

**Annual
Financial Report**

of

**The Linden Roselle
Sewerage Authority**

For the Years Ended December 31, 2015 and 2014

Prepared By

The Linden Roselle Sewerage Authority

Finance Department

THE LINDEN ROSELLE SEWERAGE AUTHORITY

I N D E X

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FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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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 years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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.

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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, 2015 and 2014, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 2 to the basic financial statements, in 2015, the Authority adopted Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement 68). Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules related to accounting and reporting for pensions in Schedules R-1 through R-3 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.

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Other Information

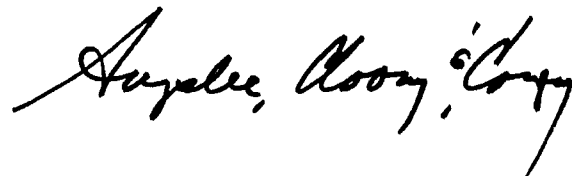
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Linden Roselle Sewerage Authority's basic financial statements. The supplemental data schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental data schedules 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 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 June 7, 2016 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.

June 7, 2016

A handwritten signature in black ink, appearing to read "Suplee, Clooney & Company". The signature is written in a cursive, flowing style.



SUPLEE, CLOONEY & COMPANY

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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, 2015, 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 June 7, 2016.

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.

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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.

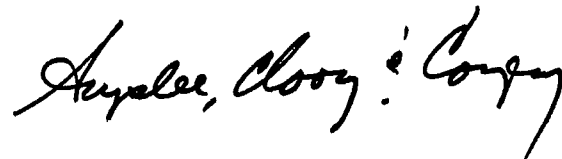
Compliance and Other Matters

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.

June 7, 2016

A handwritten signature in black ink, appearing to read "Suplee, Clooney & Company". The signature is written in a cursive, flowing style.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015 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 Assets, Liabilities, Deferred Inflows and Outflows of Resources and Total Net Position of the Authority on a historical cost basis. Over time, increases and decreases in the components of the Authority's Total Net Position are indicators 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.

In 2015 the Government Accounting Standards Board (GASB) Statement 68 requires state and local governmental entities to disclose their unfunded pension liabilities. The Authority participates in the pension plan sponsored by the State of New Jersey, which has a much publicized, large unfunded liability. Although the Authority is not responsible for making pension payments to employees when they retire, GASB 68 dictates that the pro-rata share represented by Authority employees participating in PERS (Public Employee Retirement System) be reported in the audited financial statements to promote better financial clarity. Understandably, the net pension liability of \$8,730,608 – shown within long-term liabilities – is a significant number at December 31, 2015. Footnotes 2, 10 and 11 explain the pension plan accounting in greater detail.

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		
	2015	2014	2013
Current Assets	\$ 10,453,801	\$ 10,397,058	\$ 10,732,271
Capital Assets, Net of Accumulated Depreciation	<u>29,363,563</u>	<u>31,004,248</u>	<u>31,772,158</u>
Total Assets	<u>39,817,364</u>	<u>41,401,306</u>	<u>42,504,429</u>
Deferred Outflows	<u>1,330,853</u>	<u>222,122</u>	<u>0</u>
Total Assets and Deferred Outflows	<u>\$ 41,148,217</u>	<u>\$ 41,623,428</u>	<u>\$ 42,504,429</u>
Accounts Payable and Accrued Expenses	\$ 1,296,685	\$ 1,606,870	\$ 1,414,737
Bonds Payable	13,292,447	14,679,095	15,922,131
Net Pension Liability	<u>8,730,608</u>	<u>7,063,732</u>	<u>0</u>
Total Liabilities	<u>23,319,740</u>	<u>23,349,697</u>	<u>17,336,868</u>
Deferred Inflows	276,204	587,389	0
Net Position	<u>17,552,273</u>	<u>17,686,342</u>	<u>25,167,561</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 41,148,217</u>	<u>\$ 41,623,428</u>	<u>\$ 42,504,429</u>

Current assets is comprised largely of cash and cash equivalents and accounts receivable. Cash and cash equivalents totals \$9.3 million at December 31, 2015 and 2014. Accounts Receivable totals \$1.0 million and \$579 thousand at December 31, 2015 and 2014, respectively; an increase of \$421 thousand or 72.7%.

