TOWNSHIP OF OCEAN SEWERAGE AUTHORITY

COUNTY OF MONMOUTH, NEW JERSEY

COMPONENT UNIT

REPORT OF AUDIT

YEARS ENDED NOVEMBER 30, 2009 AND 2008

Prepared by:
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TOWNSHIP OF OCEAN SEWERAGE AUTHORITY

COMPONENT UNIT

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the
Township of Ocean Sewerage Authority
Township of Ocean
County of Monmouth, New Jersey

We have audited the accompanying financial statements of the Township of Ocean Sewerage Authority, County of Monmouth, State of New Jersey (the "Authority"), as of and for the years ended November 30, 2009 and 2008, as listed in the table of contents, which collectively comprise the Authority's financial statements. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of November 30, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2010 on our consideration of the Authority's internal control over financial reporting and 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 our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Member American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements. The information included in the supplementary schedules is presented for purposes of additional analysis and is not a required part of the financial statements, but is presented as additional analytical data as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

David A. Kaplan
Certified Public Accountant
Registered Municipal Accountant #433

DAK CPA

DAK CPA, Certified Public Accountants

Long Branch, New Jersey
January 25, 2010

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's analysis of the Authority's financial condition and activities of the Authority for the year.

This information should be read in conjunction with the financial statements.

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 Assets, the Comparative Statement of Revenues, Expenses and Changes in Net Assets, and the Comparative Statement of Cash Flows is prepared on an accrual basis and is in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of state and local governments. These statements are the official financial statements of the Township of Ocean Sewerage Authority.

After the first set of statements and the "Notes to the Financial Statements" that follow is the second set of statements. These statements are considered "Supplemental 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. The annual budget records all encumbrances as charges against the adopted appropriation even if the items or services have not been received.

Contained in the supplemental information are statements that report the Schedule of Operating Revenues and Expenditures Funded by Revenues Compared to Budget. This statement compares the "Budget" revenues and expenses to "Actual" revenues and expenses. This includes operating revenues and expenses, non-operating revenues and non-operating 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 Debt Service expense is reported.

The Budget to Actual statement is a very important statement 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 statements incorporated within the annual audit report are the Schedules of Cash Receipts, Cash Disbursements and Changes in Cash and Cash Equivalents – Restricted and Unrestricted, the Schedule of Revenue Serial Bonds Payable and the Analysis of Service Charges Receivable.

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

Financial Condition

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

Comparative Statement of Net Assets

The Authority's Total Assets decreased $1,566,291. Total liabilities decreased $2,447,780. Assets exceeded liabilities by $17,200,225. This compares to 2008 where assets exceeded liabilities by $16,318,736.

The Authority's Net Assets of $17,200,225 are comprised of the following:

1. Invested in Capital Assets, Net of Related Debt of $13,452,151 include property plant and equipment, net of accumulated depreciation, and net of unspent proceeds of long-term debt related to the purchase or construction of capital assets.

Capital Assets - Net	$	32,103,447
Less:		
Bonds Payable - Current		(2,782,215)
Bonds Payable - Long Term		(20,540,119)
Add:		
Due from NJ EIT		4,008,435
Unexpended Bond Proceeds		154,732
Unamortized Bond Issue Costs		507,869
	$	13,452,151

Invested in Capital Assets, Net of Related Debt increased $1,971,371.

2. Net Assets of $500,000 reserved for the purpose of Renewal and Replacement of "the System", which is determined each year by an independent consulting engineer.

3. Net assets of $909,881 restricted for the purpose of providing a Debt Service Reserve Fund, in accordance with the Authority's debt covenants, which remains unchanged from the prior years amount.

4. Net assets of $267,000 reserved for future rate stabilization, all of which has been utilized in 2010.

5. Net assets of $945,602 reserved for the working capital requirement as stipulated in the Bond Resolution, equal to one quarter of the subsequent year's operating budget.

6. Unreserved net assets of $1,125,590 represents the portion available to maintain the Authority's continuing obligations to the contractual customers of its service area, its creditors and current liabilities. This amount decreased by $235,846 from 2008.

Comparative Statement of Net Assets

	Fiscal Years Ended November 30,		
	2009	2008	2007
Total Current Assets	$ 2,801,080	$ 3,505,815	$ 3,985,062
Total Restricted Assets	7,352,207	8,356,059	9,313,446
Capital Assets, Net	32,103,447	31,911,751	31,799,990
Deferred Costs	507,869	557,272	614,676
Total Assets	$ 42,764,603	$ 44,330,897	$ 45,713,174
Total Current Liabilities Payable from Unrestricted Assets	$ 852,270	$ 769,351	$ 755,891
Total Current Liabilities Payable from Restricted Assets	3,156,619	3,152,318	2,880,090
Accrued Noncurrent Employee Benefits	594,379	409,095	
Compensated Absences Payable	64,697	59,164	97,615
Non Current Obligations, Net	20,896,415	23,622,233	26,314,010
Total Liabilities	$ 25,564,380	$ 28,012,161	$ 30,047,606
Net Assets	$ 17,200,223	$ 16,318,735	$ 15,665,568

Total Current Assets decreased because cash and cash equivalents have decreased, in part due to the utilization of the Reserve for Rate Stabilization.

Total Restricted Assets have decreased because of the amounts collected from the 2007 New Jersey Environmental Infrastructure Trust Loan.

Capital Assets, Net have increased because assets capitalized exceeded depreciation expense.

Total Current Liabilities Payable from Unrestricted Assets have increased slightly.

Total Current Liabilities Payable from Restricted Assets have increased slightly.

Long-Term Liabilities decreased because of the repayment of scheduled revenue bond principal.

Total Net Assets have increased as a result of the reported positive change in Net Assets for the 2009 fiscal year.

Comparative Statement of Revenues, Expenses and Changes in Net Assets

	Fiscal Years Ended November 30,		
	2009	2008	2007
Total Operating Revenues	$ 6,197,383	$ 6,237,781	$ 5,705,713
Operating Expenses	3,714,833	3,991,823	3,429,627
Depreciation	803,920	816,010	782,001
Total Operating Expenses	4,518,753	4,807,833	4,211,628
Operating Income	1,678,630	1,429,948	1,494,085
Non-Operating Revenues/ (Expenses) - Net	(797,141)	(776,781)	(606,023)
Change in Net Assets	881,489	653,167	888,062
Net Assets, Beginning	16,318,736	15,665,568	14,777,506
Net Assets, Ending	$ 17,200,225	$ 16,318,736	$ 15,665,568

Total Operating Revenues decreased from the prior year. Revenues from user charges fell by $64,299 or 1%.

Operating Income increased by $248,682 from the prior year.

Operating Expenses decreased by $289,080. The most significant change was due to the expense created by the other post employment benefit accrual.

Total Net Assets as of November 30, 2009, increased $881,489, from $16,318,736 to $17,200,225.

Statement of Cash Flows

Cash and Cash Equivalents decreased by $768,615. This compares to a net decrease of $513,553 in 2008. Both years decreases can be attributed to use of Rate Stabilization Reserves.

Core Competencies

The Authority provides wastewater conveyance and treatment services under contracts with four customer municipalities and for the Township of Ocean.

The System consists of a wastewater treatment plant, a wastewater collection system of approximately 146 miles of gravity interceptor and force mains, eleven (11) 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 6.4 acres located on Roosevelt Avenue in Oakhurst, NJ.

The treatment plant has a capacity of 7.5 million gallons per day. The Authority is presently upgrading its treatment plant which is designed to serve the treatment needs of the service area based on current zoning ordinances.

