

**Two Rivers Water Reclamation Authority  
Financial Statements  
with Supplementary Information**

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

**and  
Independent Auditors' Report**

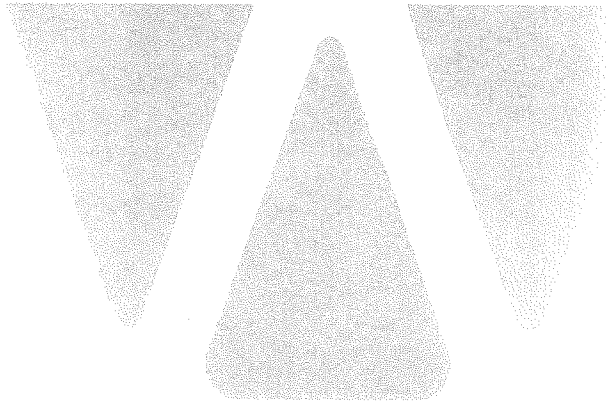
TWO RIVERS WATER RECLAMATION AUTHORITY

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**REQUIRED SUPPLEMENTARY INFORMATION**

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



## Independent Auditors' Report

Honorable Chairman and Members  
of the Board of Commissioners  
Two Rivers Water Reclamation Authority  
Monmouth Beach, New Jersey  
County of Monmouth

### Report on the Financial Statements

We have audited the accompanying financial statements of the Two Rivers Water Reclamation Authority, County of Monmouth, New Jersey (the "Authority"), as of and for the years ended October 31, 2015 and 2014 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

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

### *Emphasis of Matter – Change in Accounting Principle*

As discussed in Note 2 to the financial statements, during the fiscal year ended October 31, 2015, the Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*, which represents a change in accounting principle. As discussed in Note 2, as of October 31, 2014 the Authority's net position was restated to reflect the impact of this change in accounting principle. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

The other information identified above has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Wiss & Company*

WISS & COMPANY, LLP

January 29, 2016  
Iselin, New Jersey

# TWO RIVERS WATER RECLAMATION AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

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

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

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

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

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

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

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

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

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

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

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

### Financial Condition

The Authority’s financial condition remained strong at year end, as depicted by the financial data which follows.

#### Comparative Statement of Net Position

The Authority’s total assets and deferred outflows of resources decreased by \$1,202,419 due mainly to the depreciation of capital assets exceeding capital asset acquisitions. Total liabilities and deferred inflows of resources increased by \$8,592,489 due mainly to the recording of both net pension liability and the accrued settlement payable. Assets and deferred outflows exceeded liabilities and deferred inflows by \$67,571,541. This compares to 2014 where assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$77,366,449.

The Authority’s Net Position of \$67,571,541 is comprised of the following:

1. Net investment in capital assets of \$56,190,025, as shown below, includes property plant and equipment, net of accumulated depreciation, and net of long-term debt related to the purchase or construction of capital assets. Net investment in capital assets increased by \$1,684,709 from the prior year.

Capital Assets - Net	\$	71,708,918
Less:		
Revenue Bonds Payable		15,518,893
Net Investment in Capital Assets	\$	56,190,025

2. Net position of \$1,500,000 restricted for the purpose of Renewal and Replacement of “the System”, which is determined each year by an independent consulting engineer.
3. Net position of \$400,000 unrestricted - designated for future collection system improvements.
4. Net position of \$190,000 restricted for a Shrewsbury River Dredging Project.



5. Net position of \$3,000,000 unrestricted - designated for rate stabilization.
6. Unrestricted, undesignated net position of \$6,291,516 represents the portion available to maintain the Authority's continuing obligations to the contractual customers of its service area, its creditors and for its current liabilities.

Unrestricted undesignated net position decreased by \$8,634,756 mainly due to the change in net position, (\$2,305,824), the restatement for pension liability, (\$7,489,084) offset by the unrestricted net position designated for future capital improvements being eliminated and moved into unrestricted undesignated net position.

Comparative Condensed Statements of Net Position

	October 31,		
	<u>2015</u>	<u>2014</u>	<u>2013</u> (As restated)
Total current assets	\$ 14,193,976	\$ 10,700,225	\$ 6,099,134
Total restricted assets	10,418,271	14,478,619	18,206,580
Capital assets, net	71,708,918	72,869,810	74,620,435
Deferred outflows of resources	<u>525,070</u>	<u>                    </u>	<u>6,810</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 96,846,235</u>	<u>\$ 98,048,654</u>	<u>\$ 98,932,959</u>
Total current liabilities payable from unrestricted assets	\$ 5,443,716	\$ 1,587,610	\$ 1,544,232
Total current liabilities payable from restricted assets	3,158,943	3,146,914	3,113,313
Unemployment claims reserve	82,151	98,531	98,531
Compensated absences payable	356,639	323,223	336,917
Net pension liability	6,658,156		
Long term obligations, net	12,593,328	15,525,927	18,372,535
Deferred inflows of resources	<u>981,761</u>	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>\$ 29,274,694</u>	<u>\$ 20,682,205</u>	<u>\$ 23,465,528</u>
Total Net Position	<u>\$ 67,571,541</u>	<u>\$ 77,366,449</u>	<u>\$ 75,467,431</u>

Total current assets have increased because cash and cash equivalents and customer charges receivable increased.

Total restricted assets have decreased because of the decreases in investments and in intergovernmental accounts receivable.

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

Total current liabilities payable from unrestricted assets have increased, mainly due to an increase in accounts payable and the accrued settlement payable.

Total current liabilities payable from restricted assets have remained relatively constant.

Net pension liability increased due to the implementation in 2015 of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*.

Long term bonds payable have decreased due to the repayment of revenue bond principal.

The deferred inflow and outflow of resources increased because of the implementation in 2015 of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*.

Net position undesignated decreased mainly to: the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*, (\$7,489,084), the effect of recording the settlement of the litigation with the customer towns, (\$3,651,739), offset in part by the results of 2015 operations.

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

2015 operating revenues decreased from 2014 levels, mainly due to a decrease in annual charges from customer municipalities. Total operating expenses were lower in 2015 than 2014, mainly due to a decrease in depreciation expense. Total operating revenues less total operating expenses produced operating income of \$1,129,903 which is less than 2014 operating income of \$1,350,443. Total Net Position as of October 31, 2015 fell by \$2,290,528 from 2014's Total Net Position, as restated, as is depicted below.

	Years ended October 31,		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total operating revenues	\$ <u>12,972,235</u>	\$ <u>13,417,382</u>	\$ <u>13,251,559</u>
Operating expenses	9,001,583	8,866,482	9,215,231
Depreciation	<u>2,856,044</u>	<u>3,200,457</u>	<u>2,976,946</u>
Total operating expenses	<u>11,857,627</u>	<u>12,066,939</u>	<u>12,192,177</u>
Operating income	1,114,608	1,350,443	1,059,382
Nonoperating revenues (expenses) - net	<u>(3,420,432)</u>	<u>548,575</u>	<u>2,097,980</u>
Change in net position	(2,305,824)	1,899,018	3,157,362
Total net position - beginning	77,366,449	75,467,431	72,310,069
Restatement - pension liability	<u>(7,489,084)</u>	<u>                    </u>	<u>                    </u>
Total net position - beginning, as restated	<u>69,877,365</u>	<u>75,467,431</u>	<u>72,310,069</u>
Total net position - ending	\$ <u><u>67,571,541</u></u>	\$ <u><u>77,366,449</u></u>	\$ <u><u>75,467,431</u></u>

## Comparative Statements of Cash Flows

The net increase in cash and cash equivalents was \$2,063,549. This compares to a net decrease in cash and cash equivalents in 2014 of \$6,165,396. The main reason for the 2015 increase is the redemption of investments.

### Debt Administration

As of October 31, 2015, the Authority had \$15,875,532 of outstanding debt. Of this amount, \$356,639 is for compensated absences and \$15,518,893 is for revenue bonds payable. As of October 31, 2014, the Authority had \$18,687,718 of outstanding debt.