Capital assets, net of accumulated depreciation, amounted to \$29.4 million and \$31.0 million at December 31, 2015 and 2014, respectively; a decrease of \$1.6 million. This decrease is the result of capital asset purchases of \$291 thousand and depreciation expense of \$1.9 million. The Authority's capital assets consist of land, buildings and improvements, machinery and equipment, furniture and fixtures, and construction in progress which aggregate \$74.9 million and \$74.6 million at December 31, 2015 and 2014, respectively. Accumulated depreciation amounts to \$45.5 million and \$43.6 million at December 31, 2015 and 2014, respectively.

Proceeds from the New Jersey Environmental Infrastructure Trust (NJEIT) of \$241 thousand and \$796 thousand were received in 2015 and 2014, respectively. The Authority received \$47 thousand and \$154 thousand from the Trust in 2015 and 2014, respectively, as loan forgiveness which is shown as grant income on the financial statements.

Bonds payable of \$13.3 million and \$14.7 million at December 31, 2015 and 2014 decreased \$1.4 million or 9.5%.

Net position totals \$17.6 million and \$17.7 million at December 31, 2015 and 2014, respectively; a decrease of \$0.1 million in 2015. Net position includes: (i) Investments in capital assets, net of related liabilities, totaling \$16.1 million and \$16.6 million at December 31, 2015 and 2014, respectively; (ii) Restricted net position totaling \$4.9 million and \$3.8 million at December 31, 2015 and 2014, respectively; and (iii) Unrestricted net position deficit of \$3.4 million and \$2.7 million at December 31, 2015 and 2014, respectively. An appropriation of \$600 thousand of unrestricted net position at December 31, 2015 and 2014 has been made to fund a portion of the Year 2016 and 2015 Operating Budgets, respectively.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	December 31		
	2015	2014	2013
Operating Revenues	\$ 10,262,477	\$ 10,008,525	\$ 9,248,022
Operating Expenses	7,941,072	8,062,172	7,827,405
Depreciation	1,931,445	1,511,085	1,469,474
Total Operating Expenses	9,872,517	9,573,257	9,296,879
Operating Income	389,960	435,268	(48,857)
Non-operating Revenues (Expenses), Net			
Interest Expense, Net	(282,541)	(313,108)	(325,699)
Other, Net	(241,488)	(174,380)	1,977,483
Net Income (Loss)	\$ (134,069)	\$ (52,220)	\$ 1,602,927
<u>Net Position:</u>			
Beginning of Year	\$ 17,686,342	\$ 25,167,561	\$ 23,564,634
Restatement to Include Net Pension Liability		(7,428,999)	
Beginning of Year - Restated		17,738,562	
End of Year	\$ 17,552,273	\$ 17,686,342	\$ 25,167,561

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 \$10.3 million in 2015 compare to \$10.0 million in 2014, an increase of \$254 thousand or 2.5%.

Operating expenses total \$9.9 million in 2015 compared to \$9.6 million in 2014, an increase of \$299 thousand or 3.1%.

Interest expense amounted to \$283 thousand in 2015 compared to \$313 thousand in 2014, a decrease of \$30.6 thousand or 9.8%. 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>
2015	\$ 4,720,369	\$ 2,881,000	\$ 1,572,637	\$ 9,174,006
2014	5,124,236	2,811,000	1,454,047	9,389,283
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

Condensed Statements of Cash Flows

	<u>Years Ended December 31</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net Cash Provided by Operating Activities	\$1,652,770	\$1,902,098	\$1,880,499
Net Cash Used in Capital and Financing Activities	(1,607,686)	(1,510,656)	(2,051,221)
Net Cash Provided by Investing Activities	<u>3,187</u>	<u>3,517</u>	<u>4,071</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 48,271	\$ 394,959	\$ (166,651)
<u>Cash and Cash Equivalents:</u>			
Beginning of Year	<u>9,296,766</u>	<u>8,901,807</u>	<u>9,068,458</u>
End of Year	<u>\$9,345,037</u>	<u>\$9,296,766</u>	<u>\$ 8,901,807</u>

Net cash provided by operating activities amounted to \$1.7 million and \$1.9 million in the years ended December 31, 2015 and 2014, respectively. The \$249 thousand net decrease in the year 2015 was principally due to a decrease in receipts from service charges.

Net cash used in capital and financing activities largely relate to principal and interest payments on the Authority's long term debt (\$1.6 million in 2015 and 2014) along with additions to capital assets (\$291 thousand and \$743 thousand in 2015 and 2014, respectively). These were partially offset with the receipt of proceeds from the New Jersey Environmental Infrastructure Trust (NJEIT) of \$241 thousand and \$796 thousand in 2015 and 2014, 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.