The Township of Ocean Sewerage 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 Roosevelt Avenue for treatment and discharge.

The User Charges billed to the Township of Ocean residents is the major source of revenue for the Authority in addition to the bulk discounted customer town charges paid by the four customer municipalities. This is collectively shown on the Comparative Statement of Revenues, Expenses and Changes in Net Assets as "User Charges" and reported as Operating Revenues. Initial service charge or connection fee revenue was significant this year and was slightly more than last year's realized amount.

Accountability

The Township of Ocean Sewerage Authority's mission statement is:

The Chairman's Statement:

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

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

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

The Township of Ocean Sewerage Authority, a component unit of the Township of Ocean, is accountable to the governing body of the Township as well as the Township of Ocean Sewerage Authority members.

Governing Body

The governing body of the Township of Ocean Sewerage Authority consists of a seven-member board that is comprised of five permanent members and two alternate members appointed for five-year terms by the Township of Ocean.

The Authority Board Members at November 30, 2009 were:

Andrew G. DeSarno, Chairman
John Villapiano, Vice Chairman
James A. Vacchiano, Secretary/Treasurer
Dennis Galvin, Member
Chris Kelly, Member

At year end, there were two vacancies on the Authority's Board, both of which were alternate members vacancies.

Management of the Authority

The Executive Director of the Township of Ocean Sewerage Authority, William Schmeling, manages the daily operations of the Authority. He oversees a staff of 18, an annual operating budget of $3.7 million and a treatment plant renovation project under construction. Senior staff is charged with the management of the operations and financial affairs of the Authority. Material modifications to the 2009 budget were made after adoption to provide adequate budgetary resources for various expense line items.

The Executive Director and senior staff are as follows:

William Schmeling, Executive Director
Myriam Condello, Office Manager/Purchasing Agent
Thomas G. Meholic, Plant Superintendent

Funding of Infrastructure and Debt Management

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

Borrowings from the New Jersey Environmental Infrastructure Trust ("NJEIT")
Funding Incrementally or Annually from Annual Operating Budget

Refunding of existing public debt is routinely reviewed, analyzed and recommended when appropriate. The NJEIT has refinanced both the 2001 and 2004 bonds, reducing interest costs to the Authority.

Financing for the 2010 capital improvements project through the NJEIT has been completed.

Auditors

The Authority Auditor is David A. Kaplan, CPA of DAK CPA, Certified Public Accountants.

Prior audits can be obtained by contacting the Township of Ocean Sewerage Authority.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
COMPARATIVE STATEMENT OF NET ASSETS
NOVEMBER 30, 2009 AND 2008

	November 30, 2009	November 30, 2008
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 2,343,789	$ 3,110,608
Petty Cash and Change Funds	350	350
	2,344,139	3,110,958
Customer Accounts Receivable	407,065	348,878
Prepaid Expenses	22,677	20,485
Inventory	27,199	25,494
Total Current Assets	2,801,080	3,505,815
Restricted Assets:		
Developer Deposits:		
Cash and Cash Equivalents	58,812	70,988
Debt Service Account:		
Cash and Cash Equivalents	2,172,872	2,148,348
Debt Service Reserve Account:		
Cash and Cash Equivalents	957,356	983,276
Construction Account:		
Cash and Cash Equivalents	154,732	142,956
Due from NJ Environmental Infrastructure Trust	4,008,435	5,010,490
Total Restricted Assets	7,352,207	8,356,058
Noncurrent Assets:		
Capital Assets:		
Non-Depreciable	2,524,382	1,582,948
Depreciable - Net	29,579,065	30,328,803
Total Noncurrent Assets	32,103,447	31,911,751
Other Assets:		
Deferred Charges:		
Unamortized Debt Issue Costs	507,869	557,272
Total Assets	$ 42,764,605	$ 44,330,896

See Notes to Financial Statements.

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
COMPARATIVE STATEMENT OF NET ASSETS
NOVEMBER 30, 2009 AND 2008

	November 30, 2009	November 30, 2008
LIABILITIES		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	$ 258,324	$ 213,180
Accrued Expenses	44,853	27,500
Customer Overpayments	44,768	7,071
Payroll Taxes Payable		10,150
Deferred Revenue	504,325	511,450
Total Current Liabilities Payable from Current Assets	852,270	769,351
Current Liabilities Payable from Restricted Assets:		
Reserve for Developer's Escrow Deposits	50,871	62,377
Accrued Interest on Revenue Bonds Payable	282,064	330,841
Accounts Payable	41,468	6,234
Revenue Bonds Payable - Current Portion	2,782,215	2,752,866
Total Current Liabilities Payable from Restricted Assets	3,156,619	3,152,318
Non-Current Liabilities:		
Long-Term Revenue Bonds Payable	20,540,119	23,242,337
Less: Unamortized Loss on Defeasance	106,838	137,363
Less: Unamortized Bond Discounts/(Premium)	(463,134)	(517,258)
	20,896,415	23,622,232
Accrued Noncurrent Employee Benefits	594,379	409,095
Compensated Absences Payable	64,697	59,164
Total Non-Current Liabilities	21,555,491	24,090,491
Total Liabilities	$ 25,564,380	$ 28,012,160

See Notes to Financial Statements.

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
COMPARATIVE STATEMENT OF NET ASSETS
NOVEMBER 30, 2009 AND 2008

	November 30, 2009	November 30, 2008
NET ASSETS		
Reserved for:		
Rate Stabilization	$ 267,000	$ 813,139
Future Debt Service	909,881	909,881
Renewal and Replacement	500,000	750,000
Working Capital	945,602	913,500
Invested in Capital Assets, Net of Related Debt	13,452,151	11,570,780
Unreserved Net Assets	1,125,590	1,361,436
Total Net Assets	$ 17,200,225	$ 16,318,736

See Notes to Financial Statements.

Exhibit B

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2009 AND 2008

	November 30, 2009		November 30, 2008	
Operating Revenues:				
User Charges	$ 6,043,311		$ 6,107,610	
Initial Service Charges	154,072		130,171	
Total Operating Revenues		6,197,383		6,237,781
Operating Expenses:				
Cost of Providing Services	2,464,110		2,461,768	
Administration and General	1,250,723		1,530,055	
Depreciation	803,920		816,010	
Total Operating Expenses		4,518,753		4,807,833
Operating Income		1,678,630		1,429,948
Non-Operating Revenues/(Expenses):				
Amortization of Debt Issue Costs	(57,404)		(57,404)	
Interest Expense	(743,952)		(817,912)	
Major Repairs and Costs	(85,611)		(71,218)	
Interest on Investments	24,055		131,067	
Miscellaneous Income/(Expenses)	65,771		38,687	
Total Non-Operating Revenues/(Expenses)		(797,142)		(776,780)
Change in Net Assets		881,489		653,168
Net Assets, Beginning of Year		16,318,736		15,665,568
Net Assets, End of Year		$ 17,200,225		$ 16,318,736

See Notes to Financial Statements.