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

- Borrowings from the New Jersey Environmental Infrastructure Trust for qualified projects.
- Traditional revenue bond issuance.
- Funding incrementally or annually from annual operating budget.

Refunding of existing public debt is routinely reviewed, analyzed and recommended when appropriate. The Authority has defeased various bond issues and achieved significant debt service savings. Early redemptions of bonds outstanding have occurred. No new debt was issued this year.

### Capital Assets

At the end of the fiscal years ended October 31, 2015 and 2014, the Authority had \$71,708,918 and \$72,869,810, respectively, invested in land, construction in progress, buildings and improvements, other improvements, sewer mains and interceptors, pump stations, other equipment and vehicles, net of accumulated depreciation. The decrease in net capital assets is due to the current year's depreciation expense exceeding current year's capital assets additions.

### Core Competencies

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

The System consists of a wastewater treatment plant, a wastewater collection system of approximately 230 miles of gravity interceptor and force mains, 19 pumping stations and an ocean outfall line discharging into the Atlantic Ocean through a diffuser system.

The wastewater treatment plant provides primary and secondary wastewater treatment and is situated on about 25 acres located on Raccoon Island in Monmouth Beach, NJ.

The treatment plant has a designed capacity of 13.83 million gallons per day. The plant is designed to serve the projected treatment needs of the service area based on current zoning ordinances.

The Two Rivers Water Reclamation Authority owns and operates the regional piping and pumping systems that receive, meter, and transport the municipal wastewater to the Authority's Regional Plant on Raccoon Island for treatment and discharge. It also owns and operates the collection system in the six participant communities.

The user fees charged to the users of the system of the six participating municipalities and Monmouth Park is a major source of revenue for the Authority as are the revenues from the customer municipalities' charges paid by the six customer communities and the Fort Monmouth area. This is shown on the Comparative Statement of Revenues, Expenses and Changes in Fund Net Position as "Customer Municipalities – Annual Charges and Participating Municipalities – Service Charges" and reported as operating revenue.

### **Budget Variations**

There were no adjustments made during the year to the adopted 2015 budget. Significant variations between final budgeted amounts and actual expenses occurred in the following budgetary line items: Administration – Employee benefits, where expenses were less than budgeted, offset by Treatment Plant – Employee benefits, where expenses were greater than budgeted, Treatment Plant – Electricity, where expenses were lower than budgeted due to conservation, Treatment Plant – New Equipment, where expenses were greater than budgeted due to more need for new equipment than was originally budgeted for and Lines and System Pumping Stations – Maintenance of Lines, where greater maintenance was necessary than originally budgeted for and Renewal and Replacement, where more projects were undertaken during the year than had been originally forecast.

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

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

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

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

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

The Authority is also accountable to the governing body of the Authority, the Two Rivers Water Reclamation Authority Board of Directors, and as such, accountable to certain government officials.

### **Governing Body**

The governing body of the Authority consists of a 12 member board that is appointed for five-year terms by the participant communities they represent. Currently, they are:

William E. Leonard, Chairman  
Thomas Barham, Vice Chairman  
Barry J. Berdahl, Ph. D., Treasurer  
William R. Baarck, P.E., Secretary  
Richard N. Tocci, Assistant Treasurer  
Arno H. Weber, Assistant Secretary  
John Bonforte, Member  
Gregory J. Christopher, Member  
Robert Proto, Member  
Brian McPeak, Member  
Scott Hartman, Member  
William Nolze, Member

### **Management of the Authority**

The Executive Director of the Two Rivers Water Reclamation Authority, Michael A. Gianforte, manages the daily operations of the Authority. He oversees a staff of 35 and a 2015 budget of \$13.76 million. Senior staff is charged with the management of the operations and financial affairs of the Authority. The Executive Director and senior staff are as follows:

Michael A. Gianforte, Executive Director  
Kevin Kinneally, Financial Manager  
Gregory Seaman, Operations Manager  
Dennis J. Galvin, Engineering Manager

### **Independent Auditors**

The Independent audit firm is Wiss & Company, LLP, Iselin, New Jersey.

### **Financial Information**

Prior audits and budgets can be obtained by contacting the Two Rivers Water Reclamation Authority or by visiting the Authority's website at [www.trwra.org](http://www.trwra.org).

**BASIC FINANCIAL STATEMENTS**



TWO RIVERS WATER RECLAMATION AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
COMPARATIVE STATEMENT OF NET POSITION  
OCTOBER 31, 2015 AND 2014

	October 31,	
	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 10,655,471	\$ 8,443,570
Inventory	22,199	26,276
Customer charges receivable	1,989,129	1,307,208
Sewer billings receivable	<u>1,527,177</u>	<u>923,171</u>
Total current assets	14,193,976	10,700,225
<b>Restricted assets:</b>		
Revenue fund - Unemployment cash and cash equivalents	98,418	98,418
Developer deposits:		
Cash and cash equivalents	120,282	160,540
Bond service account:		
Cash and cash equivalents	53	179,016
Bond reserve account:		
Cash and cash equivalents	3	3
General account:		
Cash and cash equivalents	5,143,643	5,116,959
Investments	3,956,495	7,610,118
Accrued interest receivable	28,618	34,351
Construction account:		
Cash and cash equivalents	261,288	218,201
Intergovernmental accounts receivable	59,396	312,038
Renewal and replacement account:		
Cash and cash equivalents	<u>750,075</u>	<u>748,975</u>
Total restricted assets	<u>10,418,271</u>	<u>14,478,619</u>
<b>Non-current assets:</b>		
Capital Assets - Non-depreciable	1,470,400	1,750,773
Capital Assets - Net of depreciation	<u>70,238,518</u>	<u>71,119,037</u>
Total capital assets, net	<u>71,708,918</u>	<u>72,869,810</u>
<b>Deferred outflow of resources</b>		
Pension deferrals	<u>525,070</u>	<u>                    </u>
Total deferred outflow of resources	<u>525,070</u>	<u>                    </u>
Total assets and deferred outflow of resources	\$ <u>96,846,235</u>	\$ <u>98,048,654</u>

See accompanying notes to the basic financial statements.

TWO RIVERS WATER RECLAMATION AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
COMPARATIVE STATEMENT OF NET POSITION  
OCTOBER 31, 2015 AND 2014

	October 31,	
	<u>2015</u>	<u>2014</u>
<b>Liabilities</b>		
Current liabilities payable from unrestricted assets:		
Accounts payable	\$ 674,944	\$ 442,006
Accrued expenses	157,248	157,409
Accrued settlement payable	3,601,739	
Payroll taxes payable	23,867	
Customer overpayments	44,853	37,411
Unearned revenue	941,065	950,784
	<u>5,443,716</u>	<u>1,587,610</u>
Total current liabilities payable from unrestricted assets		
Current liabilities payable from restricted assets:		
Reserve for developers' deposits	118,793	159,862
Accrued interest on bonds payable	108,555	141,449
Revenue bonds payable - current portion	2,931,595	2,845,603
	<u>3,158,943</u>	<u>3,146,914</u>
Total current liabilities payable from restricted assets		
Non-current liabilities:		
Net pension liability	6,658,156	
Long-term revenue bonds payable	12,587,298	15,518,892
Unamortized bond premium	6,030	7,035
	<u>19,251,484</u>	<u>15,525,927</u>
Unemployment claims	82,151	98,531
Compensated absences payable	356,639	323,223
	<u>19,690,274</u>	<u>15,947,681</u>
Total non-current liabilities		
Total liabilities	\$ <u>28,292,933</u>	\$ <u>20,682,205</u>
<b>Deferred inflow of resources</b>		
Pension deferrals	\$ <u>981,761</u>	
<b>Net position</b>		
Net investment in capital assets	\$ 56,190,025	\$ 54,505,315
Restricted for:		
Renewal and replacement	1,500,000	2,719,280
Dredging project - Shrewsbury River	190,000	190,000
Unrestricted:		
Designated for:		
Collection system improvements	400,000	400,000
Rate stabilization	3,000,000	200,000
Future capital improvements		4,425,582
Undesignated	6,291,516	14,926,272
Total net position	\$ <u>67,571,541</u>	\$ <u>77,366,449</u>

See accompanying notes to the basic financial statements.