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BASIC FINANCIAL STATEMENTS

THE LINDEN ROSELLE SEWERAGE AUTHORITY

STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 2,821,587	\$ 2,685,133
Accounts Receivable	<u>1,023,456</u>	<u>578,793</u>
<u>Total Unrestricted Assets</u>	<u>\$ 3,845,043</u>	<u>\$ 3,263,926</u>
Restricted Assets:		
Cash and Cash Equivalents	\$ 6,523,450	\$ 6,611,633
Escrow Deposit	85,308	93,310
Funds held by the NJEIT	<u>-</u>	<u>428,189</u>
<u>Total Restricted Assets</u>	<u>\$ 6,608,758</u>	<u>\$ 7,133,132</u>
Property, Plant and Equipment, at Cost	\$ 74,896,409	\$ 74,605,649
Less: Accumulated Depreciation	<u>45,532,846</u>	<u>43,601,401</u>
<u>Net Property, Plant and Equipment</u>	<u>\$ 29,363,563</u>	<u>\$ 31,004,248</u>
<u>TOTAL ASSETS</u>	<u>\$ 39,817,364</u>	<u>\$ 41,401,306</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Pension Related	\$ <u>1,330,853</u>	\$ <u>222,122</u>
<u>TOTAL DEFERRED OUTFLOW OF RESOURCES</u>	<u>\$ 1,330,853</u>	<u>\$ 222,122</u>
<u>TOTAL ASSETS AND</u> <u>DEFERRED OUTFLOW OF RESOURCES</u>	<u>\$ 41,148,217</u>	<u>\$ 41,623,428</u>

The accompanying Notes are an integral part of these financial statements.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>LIABILITIES, DEFERRED INFLOW</u> <u>OF RESOURCES AND NET POSITION</u>		
Current Liabilities Payable From Unrestricted Assets:		
Accounts Payable	\$ 794,289	\$ 810,473
Accrued Liabilities	301,398	394,522
Accounts Payable-Construction	-	185,491
Escrow Deposit	85,308	93,310
<u>Total Current Liabilities Payable From Unrestricted Assets</u>	<u>\$ 1,180,995</u>	<u>\$ 1,483,796</u>
Current Liabilities Payable From Restricted Assets:		
Accrued Interest Payable	\$ 115,690	\$ 123,074
Current Portion of Long-term Debt	1,248,650	1,267,509
<u>Total Current Liabilities Payable From Restricted Assets</u>	<u>\$ 1,364,340</u>	<u>\$ 1,390,583</u>
Long-Term Liabilities:		
Total Long-Term Debt, Net of Current Maturities	\$ 12,043,797	\$ 13,411,586
Net Pension Liability	8,730,608	7,063,732
<u>Total Long-Term Liabilities</u>	<u>\$ 20,774,405</u>	<u>\$ 20,475,318</u>
<u>Total Liabilities</u>	<u>\$ 23,319,740</u>	<u>\$ 23,349,697</u>
Deferred Inflow of Resources:		
Pension Related	\$ 276,204	\$ 587,389
<u>TOTAL DEFERRED INFLOW OF RESOURCES</u>	<u>\$ 276,204</u>	<u>\$ 587,389</u>
Net Position:		
Invested in Capital Assets, net of Related Liabilities	\$ 16,071,116	\$ 16,567,851
Restricted:		
Operations	2,712,172	2,687,289
Debt Service Reserve	140,016	140,025
Renewal and Replacement	2,041,773	952,009
Unrestricted	(3,412,804)	(2,660,832)
<u>Total Net Position</u>	<u>\$ 17,552,273</u>	<u>\$ 17,686,342</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOW</u> <u>OF RESOURCES AND NET POSITION</u>	<u>\$ 41,148,217</u>	<u>\$ 41,623,428</u>