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2009 AND 2008

	November 30, 2009	November 30, 2008
Cash Flows from Operating Activities:		
Change in Net Assets	$ 881,489	$ 653,168
Adjustments to Reconcile Net Income to Net Cash Provided by/(Used in) Operating Activities:		
Depreciation	803,920	816,010
Amortization of Debt Issue Costs	57,404	57,403
Amortization of Loss on Defeasance	30,524	30,525
Amortization of Bond Discount/(Premium)	(54,124)	(54,080)
Changes in Assets and Liabilities:		
Unrestricted Accounts	(62,084)	(34,630)
Restricted Accounts	1,002,055	957,711
Increase/(Decrease) in Current Liabilities:		
Payable from Unrestricted Assets	82,919	13,460
Payable from Restricted Assets	4,301	272,228
(Decrease) Increase in Other Liabilities	190,816	370,644
Total Adjustments to Change in Net Assets	2,055,731	2,429,272
Net Cash Provided by/(Used In) Operating Activities	2,937,220	3,082,440
Cash Flows from Capital and Related Financing Activities:		
Net Increase in Property, Plant and Equipment	(995,617)	(927,770)
Costs of Issuance - 2009 NJEIT Bonds	(8,000)	
Net (Decrease)/Increase in Long-Term Bonds Payable	(2,702,218)	(2,668,223)
Net Cash (Used in)/ Provided by Capital and Related Financing Activities	(3,705,835)	(3,595,993)
Net (Decrease)/Increase in Cash and Cash Equivalents	(768,615)	(513,553)
Cash and Cash Equivalents at Beginning of Year	6,456,526	6,970,079
Cash and Cash Equivalents at End of Year	$ 5,687,911	$ 6,456,526
Reconciliation to Statement of Net Assets:		
Unrestricted Cash and Cash Equivalents	$ 2,344,139	$ 3,110,958
Restricted Cash and Cash Equivalents	3,343,772	3,345,568
	$ 5,687,911	$ 6,456,526

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COMPONENT UNIT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2009 AND 2008

Note 1. ORGANIZATION

The Township of Ocean Sewerage Authority (the "Authority") was created September 8, 1964, to construct and operate a wastewater collection and treatment system to service Ocean Township and adjoining Municipalities in the area. The Authority bills and collects its revenue from users of the system. The Authority has entered into service agreements with adjoining Municipalities.

As a public body, under existing statute, the Authority is exempt from federal, state and local taxes.

The Authority meets the criteria established by the Governmental Accounting Standards Board (GASB) to be deemed a component unit of the primary government unit, the Township of Ocean. This classification does not diminish the autonomous character of the Authority. The Township appoints the Authorities board members and guarantees certain revenue bonds repayment.

The Authority's financial statements have been prepared on the full accrual basis and in accordance with accounting principles generally accepted in the United States of America (GAAP).

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority's financial statements have been prepared on the full accrual basis and in accordance with accounting principles generally accepted in the United States of America (GAAP). All revenues other than nonrecurring miscellaneous revenues are recorded as operating revenues.

Grants

Contributions received from various sources as grants are recorded in the period they become measurable. Developer financed construction is recorded in the period in which the system is donated by the Authority. Donated assets are recorded at fair market value at the date of the gift. Grants not externally restricted and utilized to finance operations are identified as non-operating revenues.

Grants externally restricted for non-operating purposes are recorded as contributed capital and identified as grants-in-aid.

Inventory

The Authority takes a physical inventory of its supplies and chemicals annually. The inventory value reported as November 30, 2009 and 2008 is based on that physical inventory. Inventory value at November 30, 2009 and 2008 was $27,199 and 25,494, respectively.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are stated at cost, which includes direct construction costs and other expenditures related to construction.

System construction costs are charged to construction in progress until such time as given segments of the system are completed and put into operation.

Depreciation is determined on a straight-line basis for all plant and equipment. Depreciation is provided over the following estimated useful lives:

Treatment Plant Buildings and Improvements	75 Years
Sewer Mains Interceptors and Pump Station	75 Years
Other Equipment	5 - 25 Years
Vehicles	3 - 5 Years

	Balance November 30, 2008	Current Year's Activity Increase	Current Year's Activity Decrease	Balance November 30, 2009
Non-Depreciable Assets:				
Land	$ 487,419	$	$	$ 487,419
Construction in Progress	1,095,529	941,435		2,036,964
Depreciable Assets:				
Treatment Plant and Collection System	37,604,981	25,768		37,630,749
Collection System (Contributed)	1,811,321			1,811,321
Treatment Plant (Contributed)	1,862,703			1,862,703
Machinery and Equipment	656,629	28,414		685,043
	43,518,582	995,617		44,514,199
Less: Accumulated Depreciation	(11,606,831)	(803,920)		(12,410,751)
	$ 31,911,751	$ 191,697	$	$ 32,103,448

It is the Authorities policy to record capital assets when cost exceeds $2,000.

Depreciation expense for the fiscal years ended November 30, 2009 and 2008 was $803,920 and $816,010, respectively.

Depreciation on assets acquired with grants-in-aid and contributed capital assets is recorded as a reduction of contributed capital.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Fund

In accordance with the Authority Bond Resolution, the Authority has established the following restricted funds:

Fund	Amount	Use of Which Restricted
Construction	Proceeds of debt issued and construction grants-in-aid.	Construction costs of the project system.
Debt Service	Capitalized interest and accrued interest from bond proceeds and transfers to pay principal and interest.	Principal and interest on the bonds.
Debt Service Reserve	From bond proceeds an amount needed to equal the greatest amount of interest due in any year.	Transfers to meet minimum levels required in the debt service or sinking funds.

In addition to the above, the Authority has also established the following restricted accounts:

Included in the Revenue Fund are funds reserved for Engineering Costs related to Developers' Construction Projects. Included in the Authority Reserve Fund is a Reserve for Rate Stabilization reserved for future anticipation as budgeted revenue.

Unamortized Debt Issue Costs

Deferred debt issue cost incurred with the 1998 and 2001 bond and note issues, the 2002 Series A and B and the 2004, 2006 and 2007 NJ EIT bond issues are being amortized over the life of the issues based on the straight line method. Accumulated amortization was $722,056 and $664,652 as of November 30, 2009 and 2008, respectively.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt to the extent expended consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Note 3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents includes petty cash, amounts on deposit and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Authority classifies certificates of deposit that have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments. The Authority is in compliance with GASB Statement No. 3 as amended by GASB Statement No. 40.

A. Deposits

New Jersey statutes require that authorities deposit public funds in public depositories located in New Jersey that are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than $25,000,000.

Note 3. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

As of November 30, 2009, Cash and Cash Equivalents (Deposits) of the Authority consisted of petty cash and change funds and interest bearing checking and money market accounts and deposits in the New Jersey Cash Management Fund totaling $5,687,911.

B. Investments

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

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America. This includes instruments such as Treasury bills, notes and bonds.
- Government money market mutual funds.
- Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- Bonds or other obligations of the school district or local unit of which the school district is a part.
- Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments, New Jersey State Department of Treasury.
- Local government investment pools.
- New Jersey State Cash Management Fund.
- Repurchase agreements of fully collateralized securities, subject to special conditions.

As of November 30, 2009, the Authority had no investments with a maturity date of more than three months.

Custodial Credit Risk – Deposits:

Custodial Credit Risk is the risk that in an event of a bank failure, the Authority's deposits may not be returned to it. The Authority has mitigated this risk by limiting deposits only with banks participating in both the FDIC and NJ GUDPA programs.

Note 4. LONG-TERM DEBT

Sewer Revenue Bonds, 1998 Series C

Description - On May 5, 1998 the Authority issued $2,390,000 of 1998 Series C Revenue Bonds. The Bonds were issued to finance and refinance the cost of the 1998 Project and pay the costs and expenses related to the issuance of the Bonds, including bond insurance. The Bonds were dated May 1, 1998 and interest on the bonds is due and payable semiannually each December 1 and June 1. Principal is payable on December 1. Interest rates on Bonds outstanding range from 4.70% to 5.00%. Annual maturities and interest rates are more fully described in Schedule 4.