TWO RIVERS WATER RECLAMATION AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
YEARS ENDED OCTOBER 31, 2015 AND 2014

	October 31,	
	<u>2015</u>	<u>2014</u>
Operating revenues:		
Customer municipalities:		
Annual charges	\$ 7,148,320	\$ 7,644,016
Participating municipalities:		
Service charges	<u>5,823,915</u>	<u>5,773,366</u>
Total operating revenues	<u>12,972,235</u>	<u>13,417,382</u>
Operating expenses:		
Administration and general	1,795,191	1,971,594
Treatment plant and main pumping station	5,834,126	5,647,841
Lines and system pumping stations	1,146,308	1,124,790
Depreciation	2,856,044	3,200,457
Renewal and replacement	<u>225,958</u>	<u>122,257</u>
Total operating expenses	<u>11,857,627</u>	<u>12,066,939</u>
Operating income	<u>1,114,608</u>	<u>1,350,443</u>
Nonoperating:		
Interest on bonds	(531,245)	(631,176)
Settlements of litigation	(3,651,739)	
Interest income	60,624	46,334
Federal Emergency Management Agency - Hurricane Sandy	322,994	622,964
Connection fees	319,583	399,295
Miscellaneous income	<u>59,351</u>	<u>111,158</u>
Total nonoperating	<u>(3,420,432)</u>	<u>548,575</u>
Change in net position	(2,305,824)	1,899,018
Total net position-beginning	77,366,449	75,467,431
Restatement for pension liability and related expense	<u>(7,489,084)</u>	
Total net position-beginning, as restated	<u>69,877,365</u>	<u>75,467,431</u>
Total net position-ending	<u>\$ 67,571,541</u>	<u>\$ 77,366,449</u>

See accompanying notes to the basic financial statements.

TWO RIVERS WATER RECLAMATION AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
COMPARATIVE STATEMENT OF CASH FLOWS  
YEARS ENDED OCTOBER 31, 2015 AND 2014

	October 31.	
	2015	2014
Cash flows from operating activities:		
Receipts from members and customers	\$ 11,684,031	\$ 12,184,391
Payments to employees	(2,817,998)	(3,061,021)
Payments to suppliers	(6,321,136)	(5,786,323)
Net cash provided by operating activities	2,544,897	3,337,047
Cash flows from capital and related financing activities:		
Purchase of capital assets	(1,695,152)	(1,449,832)
Receipt of intergovernmental account receivable	252,642	
Federal Emergency Management Agency - Hurricane Sandy	322,994	622,964
Repayment of revenue bonds payable	(2,845,602)	(2,770,624)
Net cash (used in) capital and related financing activities	(3,965,118)	(3,597,492)
Cash flows from investing activities:		
Interest received	66,357	17,798
Interest paid on revenue bonds	(565,144)	(650,354)
(Purchase) of investment securities	(3,956,495)	(7,085,333)
Redemption of investment securities	7,610,120	1,302,485
Net cash provided by (used in) investing activities	3,154,838	(6,415,404)
Cash flows from noncapital financing activities:		
Payment of settlement in litigation	(50,000)	
Connection fees	319,583	399,295
Miscellaneous income	59,351	111,158
Net cash provided by noncapital financing activities	328,934	510,453
Net increase (decrease) in cash and cash equivalents	2,063,551	(6,165,396)
Cash and cash equivalents, beginning of year	14,965,682	21,131,078
Cash and cash equivalents, end of year	\$ 17,029,233	\$ 14,965,682
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,114,608	\$ 1,350,443
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,856,044	3,200,457
Changes in assets, deferred outflows of resources and liabilities:		
(Increase) decrease in receivables and other assets:		
Unrestricted accounts	(1,281,850)	(1,227,142)
Increase (decrease) in current liabilities:		
Payable from unrestricted assets	(102,405)	336,545
Payable from restricted assets		(23,205)
Other liabilities	17,035	(13,694)
Deferred outflows of resources		(286,357)
Accounts payable - pension	(293,167)	
Net pension liability	(830,928)	
Deferred inflows - pension deferrals	981,761	
Deferred outflows - pension deferrals	83,799	
Net cash provided by operating activities	\$ 2,544,897	\$ 3,337,047
Reconciliation to Statement of Net Position:		
Unrestricted cash and cash equivalents	\$ 10,655,471	\$ 8,443,570
Restricted cash and cash equivalents	6,373,762	6,522,112
	\$ 17,029,233	\$ 14,965,682

See accompanying notes to the basic financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2015 and 2014**

**1. Summary of Significant Accounting Policies**

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

**A. Reporting Entity:**

The Two Rivers Water Reclamation Authority, Monmouth County, New Jersey is a public body politic and corporate of the State of New Jersey, created by virtue of ordinances of the Boroughs of Fair Haven, Little Silver, Monmouth Beach, Oceanport, Shrewsbury and West Long Branch (collectively, the Member Towns") on October 1, 1965, pursuant to the Sewerage Authority Law of the State of New Jersey (P.L. 1946, Chapter 138 as amended and supplemented). The Authority functions independently through a Board of Commissioners. The Board is comprised of twelve members appointed to five-year terms. The purpose of the Authority is to keep the local waters free of pollution.

The Authority, as the primary government for financial reporting purposes, has oversight responsibility and control over all activities related to the Two Rivers Water Reclamation Authority. The Authority receives funding from federal government sources and must comply with requirements of these funding source entities.

The Authority has no component units that are required to be included within the reporting entity as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

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

**Basis of Presentation**

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

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2015 and 2014**

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

**Basis of Accounting**

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

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

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

**Cash and Cash Equivalents:**

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

**Investments:**

Investments include a Certificate of Deposit and municipally issued Bond Anticipation Notes. Investments are carried at market value. Investments have a maturity date of three months or more.

**Accounts Receivable:**

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

**Inventories:**

Inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. At October 31, 2015 and 2014, the value of the inventory, consisting of diesel fuel on hand, was \$22,199 and \$26,276, respectively.

**Capital Assets:**

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

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2015 and 2014**

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	10-75
Pump Stations	5-40
Mains and Interceptors	5-75
Vehicles	5-10
Other improvements	10-75
Other equipment	5-20

**Unearned Revenue:**

Unearned revenue represents billings for system use which have been issued but not yet earned, due to the timing difference between the calendar year billing cycle and the Authority's fiscal year end of October 31.

**Net Position:**

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

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

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

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

**Operating Revenues and Expenses:**

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



**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2015 and 2014**

**E. Management Estimates:**

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

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

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (“GASB No. 68”). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This Statement replaces the requirement of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2014.

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

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2015 and 2014**

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

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

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

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

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

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

**H. Subsequent Events**

Management has reviewed and evaluated all events and transactions occurring from October 31, 2015 through the date of the financial statement issuance, January 29, 2016, for possible disclosure and recognition in the accompanying financial statements and other than the following item, no items have come to the attention of the Authority which would require disclosure or recognition.

On December 15, 2015, the Authority made application to the State of New Jersey Local Finance Board seeking positive findings on financing project costs through the issuance of project bonds or notes in an amount not to exceed \$4,500,000. As of the date of this report, the Local Finance Board hearing has not occurred and the bonds or notes have not been issued.