The accompanying Notes are an integral part of these financial statements.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Service Charges	\$ 9,174,006	\$ 9,389,283
Wastewater Beneficial Reuse Fees	445,928	234,944
Interest on Delinquent Accounts	101,937	100,028
Industry Assessment Service Charges	198,096	208,442
Capacity Fee	277,011	-
Lease Income	42,633	42,633
Insurance Income	-	25,200
Miscellaneous Income	22,866	7,995
	<u>10,262,477</u>	<u>10,008,525</u>
<u>Total Operating Revenues</u>	\$ 10,262,477	\$ 10,008,525
Operating Expenses:		
Total Operating Costs	\$ 7,941,072	\$ 8,062,172
Depreciation	1,931,445	1,511,085
	<u>9,872,517</u>	<u>9,573,257</u>
<u>Total Operating Expenses</u>	\$ 9,872,517	\$ 9,573,257
<u>Operating Income (Loss)</u>	\$ 389,960	\$ 435,268
Nonoperating Revenues (Expenses):		
Interest Income	\$ 3,187	\$ 3,517
Interest Expense, Net	(282,541)	(313,108)
Grant Income/Loan Forgiveness	46,902	154,398
Other Expenses	(291,577)	(332,295)
	<u>(134,069)</u>	<u>(52,220)</u>
<u>Net Income</u>	\$ (134,069)	\$ (52,220)
Net Position, Beginning of Year	\$ 17,686,342	\$ 25,167,561
Restatement to Include Net Pension Liability		(7,428,999)
Net Position, Beginning of Year - Restated		<u>17,738,562</u>
Net Position, End of Year	<u>\$ 17,552,273</u>	<u>\$ 17,686,342</u>

The accompanying Notes are an integral part of these financial statements.

THE LINDEN ROSELLE SEWERAGE AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>Cash Flows from Operating Activities:</u>		
Receipts from Service Charges	\$ 9,006,354	\$ 9,571,983
Receipts from Wastewater Beneficial Reuse Fees	445,928	234,944
Industry Assessment Service Charges	198,096	208,442
Receipts from Leases	42,633	42,633
Interest Received on Delinquent Accounts	101,937	100,028
Miscellaneous Receipts	17,392	31,943
Payments to Employees	(2,995,897)	(2,879,060)
Payments for Employee Benefits and Payroll Taxes	(1,686,008)	(1,603,062)
Payments for Operations and Maintenance	<u>(3,477,665)</u>	<u>(3,805,753)</u>
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 1,652,770</u>	<u>\$ 1,902,098</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Principal Payments on Bonds and Loans	\$ (1,267,509)	\$ (1,251,432)
Acquisition of Property, Plant and Equipment	(290,760)	(743,175)
Funds Received from the NJEIT	240,508	796,432
Interest Paid on Bonds	<u>(289,925)</u>	<u>(312,481)</u>
<u>Net Cash Used in Capital and Financing Activities</u>	<u>\$ (1,607,686)</u>	<u>\$ (1,510,656)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest Received	\$ 3,187	\$ 3,517
<u>Net Cash Provided by Investing Activities</u>	<u>\$ 3,187</u>	<u>\$ 3,517</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 48,271	\$ 394,959
Cash and Cash Equivalents, Beginning of Year	<u>9,296,766</u>	<u>8,901,807</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 9,345,037</u></u>	<u><u>\$ 9,296,766</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>		
Operating Income	\$ 389,960	\$ 435,268
Depreciation	1,931,445	1,511,085
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(444,663)	52,337
Insurance Claims Receivable	-	1,630
Accounts Payable and Accrued Liabilities	(223,972)	(225,703)
Deferred Income	<u>-</u>	<u>127,481</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,652,770</u></u>	<u><u>\$ 1,902,098</u></u>

The accompanying Notes are an integral part of these financial statements.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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, 2015 AND 2014

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Accounting and Financial Reporting for Pensions

The Authority implemented GASB 68 in the Year 2015. This Statement amends GASB Statement No. 27. It improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2014.

The Authority has also implemented GASB Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions (continued)

Statement 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or non-employer contributing entity that arise from other types of events.

At transition to Statement 68, if it is not practical for an employer or non-employer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or non-employer contributing entity's beginning net position and expense in the initial period of implementation.

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

Under GAAP, Authorities are required to recognize the pension liability in Statements of Revenues, Expenses, Changes in Net Assets (balance sheets) and Notes to the Financial Statements in accordance with GASB 68. The liability required to be displayed by GASB 68 is displayed as a separate line item in the Unrestricted Net Liabilities area of the balance sheet.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

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

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

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, 2015 AND 2014

(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, 2015 AND 2014

(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, 2015 AND 2014

(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 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 \$140,016, 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, 2015 AND 2014

(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	\$5,000
Furniture and Fixtures	\$5,000
Computer Equipment	\$5,000

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, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 236,512	\$ 236,512
Buildings and Improvements	68,726,437	58,175,976
Machinery and Equipment	5,847,462	5,731,770
Furniture and Fixtures	85,998	71,803
Construction in Progress	-0-	10,389,588
	<u>\$74,896,409</u>	<u>\$74,605,649</u>
Less: Accumulated Depreciation	<u>45,532,846</u>	<u>43,601,401</u>
Net Property, Plant and Equipment	<u>\$29,363,563</u>	<u>\$31,004,248</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, 2015 AND 2014

(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, 2015 AND 2014

(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, 2015 AND 2014

(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 \$9,345,037 and \$9,296,766 in 2015 and 2014, 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, 2015, 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 been received by the Authority in full as of December 31, 2015. As of December 31, 2014, the balance due the Authority was \$428,189.