Optional Redemption - The Series C Bonds maturing on and prior to December 1, 2008 are not subject to redemption. The Series C Bonds maturing on or after December 1, 2009 will be redeemable at any time on or after December 1, 2008, at the election of the Authority at any time as a whole or in part in such order of maturities as determined by the Authority (and in the event that less than all of the Series C Bonds of an entire maturity are to be redeemed, the Series C Bonds of such maturity to be redeemed are to be selected at random in a manner deemed fair by the Trustee), at the redemption prices set forth in the following table, plus accrued interest, if any, to the date fixed for redemption:

Redemption Date	Redemption Price
December 1, 2008 through November 30, 2009	101%
December 1, 2009 and thereafter	100%

Sinking Fund Installment - The Series C Bond maturing on December 1, 2006, December 1, 2008, December 1, 2011, December 1, 2013 and December 1, 2018 are subject to redemption, by operation of the Debt Service Fund, to satisfy sinking fund installments required by the supplemental resolution, beginning on December 1, 2005, December 1, 2007, December 1, 2009, December 1, 2012 and December 1, 2014, respectively, and on each December 1 thereafter, at 100% of the principal amount of the Series C Bonds so to be redeemed plus accrued interest, if any, to the redemption date, and such sinking fund installments will be sufficient to redeem the following amounts of such Series C Bonds on the dates set forth below:

Note 4. LONG-TERM DEBT (CONTINUED)

Sewer Revenue Bonds, 1998 Series C (Continued)

Sinking Fund Installment (Continued)

Year		Principal Amount
2010		$ 125,000
2011		130,000
	December 1, 2011	255,000
2012		135,000
2013		140,000
	December 1, 2013	275,000
2014		150,000
2015		155,000
2016		165,000
2016		170,000
2018		180,000
	December 1, 2018	820,000
Grand Totals		$ 1,350,000

Note 4. LONG-TERM DEBT (CONTINUED)

Sewer Revenue Bonds, 1998 Series C (Continued)

Sinking Fund Installment (Continued)

In determining the amount of any sinking fund installment due on any date specified above, there shall be deducted the principal amount of any Series C Bonds to which such sinking fund installment applies, where such Bonds have been (1) redeemed or purchased on a date more than 60 days preceding the date on which such installment is due, from amounts accumulated in the Debt Service Account with respect to such sinking fund installment or (2) purchased during the period from 40 to 60 days prior to the due date of the installment, from any amount (exclusive of amounts deposited from proceeds of Bonds) in the Debt Service Account. In addition, upon the redemption or purchase from the General Reserve Fund of the Series C Bonds for which sinking fund installments have been established, each such sinking fund installment thereafter to become due (other than that next due) shall be credited with an amount which bears the same relation to the sinking fund installment to be credited as the total principal amount of the Series C Bonds purchased or redeemed bears to the total amount of sinking fund installments to be credited.

The Sinking Fund Installments may be satisfied by the Authority by delivering to the Trustee Series C Bonds of such maturity theretofore purchased or redeemed by the Authority otherwise than by sinking fund redemptions.

Notice of Redemption - So long as DTC will act as securities depository for the Series C Bonds (in the manner described herein), the Authority shall cause notice of applicable redemption to be mailed to DTC no less than 30 days prior to any redemption date. Conveyance of notices and other communications by DTC to DTC Participants, by Direct Participants to Indirect Participants, and by DTC Participants to Beneficial Owners will be governed by the arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Any failure by DTC to mail such notice to any participant and any failure of the DTC Participant to notify any Beneficial Owners of a Series C Bond will not affect the validity of the redemption of the Series C Bonds. After the redemption date, interest will not be payable on the Series C Bonds as to which proper notice of redemption shall have been mailed, if sufficient monies have been deposited with the Trustee to pay principal, premium, if any, and all interest on the Series C Bonds to such date.

Discount - The 1998 Series C Bonds were issued at an original issue discount of $12,711. This discount is being amortized annually using the straight-line method of amortization.

Note 4. LONG-TERM DEBT (CONTINUED)

2001 Series Bonds - New Jersey Environmental Infrastructure Trust (NJEIT)

On November 9, 2001, the Authority issued $7,840,900 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust. The "Fund" (Federal Funds) portion of the Bond Issue, $3,935,900, was issued with no interest rate. The remaining outstanding Bonds mature semi-annually from February 1, 2008 through 2021 with semi-annual maturities ranging from $4,782 to $206,111. The Bonds were issued with an original issue premium of $228,038. Annual maturities are more fully described in Schedule 4.

The "Loan" (State Funds) portion of the Bond Issue, $3,905,000, mature annually through August 1, 2021 at remaining annual maturities ranging from $180,000 to $310,000 and bear interest at rates ranging from 4.75% to 5.50%. Annual maturities and interest rates are more fully described in Schedule 4.

On September 12, 2007, the NJEIT issued 2007 Refunding Bonds which provided $127,720 in interest savings for the Authority. The refunding was conducted at no cost to the Authority. No change to the bond principal maturity schedule occurred as a result of the refunding.

2002 Series A Revenue Refunding Bonds

Description – The Authority's Sewer Revenue Refunding Bonds, 2002 Series A were issued on February 15, 2002 in the aggregate principal amount of $3,770,000. The 2002 Series A Bonds were issued to: (i) currently refund on a forward basis a portion of the Authority's outstanding Series 1992B bonds, (ii) fund the Debt Service Reserve Requirement and (iii) pay certain costs of issuance. Interest is due and payable semi-annually each December 1 and June 1. Principal is payable on December 1. Annual maturities and interest rates are more fully described in Schedule 4. Interest rates on remaining maturities range from 3.90% to 4.25%.

Optional Redemption – The 2002 Series A Bonds are not subject to redemption prior to maturity.

Original Issue Discount – The 2002 Series A Bonds were issued at an original issue discount of $33,358. This discount is being amortized using the straight-line method of amortization.

Note 4. LONG-TERM DEBT (CONTINUED)

2002 Series B Revenue Refunding Bonds

Description – The Authority's Sewer Revenue Refunding Bonds, 2002 Series B were issued on September 3, 2002 in the aggregate principal amount of $12,690,000. The 2002 Series B Bonds were issued to: (i) currently refund on a forward basis a portion of the Authority's outstanding Series 1992B bonds, (ii) fund the Debt Service Reserve Requirement and (iii) pay certain costs of issuance. Interest is due and payable semi-annually each December 1 and June 1. Principal is payable on December 1. Annual maturities and interest rates are more fully described in Schedule 4. Interest rates on remaining maturities are at 5.25%.

Optional Redemption – The 2002 Series B Bonds are not subject to redemption prior to maturity.

Original Issue Premium – The 2002 Series B Bonds were issued at an original issue premium of $441,998.55. This premium is being amortized using the straight-line method of amortization.

2004 Series Bonds – New Jersey Environmental Infrastructure Trust (NJEIT)

On November 4, 2004, the Authority issued $3,350,000 in Revenue Bonds through the New Jersey Infrastructure Trust. The "Fund" (Federal Funds) portion of the Bond Issue $1,720,000 was issued with no interest rate. The Bonds mature semi-annually through 2021 at maturities ranging from $2,478 to $101,609. The Bonds were issued with an original issue premium of $127,178. Annual maturities are more fully described in Schedule 4.

The "Loan" (State Funds) portion of the Bond Issue $1,630,000, mature annually through August 1, 2021 at remaining annual maturities ranging from $85,000 to $140,000 and bear interest rates ranging from 4.00% to 5.00%. Annual maturities and interest rates are more fully described in Schedule 4.

On September 12, 2007, the NJEIT issued 2007 Refunding Bonds which provided $40,762 in interest savings for the Authority. The refunding was conducted at no cost to the Authority. No change to the bond principal maturity schedule occurred as a result of the refunding.