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2015 and 2014**

**2. Change in Accounting Principle**

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

The implementation of the Statements required a restatement of prior year net fund position as follows:

Beginning Net Position - October 31, 2014	<u>\$ 77,366,449</u>
Adjustments:	
Recognition of Net Pension Liability	(7,489,084)
Deferred outflow for PERS FY2015 Pension Payment	293,167
Accounts Payable for PERS FY2015 Pension Payment	<u>(293,167)</u>
Adjustment	<u>(7,489,084)</u>
Beginning Net Position - October 31, 2014 (as restated)	<u><u>\$ 69,877,365</u></u>

**3. Deposits and Investments**

**Cash and Cash Equivalents:**

Operating cash, in the form of checking and money market accounts, is held in the Authority's name by commercial banking institutions. At October 31, 2015, the carrying amount of the Authority's deposits was \$17,029,233 and the bank balance was \$17,066,552. Of the bank balance, \$370,282 was insured with Federal Deposit Insurance Corporation. At October 31, 2014, the carrying amount of the Authority's deposits was \$14,965,680 and the bank balance was 14,846,235.

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

At October 31, 2015, \$16,696,248 of the Authority's deposits were unsecured and uncollateralized. The Authority does not have a policy for the management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA. The Authority has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey.

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2015 and 2014**

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

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

**Investments:**

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

- Bonds and other obligations of the United States or obligations guaranteed by the United States.
- Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank which have a maturity date not greater than 397 days from the date of purchase.
- New Jersey Cash Management Fund, New Jersey Asset and Rebate Management Fund and Government money market mutual funds.

The Authority's investments consisted of a Certificate of Deposit and Bond Anticipation Notes purchased by the Authority from various municipalities during the years.

*Credit Risk* – As of October 31, 2015 the Authority's various investments in the Bond Anticipation Notes of Dunellen, Edison, Gloucester, Hamilton, Kearny, South Bound Brook, Union, and Manasquan were not rated by a nationally recognized bond rating agency.

*Custodial Credit Risk* – For investments, custodial credit risk is the risk that in the event of the failure of the counter-party, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured and are not registered in the name of the Authority.

The Authority manages custodial credit risk by limiting its investments to the debt of other governmental units within the State of New Jersey and a Certificate of Deposit.

The following is the detail of the balance of the Authority's investments, all of which are held directly by the Authority's Trustee as of October 31, 2015 and October 31, 2014.

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2015 and 2014**

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

Description of Investment <u>General Fund</u>	Interest Rates	Balance as of <u>October 31, 2015</u>
Bond Anticipation Notes:		
Borough of Dunellen	0.92%	\$ 625,400
Township of Edison	1.50%	500,365
City of Gloucester	1.38%	400,636
Township of Hamilton	1.25%	401,204
Kearny	1.38%	300,669
South Bound Brook	1.50%	401,224
Township of Union	0.82%	647,966
Borough of Manasquan	0.88%	<u>457,000</u>
Total Bond Anticipation Notes		3,734,464
Certificate of Deposit	Variable	<u>222,031</u>
Grand Total		\$ <u><u>3,956,495</u></u>
Description of Investment <u>General Fund</u>	Interest Rates	Balance as of <u>October 31, 2014</u>
Bond Anticipation Notes:		
Borough of South Bound Brook	1.50%	\$ 458,669
Township of Manchester	1.25%	303,796
Hudson County Improvement Authority	1.25%	500,520
Frenchtown Borough	1.25%	388,886
Deal Borough	1.00%	516,490
Wall Township	1.50%	500,560
Borough of Avon by the Sea	0.84%	1,045,000
Borough of Avon by the Sea	0.73%	650,750
Borough of Avon by the Sea	0.82%	1,026,000
Borough of Califon	0.83%	565,000
City of Bridgeton	1.14%	494,000
Town of Hammonton	0.64%	<u>635,540</u>
Total Bond Anticipation Notes		7,085,211
Certificate of Deposit	Variable	221,907
United States Treasury Note	1.25%	<u>303,000</u>
Grand Total		\$ <u><u>7,610,118</u></u>

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2015 and 2014**

**4. Capital Assets**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Construction In Progress	\$ 280,373			\$(280,373)	
Land	1,470,400				\$ 1,470,400
Total capital assets, not being depreciated	<u>1,750,773</u>			<u>(280,373)</u>	<u>1,470,400</u>
Capital assets, being depreciated:					
Buildings and improvements	14,658,652	\$ 604,461		280,373	15,543,486
Other improvements	69,091,002				69,091,002
Sewer mains and interceptors	32,530,497				32,530,497
Pump stations	7,136,236	232,852			7,369,088
Other equipment	3,165,911	426,674			3,592,585
Vehicles	1,135,663	431,165	\$ (322,646)		1,244,182
Total assets being depreciated	<u>127,717,961</u>	<u>1,695,152</u>	<u>(322,646)</u>	<u>280,373</u>	<u>129,370,840</u>
Accumulated depreciation	<u>(56,598,924)</u>	<u>(2,856,044)</u>	<u>\$ 322,646</u>		<u>(59,132,322)</u>
Total capital assets, being depreciated, net	<u>71,119,037</u>	<u>4,551,196</u>		<u>\$ 280,373</u>	<u>70,238,518</u>
Net Capital Assets	<u>\$72,869,810</u>	<u>\$4,551,196</u>			<u>\$ 71,708,918</u>

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2015 and 2014**

**4. Capital Assets – (Continued):**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Construction In Progress	\$ 280,373			\$ 280,373
Land	1,470,400			1,470,400
Total capital assets, not being depreciated	<u>1,750,773</u>	<u>-</u>	<u>-</u>	<u>1,750,773</u>
Capital assets, being depreciated:				
Buildings and improvements	14,658,652			14,658,652
Other improvements	68,511,363	\$ 579,639		69,091,002
Sewer mains and interceptors	32,530,497			32,530,497
Pump stations	6,970,078	166,158		7,136,236
Other equipment	2,519,977	645,934		3,165,911
Vehicles	1,077,562	58,101		1,135,663
Total assets being depreciated	<u>126,268,129</u>	<u>1,449,832</u>	<u>-</u>	<u>127,717,961</u>
Accumulated depreciation	<u>(53,398,467)</u>	<u>(3,200,457)</u>		<u>(56,598,924)</u>
Total capital assets, being depreciated, net	<u>72,869,662</u>	<u>(1,750,625)</u>	<u>-</u>	<u>71,119,037</u>
Net Capital Assets	<u>74,620,435</u>	<u>(1,750,625)</u>	<u>-</u>	<u>72,869,810</u>

**5. Long-term liabilities**

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

	<u>Beginning Balance</u>	<u>Increases (Decreases)</u>	<u>Ending Balance</u>
Compensated absences	\$ 323,223	\$33,416	\$ 356,639
Revenue bonds payable	<u>18,364,495</u>	<u>(2,845,602)</u>	<u>15,518,893</u>
Total	<u>\$ 18,687,718</u>	<u>\$ (2,812,186)</u>	<u>\$15,875,532</u>
Current Portion	<u>\$ 2,845,603</u>		<u>\$ 2,931,595</u>

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2015 and 2014**

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

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

	<u>Beginning Balance</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Compensated absences	\$ 336,917	\$ (13,694)	\$ 323,223
Revenue bonds payable	<u>21,135,119</u>	<u>(2,770,624)</u>	<u>18,364,495</u>
Total	<u>\$ 21,472,036</u>	<u>\$ (2,784,318)</u>	<u>\$ 18,687,718</u>
Current Portion	<u>\$ 2,770,624</u>		<u>\$ 2,845,603</u>

2000A Series Bonds - New Jersey Environmental Infrastructure Trust

On November 9, 2000, the Authority issued \$49,357,977 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust (“NJEIT”). The “Fund” portion of the Bond Issue, \$22,642,977, was issued on an interest free basis. The remaining Bonds mature semi-annually from February 1, 2015 through August 1, 2020 at maturities ranging from \$30,895 to \$1,178,194. The Bonds were issued with an original issue premium of \$20,100.

In 2013, the Authority received notice from the NJEIT that \$725,717 was deobligated. A reduction of the principal balance outstanding was made.

The “Trust” portion of the Bond Issue, \$26,715,000, has remaining annual maturities due from August 1, 2016 through 2020 at amounts ranging from \$1,693,489 to \$2,070,815 and bear interest at rates ranging from 5.13% to 5.25%.