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. The Authority recorded \$46,902 and \$154,398 of this loan forgiveness as grant income in 2015 and 2014, respectively.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

(6) CAPITAL ASSETS

Capital Assets are summarized as follows:

	Balance			Balance
	<u>Dec. 31, 2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>Dec. 31, 2015</u>
Land	\$ 236,512			\$ 236,512
Buildings and Improvements	58,175,976	\$ 10,550,461		68,726,437
Machinery and Equipment	5,731,770	115,692		5,847,462
Furniture and Fixtures	71,803	14,195		85,998
Construction in Progress	<u>10,389,588</u>		<u>\$ 10,389,588</u>	<u>-</u>
	74,605,649	10,680,348	10,389,588	74,896,409
Less: Accumulated Depreciation	<u>43,601,401</u>	<u>1,931,445</u>		<u>45,532,846</u>
Net Property, Plant & Equipment	<u>\$ 31,004,248</u>	<u>\$ 8,748,903</u>	<u>\$ 10,389,588</u>	<u>\$ 29,363,563</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, 2015 amounted to \$110,000.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

(8) LONG TERM DEBT

Long-term debt activity for the years ended December 31, 2015 and 2014 was as follows:

	<u>2015</u>	<u>2014</u>
1992 Capital Appreciation Bonds:		
Principal	\$ 140,000	\$ 275,000
Unamortized Original Issue Discount	<u>(4,676)</u>	<u>(18,146)</u>
Accreted Value	135,324	256,854
 New Jersey Environmental Infrastructure Trust 2003 Loans	 6,513,215	 7,248,973
Unamortized Premium	<u>38,018</u>	<u>51,286</u>
Loan Carrying Value	6,551,233	7,300,259
 New Jersey Environmental Infrastructure Trust 2012 Loans	 6,605,890	 7,073,370
 New Jersey Economic Development Loan, Non- Interest Bearing	 <u>-0-</u>	 <u>48,612</u>
 Total Debt	 \$13,292,447	 \$14,679,095
 Less Current Maturities	 <u>1,248,650</u>	 <u>1,267,509</u>
 Total Long-Term Debt	 <u>\$12,043,797</u>	 <u>\$13,411,586</u>

Detail information regarding Long Term Debt at December 31, 2015 and 2014 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 \$140,000 and \$275,000 at December 31, 2015 and 2014, respectively.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

(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 \$385,000 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 \$135,000 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. There was no amount outstanding at December 31, 2015.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

(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:

2016	\$1,248,650
2017	1,128,036
2018	1,146,543
2019	1,177,603
2020	1,206,066

(9) NET POSITION

The components of net position are as follows:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Net Position:		
Invested in Capital Assets, Net of Related Liabilities	\$16,071,116	\$16,567,851
Restricted:		
Operations	2,712,172	2,687,289
Debt Service Reserve	140,016	140,025
Renewal and Replacement	<u>2,041,773</u>	<u>952,009</u>
Total Restricted	<u>\$ 4,893,961</u>	<u>\$ 3,779,323</u>
Unrestricted:		
Insurance Reserve	\$ 500,000	\$ 350,000
Rate Stabilization Fund	3,000,000	-0-
Operating	763,155	4,418,167
Net Pension Liability	<u>(7,675,959)</u>	<u>(7,428,999)</u>
	<u>\$17,552,273</u>	<u>\$17,686,342</u>

The Authority appropriated \$600,000 and \$650,000 of Unrestricted Net Position to fund a portion of its Operating Budgets for the years 2015 and 2014, 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, 2015 AND 2014

(10) 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 7.06% 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 \$310,899 to the plan for the year ended December 31, 2015 and \$293,178 for the year ended December 31, 2014.