Note 4. LONG-TERM DEBT (CONTINUED)

2006 Series Bonds – New Jersey Environmental Infrastructure Trust (NJEIT)

On November 9, 2006, the Authority issued $982,442 in Revenue Bonds through the New Jersey Infrastructure Trust. The "Fund" (Federal Funds) portion of the Bond Issue, $487,442 was issued with no interest rate. The Bonds mature semi-annually through 2021 at maturities ranging from $655 to $33,049. The Bonds were issued with an original issue premium of $15,069. Annual maturities are more fully described in Schedule 4.

The "Loan" (State Funds) portion of the Bond Issue, $495,000, mature annually through 2021 at annual maturities ranging from $30,000 to $45,000 and bear interest rates ranging from 4.00% to 5.00%. Annual maturities and interest rates are more fully described in Schedule 4.

2007 Series Bonds – New Jersey Environmental Infrastructure Trust (NJEIT)

On November 8, 2007, the Authority issued $6,030,500 in Revenue Bonds through the New Jersey Infrastructure Trust. The "Fund" (Federal Funds) portion of the Bond Issue, $2,960,500 was issued with no interest rate. The Bonds mature semi-annually through 2027 at maturities ranging from $ 3,193 to $153,463. The Bonds were issued with an original issue premium of $66,108. Annual maturities are more fully described in Schedule 4.

The "Loan" (State Funds) portion of the Bond Issue, $3,070,000, mature annually through 2027 at remaining annual maturities ranging from $110,000 to $235,000 and bear interest rates ranging from 3.40% to 5.00%. Annual maturities and interest rates are more fully described in Schedule 4.

Changes in long-term debt are as follows:

	Balance 2008	Increased	Decreased	Balance 2009
Revenue Bonds	$25,995,204		$ 2,672,871	$ 23,322,333
Compensated Absences	59,164	$ 5,533		64,697
	$26,054,368	$ 5,533	$ 2,672,871	$ 23,387,030

Note 4. LONG-TERM DEBT (CONTINUED)

Payment Schedule on Long-Term Debt for the Next Five Years and in Five Year Increments Thereafter

	Bond Principal											
Due Date	1998 Series C	2001 Series Trust Portion	2001 Series Fund Portion	2002 Series A	2002 Series B	2004 Series Trust Portion	2004 Series Trust Portion	2006 Series Trust Portion	2006 Series Fund Portion	2007 Series Trust Portion	2007 Series Fund Portion	Total Bond Principal
12/01/09	$ 115,000	$	$	$ 35,000	$ 1,720,000	$	$	$	$	$	$	$ 1,870,000
02/01/10			47,446				22,411		7,007		42,445	119,308
06/01/10												
08/01/10		180,000	164,347			85,000	82,597	30,000	28,180	110,000	112,783	792,907
12/01/10	125,000			35,000	1,805,000							1,965,000
02/01/11			44,232				20,906		6,583		40,686	112,407
06/01/11												
08/01/11		185,000	164,380			90,000	84,633	30,000	27,756	115,000	114,222	810,990
12/01/11	130,000			1,555,000	170,000							1,855,000
02/01/12			40,927				19,313		6,054		38,848	105,142
06/01/12												
08/01/12		200,000	170,817			95,000	86,580	30,000	27,227	125,000	118,778	853,402
12/01/12	135,000			1,925,000								2,060,000
02/01/13			37,355				17,631		5,525		37,489	98,000
06/01/13												
08/01/13		210,000	173,740			100,000	88,438	30,000	26,697	125,000	117,419	871,294
12/01/13	140,000											140,000
12/01/14-18	820,000	1,215,000	1,049,956			555,000	520,469	190,000	171,450	715,000	779,118	6,015,993
12/01/19-23			630,745			405,000	315,802	135,000	103,019	895,000	777,372	3,261,937
12/01/24-28		885,000								880,000	625,952	2,390,952
	$ 1,465,000	$ 2,875,000	$ 2,523,945	$ 3,550,000	$ 3,695,000	$ 1,330,000	$ 1,258,779	$ 445,000	$ 409,497	$ 2,965,000	$ 2,805,112	$ 23,322,333

	Interest on Bonds							Total	
Due Date	1998 Series C	2001 Trust Portion	2002 Series A	2002 Series B	2004 Trust Portion	2006 Trust Portion	2007 Trust Portion	Interest on Bonds	Grand Total
12/01/09	$ 35,795	$	$ 74,361	$ 96,994	$	$	$	$ 207,149	$ 2,077,149
02/01/10		71,415			31,030	9,928	66,378	178,751	298,059
06/01/10	33,093		73,678	51,844				158,614	158,614
08/01/10		71,415			31,030	9,928	66,378	178,750	971,657
12/01/10	33,093		73,678	51,844				158,614	2,123,614
02/01/11		66,464			28,905	9,328	63,628	168,324	280,731
06/01/11	31,448		72,978	4,463				108,888	108,888
08/01/11		66,463			28,905	9,328	63,628	168,324	979,314
12/01/11	31,448		72,978	4,463				108,888	1,963,888
02/01/12		61,375			26,655	8,578	60,753	157,360	262,502
06/01/12	28,230		40,906					69,136	69,136
08/01/12		61,375			26,654	8,578	60,753	157,360	1,010,762
12/01/12	28,230		40,906					69,136	2,129,136
02/01/13		57,519			24,279	7,828	58,628	148,254	246,254
06/01/13	24,855							24,855	24,855
08/01/13		57,519			24,279	7,828	58,628	148,254	1,019,548
12/01/13	24,855							24,855	164,855
12/01/14-18	119,915	351,097			170,248	52,931	503,430	1,197,621	7,213,614
12/01/19-23					18,376	10,969	320,700	350,045	3,611,982
12/01/24-27		27,300					98,900	126,200	2,517,152
	$ 390,960	$ 891,942	$ 449,486	$ 209,606	$ 410,361	$ 135,225	$ 1,421,801	$ 3,909,381	$ 27,231,714

Note 5. CONTINGENT LIABILITIES

In the normal course of business, the Authority may periodically be named as a defendant in litigation. These legal proceedings are not likely to have a material adverse impact on the financial statements or operations of the Authority, based upon inquiry of management and direct confirmation from the Authority Attorney.

The Authority's accrued liability for compensated absences at November 30, 2009 and 2008 is $64,697 and $59,164, respectively, exclusive of fringe benefits associated thereon, which it provides for through annual budget appropriations.

Note 6. PENSION PLANS

Plan Description

All of the Authority's employees participate in the Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Division of Pensions in the Department of the Treasury, State of New Jersey. The plan provides retirement, death, disability benefits and medical benefits to certain qualifying plan members and beneficiaries. The Public Employees' Retirement System was established January, 1955 under the provisions of N.J.S.A. 43:15A. The Public Employees' Retirement System issues publicly available financial reports that include financial statements and required supplementary information. This report may be obtained by writing to the State of New Jersey, Division of Pensions.

Funding Policy and Contributions

Employee contributions are five and one-half percent of pensionable wages. Employer's contributions are actuarially determined annually by the Division of Pensions. All contributions were equal to the required contributions for each of the three years, respectively. The contributions for PERS for the past three years ended November 30 were as follows:

Year Ended November 30,	Employees' Contributions	Employers' Contributions
2009	$ 68,064	$ 89,796
2008	55,998	69,698
2007	57,569	39,104

Note 7. DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with the provisions of N.J.S. 43:15B-1 et seq., and the Internal Revenue Code, Section 457. The plan, available to all authority employees, permits them to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until terminations, retirement, death or unforeseeable emergency.