The “Trust” portion of the Bond Issue was refunded by the NJEIT during the fiscal years ending October 31, 2006 and 2010. The Authority realized present value savings of \$1,034,705 and \$139,070, respectively.

The “Fund” portion of the Bond Issue, \$22,642,977 has remaining semi-annual maturities due from February 1, 2016 through August 1, 2020 at amounts ranging from \$30,895 to \$1,178,194 and were issued at a 0% interest rate.



**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2015 and 2014**

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

Remaining annual principal and interest payments are depicted below.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,931,595	\$ 483,944	\$ 3,415,539
2017	3,015,042	397,777	3,412,819
2018	3,108,917	305,780	3,414,697
2019	3,206,938	191,902	3,398,840
2020	<u>3,256,401</u>	<u>124,185</u>	<u>3,380,586</u>
	<u>\$ 15,518,893</u>	<u>\$ 1,503,588</u>	<u>\$ 17,022,481</u>

**6. Compensated Absences**

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

Authority employees are granted vacation and sick leave in varying amounts under the Authority’s personnel policies and according to negotiated contracts. In the event of retirement, according to contract, an employee is reimbursed for accumulated vacation and sick leave. The liability for vested compensated absences of the Authority amounted to \$356,639 and \$323,223 as of October 31, 2015 and October 31, 2014, respectively.

**7. Pension Plans**

**Description of Systems:**

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

**Public Employees’ Retirement System (PERS):**

The Public Employees’ Retirement System (PERS) was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees’ Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, Authority or public agency, provided the employee is not required to be a member of another

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2015 and 2014**

**7. Pension Plans – (Continued)**

state-administered retirement system or other state or local jurisdiction. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

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

**Funding Policy**

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

The Authority's actuarially determined contributions to PERS for the years ended October 31, 2015, 2014 and 2013 were \$293,167, \$295,253 and \$279,877, respectively, equal to the required contributions for each year.

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

*Public Employee's Retirement System (PERS)*

At October 31, 2015, the Authority reported a liability of \$6,658,156 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 July 1, 2013, which was

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2015 and 2014**

**7. Pension Plans – (Continued)**

rolled forward to June 30, 2014. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating Authorities', actuarially determined. At June 30, 2014, the Authority's proportion was 0.0355618788 percent, which was a decrease of 0.0036233904 from its proportion measured as of June 30, 2013. For the year ended October 31, 2015, the Authority recognized full accrual pension expense of \$234,632 in the financial statements. At October 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ 209,368	
Net difference between projected and actual earnings on pension plan investments		\$ 396,790
Changes in proportion and differences between Authority contributions and proportionate share of contributions		584,971
Authority contributions subsequent to the measurement date	315,702	
	\$ 525,070	\$ 981,761

\$315,702 is reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended October 31:</b>	
2016	\$ (151,545)
2017	(151,545)
2018	(151,545)
2019	(151,543)
2020	(52,347)
Thereafter	(113,868)
	\$ (772,393)

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2015 and 2014**

**7. Pension Plans – (Continued)**

*Actuarial Assumptions*

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

Inflation rate	3.01%
Salary increases	
2012-2021	2.15 - 4.40%
	based on age
Thereafter	3.15 - 5.40%
	based on age
Investment rate of return	7.90%

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

*Mortality Rates*

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

*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, 2014 are summarized in the following table:

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2015 and 2014**

**7. Pension Plans - (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Markets	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds / Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%
	<u>100.00%</u>	

*Discount rate*

The discount rate used to measure the total pension liability was 5.39% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate*

The following presents the Authority's proportionate share of the net pension liability as of June 30, 2014 calculated using the discount rate as disclosed above as well as what the Authority's proportionate share of

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2015 and 2014**

**7. Pension Plans - (Continued)**

the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	<b>At 1% Decrease (4.39%)</b>	<b>At Current Discount Rate (5.39%)</b>	<b>At 1% Increase (6.39%)</b>
Authority's proportionate share of the net pension liability	\$ 8,376,187	\$ 6,658,156	\$ 5,215,447

*Pension Plan Fiduciary Net Position*

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

*Additional Information*

Collective balances at June 30, 2014 are as follows:

Collective deferred outflows of resources	\$ 1,452,705,538
Collective deferred inflows of resources	\$ 2,146,719,012
Collective net pension liability - Local Group	\$ 18,722,735,003
Authority's Proportion	0.0355618788%

Collective pension expense for the Local Group for the measurement period ended June 30, 2014 is \$968,532,408.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2013 (the beginning of the measurement period ended June 30, 2014) is 8.5 years.

**8. Defined Contribution Retirement Program**

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

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2015 and 2014**

**9. Deferred Compensation**

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan which is administered by the AXA/Equitable, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

**10. Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

**Property and Liability Insurance:**

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

**New Jersey Unemployment Compensation Insurance:**

The Authority has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Authority is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Authority is billed quarterly for amounts due to the State. There are sufficient funds maintained in the separate unemployment compensation account to pay current billings.

**11. Contingent Liabilities**

**Grant Programs:**

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

**Litigation:**

The Authority's attorney has indicated the Authority is not involved in any litigation.

**12. Restrictions on Net Position**

Certain portions of net position have been restricted. Restrictions include net position restricted for dredging project, \$190,000, and net position restricted for renewal and replacement, \$1,500,000.

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



Two Rivers Water Reclamation Authority  
 Schedule of the Authority's Proportionate Share of the Net Pension Liability  
 Public Employee's Retirement System

Last Ten Fiscal Years\*

	Year Ended June 30, 2015
Authority's proportion of the net pension liability (asset) - Local Group	0.0355618788%
Authority's proportionate share of the net pension liability (asset)	\$ 6,658,156
Authority's covered-employee payroll	\$ 2,418,582
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	275.29%
Plan fiduciary net position as a percentage of the total pension liability - Local Group	52.08%

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

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

Two Rivers Water Reclamation Authority  
 Schedule of Authority Contributions  
 Public Employee's Retirement System

Last Ten Fiscal Years\*

	Year Ended June 30, 2015
Contractually required contribution	\$ 315,702
Contributions in relation to the contractually required contribution	(315,702)
Contribution deficiency (excess)	\$ -
Authority's covered-employee payroll	\$ 2,418,582
Contributions as a percentage of covered-employee payroll	13.05%

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

TWO RIVERS WATER RECLAMATION AUTHORITY

Notes to Required Supplementary Information

Year ended October 31, 2015

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.55% as of June 30, 2013 to 5.39% as of June 30, 2014.

**SUPPLEMENTARY INFORMATION**

TWO RIVERS WATER RECLAMATION AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN  
CASH AND CASH EQUIVALENTS - UNRESTRICTED ACCOUNTS  
YEAR ENDED OCTOBER 31, 2015

Cash and Cash Equivalents, November 1, 2014	\$	8,443,570
Cash Receipts:		
Customer Municipalities Annual Charges		6,345,745
Monmouth Park		238,453
Participating Municipalities Service Charges		5,110,978
Other Income		159,468
Interest Income		858
Connection Fees		319,583
Transfers from Restricted Accounts		367,808
Federal Emergency Management Agency		<u>322,994</u>
Total Cash Available		<u>21,309,457</u>
Cash Disbursements:		
Vendors and Payroll		7,342,075
Transfers to Restricted Accounts		<u>3,311,911</u>
Total Cash Disbursements		<u>10,653,986</u>
Cash and Cash Equivalents, October 31, 2015	\$	<u><u>10,655,471</u></u>

TWO RIVERS WATER RECLAMATION AUTHORITY  
 COUNTY OF MONMOUTH, NEW JERSEY  
 SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN  
 CASH AND CASH EQUIVALENTS AND INVESTMENTS - RESTRICTED ACCOUNTS  
 YEAR ENDED OCTOBER 31, 2015