(11) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68

Public Employees Retirement System (PERS)

At December 31, 2015, the Authority reported a liability of \$8,730,608 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 local units, actuarially determined. At June 30, 2015, the Authority's proportion was 0.038892594 percent, which was an increase of 0.0011644958 percent from its proportion measured as of June 30, 2014.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

(11) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2015, the Authority recognized pension expense of \$395,131. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Changes of assumptions	--	\$937,598
Net difference between projected and actual earnings on pension plan investments	\$140,371	208,282
Changes in proportion and differences between Authority contributions and proportionate share of contributions	135,833	184,973
Authority contributions subsequent to the measurement date	<u> -- </u>	<u> -- </u>
	<u>\$276,204</u>	<u>\$1,330,853</u>

The \$1,330,853 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date (i.e. for the period ending June 30, 2015, the plan measurement date is June 30, 2014) will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30</u>	<u>Amount</u>
2016	\$283,197
2017	283,197
2018	283,197
2019	283,197
2020	198,065

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

(11) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Additional Information

Collective balances at June 30, 2015 and 2014 are as follows:

	<u>6/30/2015</u>	<u>6/30/2014</u>
Collective deferred outflows of resources	\$ 5,086,138,484	\$ 1,032,618,058
Collective deferred inflows of resources	478,031,236	1,726,631,532
Collective net pension liability	22,447,996,119	18,722,735,003
Authority's Proportion	0.038892594%	0.0377280982%

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013. These actuarial valuations used the following assumptions, applied to all periods in the measurement.

	<u>6/30/2015</u>	<u>6/30/2014</u>
Inflation	3.04 Percent	3.01 Percent
Salary Increases (based on age):		
2012-2021	2.15-4.40 Percent	2.15-4.40 Percent
Thereafter	3.15-5.40 Percent	3.15-5.40 Percent
Investment Rate of Return	7.90 Percent	7.90 Percent

The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more that the experience deviates, the larger the impact on future financial statements.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

(11) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Mortality Rates

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

(11) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 and 2014 are summarized in the following table:

	<u>6/30/2015</u>		<u>6/30/2014</u>	
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%	6.00%	0.80%
Core Bond			1.00%	2.49%
Intermediate Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad U.S. Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Markets	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds/Absolute Returns	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
U.S. Treasuries	1.75%	1.64%		
Investment Grade Credit	10.00%	1.79%		
Global Debt ex US	3.50%	(0.40)%		
REIT	4.25%	5.12%		
	<u>100.00%</u>		<u>100.00%</u>	

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

(11) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.30% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate.

The following presents the collective net pension liability of the participating employers as of June 30, 2015 calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2015		
	1% Decrease <u>3.90%</u>	At Current Discount Rate <u>4.90%</u>	1% Increase <u>5.90%</u>
Authority's proportionate share of the pension liability	\$10,851,077	\$8,730,608	\$6,952,822

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 (PERS).

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

(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 sixteen (16) 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.

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, 2015 and 2014 were \$949,063 and \$901,169, respectively, which equaled the required contributions for each year.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

(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) RESTATEMENT

As stated in Note 11, in 2015, the Authority implemented GASB 68. As a result the Authority's Net Position at December 31, 2014 was restated as follows:

	<u>Governmental Activities</u>
Beginning Net Position 12/31/2014	\$ 25,167,561
Adjustments:	
Recognition of Net Pension Liability (Measurement Date)	<u>(7,428,999)</u>
Beginning Net Position 12/31/14 (as Restated)	\$ <u><u>17,738,562</u></u>

The Unrestricted Net Asset balance was restated to properly reflect the Authority's Net Position under GASB 68.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

(15) SUBSEQUENT EVENTS

The Authority has evaluated subsequent events occurring after the financial statement date through June 7, 2016, 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.

(16) COMMITMENTS AND CONTINGENCIES

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, 2015, 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, 2015 AND 2014