The plan is administered by The Equitable Life Assurance Society of the United States.

Note 8. AMOUNTS REQUIRED BY BOND RESOLUTION

The following cash and investment accounts are required by the 1986 bond resolution:

DEBT SERVICE REQUIREMENT:		
Cash and Cash Equivalents on Hand at November 30, 2009	$	2,172,872
Debt Service Requirement		2,152,064
Excess		20,808
Less: Due to Revenue Fund		20,808
Excess or (Deficit)	$	None
DEBT SERVICE RESERVE REQUIREMENT:		
Cash and Cash Equivalents on Hand at November 30, 2009	$	957,356
Debt Service Reserve Requirement		909,881
Excess		47,475
Less: Due to Revenue Fund		47,475
Excess or (Deficit)	$	None

Note 9. NET ASSETS

Reserved for Rate Stabilization - All of the $267,000 Reserve for Rate Stabilization at November 30, 2008 was anticipated as non-operating revenue in the Authority's adopted budget for the fiscal year ending November 30, 2010.

Reserved for Future Debt Service – The Authority's Bond Resolution mandates a designation of net assets for the benefit of the bond holders equal to $909,881.

Reserved for Working Capital - The Authority's Bond Resolution mandates a designation of net assets for operating costs at a level equal to one quarter of the succeeding year's operating budget, or $945,602.

Reserved for Renewal and Replacement – The Authority's Bond Resolution mandates a designation of net assets for major unforeseen system repairs and replacements of $500,000.

Note 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 its employees and natural disasters. The Authority maintains commercial insurance coverage through the New Jersey Utility Authorities Joint Insurance Fund for these various risks. A complete schedule of insurance coverage can be found in the Supplementary Information - Schedule of Insurance. Workers compensation and health coverage are provided by insurance policies through the New Jersey State Health Benefits Program and traditional commercial coverage.

Note 11. RECONCILIATION OF EXPENDITURES – BUDGETARY BASIS TO GAAP BASIS

The following represents a reconciliation of expenditures from the Schedule of Operating Revenues and Expenditures Compared to Budget (Schedule 3) to the Comparative Statement of Revenues, Expenses and Changes in Net Assets (Exhibit B) for 2008 and 2009.

	Fiscal Year Ended November 30, 2008		
	Per Schedule 3	Less Asset Acquisitions	Per Exhibit B
Administration	$ 1,530,055	$ -	$ 1,530,055
Treatment Plant	2,034,856	(11,274)	2,023,582
Collection System	438,186		438,186
Total Cost of Providing Service	2,473,042	(11,274)	2,461,768
Totals	$ 4,003,097	$ (11,274)	$ 3,991,823

Note 11. RECONCILIATION OF EXPENDITURES – BUDGETARY BASIS TO GAAP BASIS (CONTINUED):

	Fiscal Year Ended November 30, 2009		
	Per Schedule 3	Less Asset Acquisitions	Per Exhibit B
Administration	$ 1,250,723	-	$ 1,250,723
Treatment Plant	1,983,590	$ 11,107	1,972,483
Collection System	491,627		491,627
Total Cost of Providing Service	2,475,217	11,107	2,464,110
Totals	$ 3,725,940	$ 11,107	$ 3,714,833

Note 12. OTHER EMPLOYEE BENEFITS

Benefit Plans

The Authority provides, pursuant to Board action and as provided by statute, certain group health care and dental benefits for active and certain retired employees (and for eligible dependents and survivors of active and certain retired employees). Collectively, these covered individuals are referred to as "participants".

The Authority implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* in 2008.

Actuarial Methods and Assumptions

The Authority provides the benefits described above to fewer than 100 participants and meets all other requirements allowing it to utilize the alternative measurement method as is described in GASB Statement No. 45. The Authority has elected to utilize the alternative measurement method. Some of the assumptions utilized in the computations are as follows:

Discount Rate	4.5%
Mortality	RP 2000 Mortality Table for Males and Females
Turnover	Standard Turnover Assumptions
Healthcare Cost Trends	As per New Jersey State Health Benefits Guide
Marital Status	Present Status maintained throughout
Amortization Period	30 years
Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll
Average Retirement Age	62

Note 12. OTHER EMPLOYEE BENEFITS (CONTINUED)

Other Postemployment Benefit Costs and Obligations

The annual non-pension postemployment benefit (OPEB) cost is actuarially determined in accordance with the parameters of the alternative measurement method, which also forms the basis for calculating the annual required contribution (ARC) for the Authority. The ARC represents that actuarially determined level of funding that, if paid on an ongoing basis, is projected to cover annual benefit costs and the 30-year amortization of the difference between the actuarial accrued liability and amounts previously recognized. The Authority has recognized cumulative OPEB costs in the past totaling $594,379.

The following are the components of the 2009 annual OPEB cost:

Normal Cost	$ 57,179
Amortization Cost	128,095
ARC - 2009	$ 185,284

As of November 30, 2009, the actuarially determined liability for unfunded OPEB obligation equaled $5,647,955. The difference between this actuarially determined accrued liability and the sum of the liability currently recognized is being amortized over a 30 year period.

Funding Status

The Authority provides funding for the annual normal cost of OPEB benefits. The Authority has not provided any funding for its unfunded accrued OPEB obligation. Funding alternatives are being reviewed.

Note 13. SUBSEQUENT EVENTS

The Authority issued bonds through the New Jersey Environmental Infrastructure Trust in December, 2009 of $1,954,030 and in January, 2010 of $3,581,662 to fund its 2010 capital improvement program.

SUPPLEMENTARY INFORMATION

Schedule 1

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH AND CASH EQUIVALENTS
UNRESTRICTED ACCOUNTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2009

	Revenue Account	Authority Reserve Account	Total
Cash and Cash Equivalents:			
December 1, 2008	$ 1,133,504	$ 1,977,454	$ 3,110,958
Cash Receipts:			
Transfer from Authority Reserve Account	928,990		928,990
Transfer from Construction Account	50,599		50,599
Transfer from Debt Service Reserve Account	32,968		32,968
Transfer from Debt Service Account	11,251		11,251
Transfer from Developer's Escrow Account			
Interest Received - Net	6,898	9,283	16,181
Customer Overpayments	44,768		44,768
Annual Service Charges	5,993,715		5,993,715
Initial Service Charges	154,072		154,072
Miscellaneous Fees and Charges	29,394		29,394
Interest on Delinquent Accounts	36,377		36,377
Total Cash and Cash Equivalents Available	8,422,537	1,986,737	10,409,274
Cash Disbursed:			
Accounts Payable	213,180		213,180
Transfer to Revenue Account		928,990	928,990
Budgetary Expenditures	6,778,174		6,778,174
Accrued Expenses	27,500		27,500
Prepaid Expenses	22,677		22,677
Major Repairs and Replacements		94,613	94,613
Total Cash Disbursed	7,041,531	1,023,603	8,065,134
Cash and Cash Equivalents, November 30, 2009	$ 1,381,006	$ 963,134	$ 2,344,140
Balance Comprised of:			
Petty Cash and Change Funds	$ 350	$	$ 350
Cash - Money Market Funds/Checking Accounts	1,380,656	447,663	1,828,318
New Jersey Cash Management Fund		515,471	515,471
	$ 1,381,006	$ 963,134	$ 2,344,140

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND CASH EQUIVALENTS
RESTRICTED ACCOUNTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2009