	Accounts Required by Revenue Bond Agreement						Other Accounts		Total
	Bond Service	Bond Reserve	Renewal and Replacement	General	Construction	Unemployment Reserve	Escrow Deposits		
Cash and Cash Equivalents and Investments, November 1, 2014	\$ 179,016	\$ 3	\$ 748,975	\$ 12,727,077	\$ 218,201	\$ 98,418	\$ 160,540	\$ 14,132,230	
Cash Receipts:									
Interest on Investments	17		75	52,780	23		222	53,117	
Sewer Connections					43,064			43,064	
Transfers from Unrestricted Funds			1,025					1,025	
Transfers from Restricted Funds	3,311,911							3,311,911	
Total Cash and Investments Available	3,490,944	3	750,075	12,779,857	261,288	98,418	160,762	17,541,347	
Cash Disbursements:									
Payment of Bond Interest	565,144							565,144	
Payment of Bond Principal	2,845,602							2,845,602	
Transfers to Unrestricted Funds				367,808				367,808	
Transfers to Restricted Funds				3,311,911				3,311,911	
NJEIT - Administrative Fee	80,145							80,145	
Developers' Escrow Payments							40,480	40,480	
Total Cash Disbursements	3,490,891			3,679,719			40,480	7,211,090	
Cash and Cash Equivalents and Investments, October 31, 2015	\$ 53	\$ 3	\$ 750,075	\$ 9,100,138	\$ 261,288	\$ 98,418	\$ 120,282	\$ 10,330,257	
Balance Comprised of:									
Cash and Cash Equivalents	\$ 53	\$ 3	\$ 750,075	\$ 5,143,643	\$ 261,288	\$ 98,418	\$ 120,282	\$ 6,373,762	
Investments				3,956,495				3,956,495	
	\$ 53	\$ 3	\$ 750,075	\$ 9,100,138	\$ 261,288	\$ 98,418	\$ 120,282	\$ 10,330,257	

TWO RIVERS WATER RECLAMATION AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET  
YEARS ENDED OCTOBER 31, 2015 AND 2014

	October 31, 2015			October 31, 2014		
	Adopted Budget	Final Budget	Realized	Final Budget	Realized	Variance Final to Actual
<b>Revenues</b>						
Revenue from Customer Municipalities and Government Facilities:						
Eatontown	\$ 7,144,801	\$ 7,144,801	\$ 1,867,133	\$ 7,126,360	\$ 1,859,816	\$
Tinton Falls			1,172,452		1,186,208	
Red Bank			1,447,517		1,545,024	
Rumson			1,603,953		1,671,195	
Sea Bright			382,476		375,084	
Township of Shrewsbury			165,150		182,422	
Fort Monmouth			509,639		604,903	
Monmouth Park					219,384	
	<u>7,144,801</u>	<u>7,144,801</u>	<u>7,148,320</u>	<u>7,126,360</u>	<u>7,644,016</u>	<u>517,656</u>
Service Charges:						
Individual Billings Member Towns	<u>5,805,520</u>	<u>5,805,520</u>	<u>5,823,915</u>	<u>5,661,360</u>	<u>5,773,366</u>	<u>112,006</u>
Interest on Investments	<u>45,000</u>	<u>45,000</u>	<u>60,624</u>	<u>25,000</u>	<u>46,334</u>	<u>21,334</u>
Other Fees:						
Connection Charges	<u>351,350</u>	<u>351,350</u>	<u>319,583</u>	<u>340,550</u>	<u>399,295</u>	<u>58,745</u>
Miscellaneous Income	<u>20,000</u>	<u>20,000</u>	<u>382,345</u>	<u>20,000</u>	<u>734,122</u>	<u>714,122</u>
	<u>371,350</u>	<u>371,350</u>	<u>701,928</u>	<u>360,550</u>	<u>1,133,417</u>	<u>772,867</u>
<b>Total Revenues</b>	<u>\$ 13,366,671</u>	<u>\$ 13,366,671</u>	<u>\$ 13,734,787</u>	<u>\$ 13,173,270</u>	<u>\$ 14,597,133</u>	<u>\$ 1,423,863</u>

TWO RIVERS WATER RECLAMATION AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET  
YEARS ENDED OCTOBER 31, 2015 AND 2014

	October 31, 2015			October 31, 2014			Variance Final to Actual
	Adopted Budget	Final Budget	Realized	Final Budget	Realized	Final to Actual	
<b>Expenditures</b>							
Administrative and General Expenditures:							
Administrative Salaries and Wages	\$ 560,000	\$ 560,000	\$ 496,669	\$ 581,342	\$ 518,750	\$ 62,592	
Employee Benefits	306,600	306,600	136,706	231,714	187,541	44,173	
FICA and Medicare	47,000	47,000	33,969	41,983	30,441	11,542	
Employee Medical Related	500	500	1,611	497	1,710	(1,213)	
Pension PERS	340,000	340,000	234,632	290,000	295,253	(5,253)	
Billing Expenses:							
Computer Service	8,000	8,000	19,068	7,901	25,489	(17,588)	
Billing Postage	14,000	14,000	21,786	20,000	10,708	9,292	
Bank Fees	12,000	12,000	11,762	11,674	9,866	1,808	
Office Expenses:							
Other Postage	2,000	2,000	2,621	3,624	1,998	1,626	
Stationery and Supplies	14,000	14,000	18,363	13,260	25,312	(12,052)	
Equipment Rental and Supplies	17,000	17,000	10,998	16,797	29,878	(13,081)	
Printing	10,000	10,000	2,984	13,000	7,706	5,294	
Equipment Service Contracts	20,000	20,000	4,241	20,000	31,555	(11,555)	
Telephone	14,000	14,000	13,721	14,000	13,959	41	
General Expenses:							
Conferences and Training	2,000	2,000	1,724	4,700	9,253	(4,553)	
Commissioners Conference	2,000	2,000	330	2,500	2,500	500	
Travel Expenses	700	700	5,676	250	4,194	(3,944)	
Auto and Fire Liability Business Insurance	224,000	224,000	141,081	215,000	134,336	80,664	
Worker's Compensation Insurance	180,000	180,000	96,113	178,701	95,328	83,373	
Advertising Fees	17,000	17,000	5,489	17,500	19,286	(1,786)	
NJ/EIT Administration & Agent Fees	81,000	81,000	80,145	81,000	80,145	855	
Dues and Membership	8,000	8,000	14,030	6,000	8,921	(2,921)	
Subscriptions	2,000	2,000	1,778	1,800	1,151	649	
Gift Baskets	300	300	447	300	1,146	(846)	
Meeting Expenses	6,000	6,000	1,418	7,713	3,895	3,728	
Leases of R.R. Property	110	110	109	108	108		
Long Branch Sewerage Authority	3,432	3,432	3,432	3,432	3,432		
Professional Expenses:							
Legal Fees	200,000	200,000	179,823	175,000	154,953	20,047	
Engineering Fees	150,000	150,000	172,124	80,000	221,359	(131,359)	
Trustee Fees					3,400	(3,400)	
Auditors Fees	37,000	37,000	43,440	35,000	28,000	7,000	



TWO RIVERS WATER RECLAMATION AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET  
YEARS ENDED OCTOBER 31, 2015 AND 2014