	OPERATING AND REVENUE FUNDS AND INVESTMENT IN CAPITAL ASSETS, NET	OPERATIONS	RESTRICTED DEBT SERVICE RESERVE	RENEWAL AND REPLACEMENT	TOTAL 2015	TOTAL 2014
Operating Revenues:						
Service Charges	\$ 9,174,006	\$	\$	\$	9,174,006	\$ 9,389,283
Wastewater Beneficial Reuse Fees	445,928				445,928	234,944
Interest on Delinquent Accounts	101,937				101,937	100,028
Industry Assessment Service Charges	198,096				198,096	208,442
Capacity Fee	277,011				277,011	-
Lease Income	42,633				42,633	42,633
Insurance Income	-				-	25,200
Miscellaneous Income	22,866				22,866	7,995
Total Operating Revenues	\$ 10,262,477	\$	\$	\$	10,262,477	\$ 10,008,525
Operating Expenses:						
Total Operating Costs	\$ 7,941,072	\$	\$	\$	7,941,072	\$ 8,062,172
Depreciation	1,931,445				1,931,445	1,511,085
Total Operating Expenses	\$ 9,872,517	\$	\$	\$	9,872,517	\$ 9,573,257
Operating Income	\$ 389,960	\$	\$	\$	389,960	\$ 435,268
Nonoperating Revenues (Expenses):						
Interest Income	2,857	\$	28	302	3,187	3,517
Interest Expense, Net	(282,541)				(282,541)	(313,108)
Grant Income/Loan Forgiveness	46,902				46,902	154,398
Other Expenses	(291,577)				(291,577)	(353,683)
Income Before Transfers	\$ (134,399)	\$ -	28	302	(134,069)	(73,608)
Interfund Transactions	\$ (1,114,308)	\$ 24,883	(37)	1,089,462	-	-
Net Position, Beginning of Year	13,907,019	2,687,289	140,025	952,009	17,686,342	25,167,561
Restatement to Include Net Pension Liability						(7,407,611)
Net Position, Beginning of Year - Restated						17,759,950
Net Position, End of Year	\$ 12,658,312	\$ 2,712,172	\$ 140,016	\$ 2,041,773	\$ 17,552,273	\$ 17,686,342

THE LINDEN ROSELLE SEWERAGE AUTHORITY

SCHEDULE OF OPERATING REVENUES
AND COSTS FUNDED BY OPERATING
REVENUES COMPARED TO BUDGET
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u> <u>BUDGET</u>	<u>2015</u> <u>ACTUAL</u>	<u>2014</u> <u>ACTUAL</u>
Revenues:			
Service Charges:			
Major Users	\$ 1,468,952	\$ 1,572,637	\$ 1,454,047
Other Users	4,737,000	4,720,369	5,124,236
Borough of Roselle	2,881,000	2,881,000	2,811,000
Industry Assessment:			
Service Charges		198,096	208,442
Wastewater Beneficial Reuse Fees	235,000	445,928	234,944
Capacity Fee		277,011	-
Lease Income	43,000	42,633	42,633
Interest on Delinquent Accounts	80,000	101,937	100,028
Insurance Income		-	25,200
Miscellaneous	20,000	22,866	7,995
Interest Income	5,000	3,187	3,517
<u>TOTAL REVENUES</u>	<u>\$ 9,469,952</u>	<u>\$ 10,265,664</u>	<u>\$ 10,012,042</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, 2015 AND 2014

	2015 <u>BUDGET</u>	2015 <u>ACTUAL</u>	2014 <u>ACTUAL</u>
Operating Expenses:			
Salaries and Wages	\$ 2,951,133	\$ 2,961,267	\$ 2,891,066
Employee Benefits	1,703,800	1,664,299	1,628,762
Office Expense	85,000	62,220	63,970
Trustee and Paying Agent Fee	4,000	3,340	3,423
Professional, Consulting and Training	330,700	176,736	288,118
Insurance	223,000	231,800	198,365
Power	1,189,933	986,496	972,132
Gas, Fuel, Oil and Water	163,000	142,246	144,026
Chemicals	184,626	188,118	160,300
Plant Maintenance, Supplies and Equipment	163,000	122,807	171,270
Contract Services	70,000	54,212	61,782
Lab Supplies and Equipment	57,200	49,060	42,120
Outside Labs and Permits	13,220	8,359	17,500
Sludge Removal	1,003,955	1,073,548	1,233,342
User Charge Expense	52,000	52,979	43,808
Other Environmental Enforcement Requirements	167,300	160,585	138,285
Contingency and Miscellaneous	50,000	3,000	3,903
Total Operating Expenses	\$ <u>8,411,867</u>	\$ <u>7,941,072</u>	\$ <u>8,062,172</u>
Other Costs Funded by Revenues:			
Interest Expense	\$ 390,577	\$ 340,595	\$ 371,162
Principal Maturity on Notes and Bonds	<u>1,267,508</u>	<u>1,267,508</u>	<u>1,251,432</u>
Total Other Costs	\$ <u>1,658,085</u>	\$ <u>1,608,103</u>	\$ <u>1,622,594</u>
TOTAL COSTS	\$ 10,069,952	\$ 9,549,175	\$ 9,684,766
Unrestricted Net Position Utilized	<u>(600,000)</u>	<u>(600,000)</u>	<u>(650,000)</u>
Net Total Appropriations	<u>9,469,952</u>	<u>8,949,175</u>	<u>9,034,766</u>
EXCESS OF REVENUES OVER COSTS	\$ <u>-</u>	\$ <u>1,316,489</u>	\$ <u>977,276</u>