	Accounts Required by Revenue Bond Resolution				
	Debt Service Account	Debt Service Reserve Account	Construction Account	Developer's Escrow	Totals
Cash and Cash Equivalents:					
December 1, 2008	$ 2,148,348	$ 983,276	$ 142,956	$ 60,127	$ 3,334,707
Cash Receipts:					
Interest Received - Net	51	7,048	627	131	7,856
Transfer from Revenue Account:					
Budget for Debt Service	3,524,922				3,524,922
Other	27,300				27,300
NJEIT Proceeds			1,002,056		1,002,056
Developer's Escrow Deposits				36,402	36,402
Total Cash and Cash Equivalents Available	5,700,621	990,324	1,145,639	96,659	7,933,243
Cash Disbursed:					
Payment of Bond Principal	2,672,870				2,672,870
Payment of Interest on Bonds	816,327				816,327
Payment of Project Costs			940,307		940,307
NJEIT Administrative Fee	27,300				27,300
Reserve for Developer's Escrow				37,847	37,847
Transfer to Revenue Fund - Unrestricted	11,251	32,968	50,599		94,819
Total Cash Disbursed	3,527,748	32,968	990,906	37,847	4,589,470
Cash and Cash Equivalents, November 30, 2009	$ 2,172,872	$ 957,356	$ 154,732	$ 58,812	$ 3,343,772

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND CASH EQUIVALENTS
RESTRICTED ACCOUNTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2009

	Accounts Required by Revenue Bond Resolution				
	Debt Service Account	Debt Service Reserve Account	Construction Account	Developer's Escrow	Totals
Balance Comprised of:					
Cash - Checking	$	$	$ 20,387	$ 58,812	$ 79,199
Cash - Savings Accounts					
Goldman US Treasury Obligation Fund	2,172,872		134,345		2,307,217
New Jersey Cash Management Fund		957,356			957,356
	$ 2,172,872	$ 957,356	$ 154,732	$ 58,812	$ 3,343,772

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
COMPARATIVE SCHEDULES OF OPERATING REVENUES AND EXPENDITURES
COMPARED TO BUDGET
BUDGETARY BASIS
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2009 AND 2008

	November 30, 2009				November 30, 2008		
	Original Budget	Final Budget	Realized	Variance to Final	Final Budget	Realized	Variance to Final
Revenues							
User Charges	$ 5,982,000	$ 5,982,000	$ 6,043,311	$ 61,311	$ 5,932,000	$ 6,107,610	$ 175,610
Initial Service Charges	126,360	126,360	154,072	27,712	199,700	130,171	(69,529)
Interest on Investments	250,000	250,000	24,055	(225,945)	150,000	131,067	(18,933)
Interest on Delinquent Accounts	30,000	30,000	36,377	6,377	45,000	36,630	(8,370)
Miscellaneous Fees and Charges	5,000	5,000	29,394	24,394	2,500	2,057	(443)
Reserve for Rate Stabilization	813,139	813,139	813,139		561,522	561,522	
Total Revenues	$ 7,206,499	$ 7,206,499	$ 7,100,347	$ (106,152)	$ 6,890,722	$ 6,969,057	$ 78,334

	November 30, 2009				November 30, 2008		
	Original Budget	Final Budget	Paid or Charged	Variance to Final	Final Budget	Paid or Charged	Variance to Final
Expenditures							
Administration:							
Members Salaries	$ 10,250	$ 10,250	$ 10,083	$ 167	$ 10,250	$ 10,250	$
Administrative Salaries	86,000	88,425	88,418	7	104,000	103,660	340
Office Salaries	123,000	128,575	128,571	4	126,000	121,553	4,447
Telephone	18,000	18,000	17,982	18	18,000	17,990	10
Office Supplies	12,000	14,050	14,039	11	17,000	15,900	1,100
Postage	12,000	10,000	8,261	1,739	10,000	9,889	111
Professional Fees:							
Engineering	45,000	45,000	24,833	20,167	52,000	40,782	11,218
Legal	55,000	45,000	33,235	11,765	70,000	45,687	24,313
Accounting	44,000	44,000	42,275	1,725	45,000	35,150	9,850
Insurance General	125,000	115,700	115,450	250	119,000	118,960	40
Travel Expense	1,000	1,000	832	168	1,000	615	385
Dues and Subscriptions	4,000	4,000	3,927	73	4,000	3,688	312
Hospitalization Insurance	383,000	326,390	320,568	5,822	351,000	351,050	(50)
Social Security Taxes	95,500	95,500	95,477	23	95,000	94,982	18
Public Employee Retirement System	87,500	97,400	89,796	7,604	69,700	69,698	2
Unemployment Taxes					4,200	4,200	0
Group Life Insurance	1,000	1,000	784	216	1,000	724	276

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
COMPARATIVE SCHEDULES OF OPERATING REVENUES AND EXPENDITURES
COMPARED TO BUDGET
BUDGETARY BASIS
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2009 AND 2008

	November 30, 2009				November 30, 2008		
	Original Budget	Final Budget	Paid or Charged	Variance to Final	Final Budget	Paid or Charged	Variance to Final
Administration (Continued):							
Expenditures (Continued)							
Advertising	$ 3,000	$ 3,000	$ 2,997	$ 3	$ 3,000	$ 2,985	$ 15
Heat	2,750	2,750	889	1,861	2,500	2,011	489
Trustee and Paying Agent	42,000	45,260	45,257	3	41,000	51,152	(10,152)
Equipment Maintenance Contracts	10,000	10,000	9,595	405	11,000	9,486	1,514
Office Equipment	1,500	1,500	800	700	3,000	387	2,613
Conventions and Seminars	3,000	3,000	2,757	243	3,000	1,596	1,404
Education and Training Courses	2,500	3,850	3,080	770	3,300	2,628	672
Reserve for Accumulated Vacation and Sick Time	5,000	5,550	5,533	17	5,000	5,938	(938)
Other Post Employment Benefits			185,284	(185,284)		409,095	(409,095)
Total Administration	1,172,000	1,119,200	1,250,723	(131,523)	1,169,450	1,530,055	(360,605)
Treatment Plant:							
Salaries					803,100	803,100	
Base	822,000	822,000	820,032	1,968			
Overtime	15,000	20,000	19,786	214			
Water	18,000	18,000	10,063	7,937	29,000	28,032	968
Electric	400,000	470,500	470,434	66	504,200	447,533	56,667
Gas	25,000	17,000	8,448	8,552	13,000	10,897	2,103
Process Chemicals:					115,000	116,617	(1,617)
Liquid Oxygen	18,000	18,000	12,644	5,356			
Sodium Hypochlorite	56,000	56,000	54,639	1,361			
Polymer	22,000	22,000	14,444	7,556			
Other	7,000	7,000	6,963	37			
Maintenance Chemicals	1,000	1,000	921	79	1,000	814	186
Repairs and Supplies:					70,500	69,856	644
Uniforms and Lockers	5,500	5,500	4,573	927			
One Call	3,000	3,500	2,823	677			
Pumps	18,000	9,000	8,967	33			
General	6,000	21,000	20,573	427			

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
COMPARATIVE SCHEDULES OF OPERATING REVENUES AND EXPENDITURES
COMPARED TO BUDGET
BUDGETARY BASIS
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2009 AND 2008