	October 31, 2015		October 31, 2014		Variance Final to Actual
	Adopted Budget	Final Budget	Realized	Final Budget	
<b>Expenditures (Continued)</b>					
Administrative and General Expenditures (Continued):					
Professional Expenses (Continued):					
Legal Litigation Expense	\$ 36,000	\$ 36,000	\$ 509	\$ (509)	
Investment Management Fees	500	500	392	108	
Pre-Employment Physical Fees					
	\$ 36,000	\$ 36,000	\$ 509	\$ (509)	
	500	500	392	108	
	2,315,142	2,315,142	1,795,191	519,951	
Total Administrative and General Expenditures	2,315,142	2,315,142	1,795,191	519,951	125,847
Treatment Plant and Main Pumping Expenditures:					
Plant Salaries and Wages	2,260,000	2,260,000	2,163,966	96,034	53,459
Employee Benefits	534,600	534,600	656,366	(121,766)	(53,548)
FICA and Medicare	168,300	168,300	162,753	5,547	6,856
Other Treatment Plant Expenditures:					
Conferences and Training	12,000	12,000	23,828	(11,828)	(3,402)
Electricity	850,000	850,000	712,120	137,880	249,241
Fuel - Diesel	80,000	80,000	64,139	15,861	6,670
Natural Gas	100,000	100,000	65,745	34,255	(27,761)
Sodium Hypochlorite	100,000	100,000	69,414	30,586	29,811
Polymer	100,000	100,000	92,759	7,241	32,283
Hydrogen Peroxide	80,000	80,000	21,346	58,654	47,073
Non Bulk Chemicals	1,000	1,000	7,395	(6,395)	1,000
Fuel - Unleaded	35,000	35,000	13,868	21,132	34,740
Truck Maintenance	60,000	60,000	88,412	(28,412)	(1,740)
DEP and EPA Permits	49,000	49,000	60,553	(11,553)	(33,906)
Calibration Services	5,000	5,000	29,288	(24,288)	(3,884)
Water	100,000	100,000	123,355	(23,355)	2,712
Stationery Supplies			1,075	(1,075)	(56,844)
Maintenance Supplies	60,000	60,000	93,880	(33,880)	(1,378)
Equipment Service Contracts	50,000	50,000	64,730	(14,730)	(69,650)
Equipment Repair	100,000	100,000	121,548	(21,548)	(21,182)
					(96,223)

TWO RIVERS WATER RECLAMATION AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET  
YEARS ENDED OCTOBER 31, 2015 AND 2014

	October 31, 2015			October 31, 2014		
	Adopted Budget	Final Budget	Variance Final to Actual	Realized	Final Budget	Variance Final to Actual
<u>Expenditures (Continued)</u>						
Treatment Plant and Main Pumping Expenses (Continued):						
Other Treatment Plant Expenses (Continued):	\$	\$	\$	\$	\$	\$
Uniforms and Gloves	50,000	50,000	(40,194)	90,194	30,000	(1,627)
Equipment Replacement	850,000	850,000	80,107	769,893	900,000	(36,329)
Sludge Removal	20,000	20,000	15,462	15,462	21,000	200,276
Ash, Grit and Screenings	32,500	32,500	27,284	27,284	32,500	8,634
Laboratory Supplies	17,500	17,500	24,844	24,844	17,500	6,334
Outside Lab Fees	30,000	30,000	(1,649)	31,649	30,000	(3,116)
Municipal Services	10,000	10,000	(2,367)	12,367	10,000	(1,212)
Janitorial Supplies	50,000	50,000	(7,142)	57,142	37,500	(69)
Building and Ground Maintenance			107	107		(96,470)
Travel Expenses						13
Contingency	10,000	10,000	10,000	3,718	10,000	9,159
Plant Renewal and Replacement						(8,354)
New Equipment	50,000	50,000	(282,879)	332,879	20,000	(54,566)
Hurricane Damage			(126,660)	126,660		(947,236)
<b>Total Treatment Plant and Main Pumping Expenditures</b>	<b>5,877,400</b>	<b>5,877,400</b>	<b>(285,446)</b>	<b>6,142,846</b>	<b>5,871,000</b>	<b>(664,902)</b>
Lines and System Pumping Station:						
Line Salaries and Wages	275,000	275,000	86,383	188,617	506,000	229,894
Employee Benefits	118,800	118,800	39,932	78,868	120,000	12,127
FICA and Medicare	29,700	29,700	15,645	14,055	30,000	(508)
Other Lines Expenses:						
Travel Expenses			(29)	29		(18)
Stationery and Supplies			(12)	12		(169)
Conferences and Training	2,500	2,500	1,840	660	2,500	709
Electricity	100,000	100,000	(1,631)	101,631	110,000	2,087
Fuel - Unleaded Gasoline	15,000	15,000	5,083	9,917	16,500	16,500
Equipment Service Contracts	5,000	5,000	5,000		4,500	(375)
Truck Maintenance	10,000	10,000	4,617	5,383	12,500	6,051
Natural Gas	20,000	20,000	3,734	16,266	20,000	4,167
Hydrogen Peroxide	100,000	100,000	28,023	71,977	100,000	20,190
Nitrate Oxygen	30,000	30,000	(1,972)	31,972	35,000	8,419
Maintenance and Supplies	35,000	35,000	10,655	24,345	20,000	(25,255)
Uniforms and Gloves	3,500	3,500	2,288	1,212	3,400	87

TWO RIVERS WATER RECLAMATION AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET  
YEARS ENDED OCTOBER 31, 2015 AND 2014

	October 31, 2015			October 31, 2014		
	Adopted Budget	Final Budget	Variance Final to Actual	Realized	Final Budget	Variance Final to Actual
<u>Expenditures (Continued)</u>						
Lines and System Pumping Station (Continued):						
Other Lines Expenses (Continued):						
Buildings and Grounds Maintenance	\$ 20,000	\$ 20,000	\$ 19,409	\$ 591	\$ 20,000	\$ 14,326
Chemicals	2,500	2,500	2,303	197	5,000	4,684
Bioxide 71	75,000	75,000	(54,479)	129,479	100,000	76,098
Maintenance of Lines	200,000	200,000	(111,390)	311,390	200,000	244,356
Water	2,500	2,500	253	2,247	2,500	2,023
Diesel Fuel	8,000	8,000	7,223	777	8,000	8,000
Meter Calibration	15,000	15,000	9,391	5,609	14,500	11,393
Communications Equipment	2,000	2,000	463	1,537	2,500	933
Equipment Repair	50,000	50,000	(24,007)	74,007	30,000	80,735
Equipment Replacement	50,000	50,000	(71,977)	121,977	30,000	28,706
Contingency	10,000	10,000	(58,821)	68,821	10,000	28,324
New Equipment	25,000	25,000	(19,013)	44,013	5,000	8,867
Total Lines and System Pumping Station Expenditures	1,204,500	1,204,500	(103,195)	1,307,695	1,407,900	200,961
Total Operating Expenditures	9,397,042	9,397,042	151,310	9,245,732	9,200,380	9,738,474
Other Costs Funded by Revenues:						
Bond Principal	2,936,564	2,936,564	90,962	2,845,602	2,857,101	2,770,624
Interest on Bonds	453,064	453,064	(79,106)	532,250	535,791	631,176
Renewal and Replacement	580,000	580,000	(558,069)	1,138,069	580,000	577,840
Total Other Costs Funded by Revenues	3,969,628	3,969,628	(546,293)	4,515,921	3,972,892	3,979,640
Grand Totals	\$ 13,366,670	\$ 13,366,670	\$ (394,983)	\$ 13,761,653	\$ 13,173,272	\$ 13,718,114
						\$ (544,842)

TWO RIVERS WATER RECLAMATION AUTHORITY  
 COUNTY OF MONMOUTH, NEW JERSEY  
 SCHEDULE OF LONG-TERM REVENUE BONDS PAYABLE  
 YEAR ENDED OCTOBER 31, 2015

