5) Program Threshold Determination:

Type A Federal Program Threshold > \$300,000.00  
Type B Federal Program Threshold <= \$300,000.00

- |   |     |
|---|-----|
| (6) Auditee qualified as a low-risk auditee under OMB Circular A-133? | Yes |
|---|-----|

LINDEN ROSELLE SEWERAGE AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**Section I - Summary of Auditor's Results (Continued)**

**State Program(s)**

Not Applicable

**Section II - Financial Statement Audit - Reported Findings Under Government Auditing Standards**

**Internal Control Findings**

None Reported

**Compliance Findings**

None Reported

**Section III - Findings and Questioned Costs Relative to Major Federal Programs**

**Federal Program(s)**

None Reported

**State Program(s)**

None Reported

LINDEN ROSELLE SEWERAGE AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**Status of Prior Audit Findings**

**Federal Program(s)**

None Reported

**State Program(s)**

None Reported

THE LINDEN ROSELLE SEWERAGE AUTHORITY

ROSTER OF OFFICIALS

DECEMBER 31, 2013

<u>Name</u>	<u>Title</u>
John A. Ziemian	Chairman
Frank P. Koczur	Vice Chairman
John Hreha	Treasurer
John D. Sheehy	Secretary
Yves F. Aubourg	Alternate Member
Edward Mikolajczyk	Alternate Member
Gary G. Fare	Executive Director
Karen Musialowicz	Finance Manager
Weiner Lesniak LLP	Legal Advisor

THE LINDEN ROSELLE SEWERAGE AUTHORITY

DECEMBER 31, 2013

GENERAL COMMENTS AND RECOMMENDATIONS

None