THE LINDEN ROSELLE SEWERAGE AUTHORITY

BONDS PAYABLE

1992 REFUNDING REVENUE BONDS
CAPITAL APPRECIATION BONDS

DECEMBER 31, 2015

<u>YEAR OF</u> <u>MATURITY</u>	<u>INTEREST</u> <u>RATE</u>	<u>ISSUED</u> <u>VALUE</u>	<u>PRINCIPAL</u> <u>DUE</u> <u>JUNE 1</u>	<u>ACCREDITED</u> <u>VALUE</u>
2016	6.900%	\$ <u>26,786</u>	\$ <u>140,000</u>	\$ <u>135,324</u>
		\$ <u>26,786</u>	\$ <u>140,000</u>	\$ <u>135,324</u>

The bonds pay interest annually.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

BONDS PAYABLE

2003 NJEIT LOANS PAYABLE

DECEMBER 31, 2015

<u>YEAR OF</u> <u>MATURITY</u>	<u>INTEREST</u> <u>RATE</u>	<u>TRUST LOAN</u>		<u>FUND LOAN</u> <u>PRINCIPAL</u>	<u>TOTAL</u>
		<u>PRINCIPAL</u>	<u>INTEREST</u>		
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>\$ 3,720,000</u>	<u>\$ 824,935</u>	<u>\$ 2,793,214</u>	<u>\$ 7,338,149</u>

The bonds pay interest semi-annually.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

BONDS PAYABLE

2012 NJEIT LOANS PAYABLE

DECEMBER 31, 2015

<u>YEAR OF</u> <u>MATURITY</u>	<u>TRUST LOAN</u>				<u>FUND LOAN</u>		<u>TOTAL</u>
	<u>INTEREST</u> <u>RATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>		<u>PRINCIPAL</u>		
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		93,802		377,740
		<u>\$ 3,315,000</u>	<u>\$ 1,223,408</u>	<u>\$</u>	<u>3,290,887</u>	<u>\$</u>	<u>7,829,295</u>

The bonds pay interest semi-annually.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

<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	2015	66.458	S340299-07	\$ 10,255,655	\$ 240,508
N.J. Infrastructure Trust Loan Program					

THE LINDEN ROSELLE SEWERAGE AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

<u>Fiscal Year</u> <u>Ending</u> <u>June 30,</u>	<u>Authority's</u> <u>Proportion Share</u> <u>of the Net Pension</u> <u>Liability (Asset)</u>	<u>Authority's</u> <u>Proportionate</u> <u>Share of</u> <u>the Net Pension</u> <u>Liability (Asset)</u>	<u>Authority's</u> <u>Covered-Employee</u> <u>Payroll</u>	<u>Authority's</u> <u>Proportion Share</u> <u>of the Net Pension</u> <u>Liability (Asset)</u> <u>as a percentage</u> <u>of it's Covered-</u> <u>Employee Payroll</u>	<u>Plan Fiduciary</u> <u>Net Position</u> <u>as a percentage</u> <u>of the total</u> <u>Pension Liability</u>
2014	0.0377280982%	\$ 7,063,732	\$ 2,649,033	266.65%	40.71%
2015	0.0388925940%	8,730,608	2,748,334	317.67%	42.74%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

THE LINDEN ROSELLE SEWERAGE AUTHORITY
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

Fiscal Year Ending <u>June 30,</u>	Contractually Required <u>Contribution</u>	Contributions in Relation to the Contractually Required <u>Contributions</u>	Contribution Deficiency (<u>Excess</u>)	Authority's Covered- Employee <u>Payroll</u>	Contributions as a Percentage of Covered- Employee <u>Payroll</u>
2014	\$ 311,025	\$ 311,025	-0-	2,649,033.00	11.74%
2015	334,372	334,372	-0-	2,748,334.00	12.17%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

THE LINDEN ROSELLE SEWERAGE AUTHORITY
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSION (GASB 68)
NOTE TO RSI III
FOR THE YEAR ENDED DECEMBER 31, 2015

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (4.29%) to the current measurement date (3.80%), resulting in a change in the discount rate from 5.39% to 4.90%. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

LINDEN ROSELLE SEWERAGE AUTHORITY

NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

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.

THE LINDEN ROSELLE SEWERAGE AUTHORITY

ROSTER OF OFFICIALS

DECEMBER 31, 2015

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

THE LINDEN ROSELLE SEWERAGE AUTHORITY

DECEMBER 31, 2015

GENERAL COMMENTS AND RECOMMENDATIONS

None