Purpose	Date of Issue	Maturities		Interest Rate	Balance October 31, 2014	Paid	Balance October 31, 2015
		Date	Amount				
\$26,715,000 (Series 2000 NJEIT) Trust Loan - To provide funds for the Treatment Plant Expansion and Upgrade Project and costs of issuance.	11/9/2000	8/1/2016	\$ 1,693,489	5.13%	\$ 10,990,760	\$ 1,609,038	\$ 9,381,722
		8/1/2017	1,777,868	5.25%			
		8/1/2018	1,871,046	5.25%			
		8/1/2019	1,968,503	5.25%			
		8/1/2020	2,070,815	5.25%			
\$22,642,977 (Series 2000A NJEIT) Fund Loan - To provide funds for the Treatment Plant Expansion and Upgrade Project and costs of issuance.	11/9/2000	2/1/2016	139,164	0%	7,373,735	1,236,564	6,137,171
		8/1/2016	1,098,942	0%			
		2/1/2017	114,570	0%			
		8/1/2017	1,122,604	0%			
		2/1/2018	88,109	0%			
		8/1/2018	1,149,762	0%			
		2/1/2019	60,241	0%			
		8/1/2019	1,178,194	0%			
		2/1/2020	30,895	0%			
8/1/2020	1,154,691	0%					
<b>Grand Total</b>					<b>\$ 18,364,495</b>	<b>\$ 2,845,602</b>	<b>\$ 15,518,893</b>
Detail:							
Current portion					\$ 2,845,603		\$ 2,931,595
Long-term liability					15,518,892		12,587,298
					<b>\$ 18,364,495</b>		<b>\$ 15,518,893</b>

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**COUNTY OF MONMOUTH, NEW JERSEY**  
**ANALYSIS OF CAPITAL PROJECTS**  
**FISCAL YEAR ENDED OCTOBER 31, 2015**

<u>Asset Category</u>	<u>Project Description</u>	<u>Amount Capitalized</u>
Buildings and Building Improvements	Contract 152 - Roof Replacement	\$ 604,461
	Main Pump Repairs	<u>280,373</u>
Total Buildings and Building Improvements		<u>884,834</u>
Pump Stations	Station 13 Electrical upgrades	8,621
	Station 12 impellers	17,055
	Station 6 New Pumps	48,324
	Station 8 New Pumps	6,800
	Station 8 PS Controls	32,292
	Station 16 New pumps/rebuild	17,986
	Station 18 new pumps	11,972
	Gas detection equipment Yeomans pump	<u>26,958</u> <u>62,845</u>
Total Pump Stations		<u>232,852</u>
Vehicles	Ford Explorer	24,783
	Jet Vac Truck	283,937
	Lugger Truck	<u>122,445</u>
Total Vehicles		<u>431,165</u>
Other Equipment	BioFilter Berm	3,719
	Aeration basin membranes	4,800
	Blower 1 repair	269,154
	Belt filter press	127,651
	Biofilter wetwell railings Safety equipment	6,300 <u>15,050</u>
Total Other Equipment		<u>426,674</u>
Total		<u>\$ 1,975,525</u>
Detail:		
Transferred from prior year's Construction in Progress		\$ 280,373
Current year's acquisitions		<u>1,695,152</u>
		<u>\$ 1,975,525</u>



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

Honorable Chairman and Members  
of the Board of Commissioners  
Two Rivers Water Reclamation Authority  
Monmouth Beach, New Jersey  
County of Monmouth

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey the financial statements of the Two Rivers Water Reclamation Authority, in the County of Monmouth, New Jersey (the "Authority") as of and for the year ended October 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 29, 2016.

**Internal Control Over Financial Reporting**

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

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

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

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## Compliance and Other Matters

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

## Purpose of this Report

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

*Wiss & Company*  
WISS & COMPANY, LLP

January 29, 2016  
Iselin, New Jersey

**OTHER SUPPLEMENTARY INFORMATION**

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



TWO RIVERS WATER RECLAMATION AUTHORITY

ROSTER OF OFFICIALS

FISCAL YEAR ENDED OCTOBER 31, 2015

<u>Name</u>	<u>Title</u>	<u>Surety Bond</u>
William E. Leonard	Chairman	A, B
Thomas Barham	Vice Chairman	A, B
Barry J. Berdahl, Ph. D	Treasurer	A, B
William R. Baarck, P.E.	Secretary	A
Richard N. Tocci	Assistant Treasurer	A
Arno H. Weber	Assistant Secretary	A
John Bonforte	Member	A
Gregory J. Christopher	Member	A
Scott Hartman	Member	A
Robert Proto	Member	A
Brian McPeak	Member	A
William Nolze	Member	A
Michael A. Gianforte, P.E.	Executive Director	A, B, C
Birdsall and Laughlin, LLC	Attorney	
Paulus, Sokolowski & Sartor, LLC	Engineer	

Surety Coverages:

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

TWO RIVERS WATER RECLAMATION AUTHORITY

INSURANCE COVERAGE

FISCAL YEAR ENDED OCTOBER 31, 2015

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

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

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

**OTHER SUPPLEMENTARY INFORMATION**  
**GENERAL COMMENTS AND RECOMMENDATIONS**

**GENERAL COMMENTS**  
**OCTOBER 31, 2015**

Cash Balances

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

Contracts and Agreements Requiring Advertisement for Bids

The Commissioners and Executive Director of the Two Rivers Water Reclamation Authority have the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

Under *N.J.S.A. 40A:11-9(b)* the Authority appointed their Executive Director as their Qualified Purchasing Agent. Accordingly, the 2015 bid threshold was \$36,000.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the result of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed.

The results of our examination indicated that no individual payments, contracts, or agreements were made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of *N.J.S.A. 40A: 11-2*.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per *N.J.S.A. 40A: 11-5*.

Delinquent Sewer Charges

A detail of all unpaid sewer charges including customer municipality billings outstanding and amounts due from the participant municipality users is in agreement with an abstract taken from these records as at October 31, 2015 covering all unpaid charges on that date.

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

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

Collection of Interest on Delinquent Sewer Charges

The statutes provide the method for authorizing interest and maximum rates to be charged for nonpayment of sewer charges on or before the date when they would become delinquent. The Authority approved a resolution establishing an interest rate of 1½% per month for delinquent members' charges. The resolution was complied with.

Interest Requirements

The Authority paid all required interest on its revenue bonds during the period under audit.

Revenues

The Authority's operating revenues from participant billings and customer billings, and non-operating revenues including connection fees and other authorized revenues were adequate in providing sufficient revenues to cover operating, maintenance and debt service costs for the fiscal year, in accordance with the requirements of the Bond Resolution.

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

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

Expenditures

In accordance with the Bond Resolution, Section 610, the Authority adopted annual operating budgets for the fiscal years ending October 31, 2015 and 2014.

Vouchers were examined on a test basis.

An test was made of the employees' compensation and payroll deductions for the year ended October 31, 2015 and for those employees tested, no exceptions were noted except as follows:

**Finding:**

**Condition:** Employees' payroll deductions for health insurance deductions were withheld in incorrect amounts.

**Criteria:** Chapter 78, P.L. 2011.

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

Expenditures – (Continued)

**Cause:** The Authority misinterpreted the statutory requirement of withholding the greater of the amount prescribed per the State's health benefits contribution chart or 1.5%.

**Authority Response:** The Authority estimates the value of this difference as being immaterial and is now clear on the statutory requirements.

**Recommendation:** That payroll deductions for employees' contributions for health insurance be compliant with the requirements of Chapter 78, P.L. 2011.

Other Comments

**Finding:**

**Condition:** The Authority proposed numerous adjusting entries after it had closed its records at October 31, 2015.

**Criteria:** Authority's control process and procedures.

**Cause:** Lack of detailed review of closed balances prior to submission for audit.

**Authority Response:** The Authority has taken steps toward ensuring that its financial statement close process and procedures are strictly adhered to

**Recommendation:** That the financial statement close process and procedures be strictly adhered to.

Exit Conference

An exit audit conference with the Authority was held.

Acknowledgment

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

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

Follow-up Prior Year's Recommendations

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year recommendations including findings. A corrective action plan must be designed and implemented to insure that procedures are corrected or implemented. A corrective action plan was adopted for 2014 audit recommendations. 2014 recommendations reflected below that are repeated from the prior year are marked with an asterisk.

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

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

**RECOMMENDATIONS**

It is recommended that:

\*2015-1 Payroll deductions for employees' contributions for health insurance be compliant with the requirements of Chapter 78, P.L. 2011.

2015-2 The Authority's financial statement close procedures be strictly adhered to.

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