	November 30, 2009				November 30, 2008		
	Original Budget	Final Budget	Paid or Charged	Variance to Final	Final Budget	Paid or Charged	Variance to Final
Expenditures (Continued)							
Treatment Plant (Continued):							
Repairs - Contractors	$ 15,000	$ 16,500	$ 14,705	$ 1,795	$ 18,000	$ 15,983	$ 2,017
Truck Expenses					7,000	5,323	1,677
Gasoline	3,450	3,450	2,319	1,131			
Repairs	1,300	1,300	1,248	52			
Other	750	750	666	84			
Sludge Disposal	450,000	389,100	389,081	19	435,000	434,998	2
Lab Equipment					7,500	6,826	674
Supplies	11,000	11,000	9,598	1,402			
Equipment	7,500	7,500	7,209	291			
Testing	10,000	10,000	8,572	1,428			
Permit Fees	48,000	48,000	47,746	254	46,000	45,632	368
Maintenance Contracts Equipment	50,000	50,000	47,134	2,866	54,000	41,267	12,733
Lab Testing					8,000	7,979	21
Total Treatment Plant	2,013,500	2,028,100	1,983,590	44,510	2,111,300	2,034,856	76,444
Collection System:							
Salaries					178,500	178,008	492
Base	178,500	182,050	182,032	18			
Overtime	12,000	17,000	16,021	979			
Repairs and Supplies:					50,000	49,306	694
Pumps	35,000	35,000	31,361	3,639			
Controls	7,500	7,500	5,971	1,529			
Jet Truck	4,000	7,000	6,996	4			
Other	3,000	3,500	3,386	114			
Repairs - Contractors	35,000	39,000	38,336	664	58,500	57,601	899
Maintenance Chemicals:					75,000	70,211	4,789
Bioxide	74,000	105,650	105,540	110			
Other	16,000	16,000	13,638	2,362			
Electric	69,000	59,000	56,936	2,064	60,000	59,981	19
Diesel	2,200	2,700	2,689	11	3,000	2,217	783
Water	1,700	1,700	1,633	67	2,300	1,448	852
Truck Expenses:					17,000	14,573	2,427
Gasoline	10,350	10,350	7,050	3,300			
Repairs	4,500	4,500	4,482	18			
Other	750	750	668	82			
Manhole Maintenance	15,000	15,000	14,889	111	5,000	4,840	160
Total Collection System	468,500	506,700	491,627	15,073	449,300	438,186	11,114
Total Operations	$ 3,654,000	$ 3,654,000	$ 3,725,940	$ (71,940)	$ 3,730,050	$ 4,003,098	$ (273,048)

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
COMPARATIVE SCHEDULES OF OPERATING REVENUES AND EXPENDITURES
COMPARED TO BUDGET
BUDGETARY BASIS
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2009 AND 2008

	November 30, 2009				November 30, 2008		
	Original Budget	Final Budget	Paid or Charged	Variance to Final	Final Budget	Paid or Charged	Variance to Final
Expenditures (Continued)							
Debt Service:							
Bond Principal	$ 2,760,551	$ 2,760,551	$ 2,752,870	$ 7,681	$ 2,404,345	$ 2,396,523	$ 7,822
Interest Expense	791,948	791,948	767,551	24,397	756,327	732,880	23,447
	3,552,499	3,552,499	3,520,421	32,078	3,160,672	3,129,403	31,269
Total Expenditures	$ 7,206,499	$ 7,206,499	$ 7,246,361	$ (39,862)	$ 6,890,722	$ 7,132,501	$ (241,779)

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
SCHEDULE OF REVENUE SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2009

Purpose	Date of Issue	Maturities Date	Maturities Amount	Interest Rate	Balance November 30, 2008	Paid	Balance November 30, 2009
$2,390,000.00 (1998 Series C)	5/1/1998	* 12/01/2011	$ 370,000	4.70 %			
		* 12/01/2013	275,000	4.80 %			
		* 12/01/2018	820,000	5.00 %			
1998 Series C Sub-Total					$ 1,575,000	$ 110,000	$ 1,465,000
$3,905,000 (Series 2001 NJEIT) Trust Loan - To provide funds for the 2001 Treatment Plant and Collection System Capital Project.	11/9/2001	8/1/2010	180,000	5.50 %			
		8/1/2011	185,000	5.50 %			
		8/1/2012	200,000	5.50 %			
		8/1/2013	210,000	5.50 %			
		8/1/2014	220,000	5.00 %			
		8/1/2015	230,000	5.00 %			
		8/1/2016	245,000	5.00 %			
		8/1/2017	255,000	5.00 %			
		8/1/2018	265,000	5.00 %			
		8/1/2019	280,000	5.00 %			
		8/1/2020	295,000	4.75 %			
		8/1/2021	310,000	4.75 %			
2001 Trust Loan Series Sub-Total					3,045,000	170,000	2,875,000
$3,935,900 (Series 2001 NJEIT) Fund Loan - To provide funds for the 2001 Treatment Plant and Collection System Capital Project.	11/9/2001	2/1/2010	47,446	0%			
		8/1/2010	164,347	0%			
		2/1/2011	44,232	0%			
		8/1/2011	164,380	0%			
		2/1/2012	40,927	0%			
		8/1/2012	170,817	0%			
		2/1/2013	37,355	0%			
		8/1/2013	173,740	0%			
		2/1/2014	33,605	0%			
		8/1/2014	176,484	0%			
		2/1/2015	30,033	0%			
		8/1/2015	179,406	0%			
		2/1/2016	26,299	0%			
		8/1/2016	185,414	0%			
		2/1/2017	22,321	0%			
		8/1/2017	187,930	0%			
		2/1/2018	18,181	0%			
		8/1/2018	190,284	0%			
		2/1/2019	13,878	0%			
		8/1/2019	195,724	0%			
		2/1/2020	9,332	0%			
		8/1/2020	200,919	0%			
		2/1/2021	4,762	0%			
		8/1/2021	206,111	0%			
2001 Fund Loan Series Sub-Total					2,734,764	210,819	2,523,945

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
SCHEDULE OF REVENUE SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2009

Purpose	Date of Issue	Maturities Date	Maturities Amount	Interest Rate	Balance November 30, 2008	Paid	Balance November 30, 2009
$3,770,000 (Series 2002A)	2/15/2002	12/1/2009	$ 35,000	3.900%			
Advance refund a portion of		12/1/2010	35,000	4.000%			
the 1992 Series Bonds		12/1/2011	1,555,000	4.125%			
		12/1/2012	1,925,000	4.250%			
2002A Series Sub-Total					$ 3,585,000	$ 35,000	$ 3,550,000
$12,690,000 (Series 2002B)	9/3/2002	12/1/2009	1,720,000	5.25%			
Advance refund a portion of		12/1/2010	1,805,000	5.25%			
the 1992 Series Bonds		12/1/2011	170,000	5.25%			
2002B Series Sub-Total					5,340,000	1,645,000	3,695,000
$1,630,000.00 (Series 2004A NJEIT)	11/4/2004	8/1/2010	85,000	5.00%			
Trust Loan		8/1/2011	90,000	5.00%			
		8/1/2012	95,000	5.00%			
		8/1/2013	100,000	5.00%			
		8/1/2014	105,000	4.00%			
		8/1/2015	105,000	4.00%			
		8/1/2016	110,000	4.00%			
		8/1/2017	115,000	5.00%			
		8/1/2018	120,000	5.00%			
		8/1/2019	130,000	5.00%			
		8/1/2020	135,000	5.00%			
		8/1/2021	140,000	5.00%			
2004 Trust Loan Series Sub-Total					1,410,000	80,000	1,330,000
$1,720,000.00 (Series 2004B NJEIT)	11/4/2004	2/1/2010	22,411	0%			
Fund Loan		8/1/2010	82,597	0%			
		2/1/2011	20,906	0%			
		8/1/2011	84,633	0%			
		2/1/2012	19,313	0%			
		8/1/2012	86,580	0%			
		2/1/2013	17,631	0%			
		8/1/2013	88,438	0%			
		2/1/2014	15,861	0%			
		8/1/2014	90,209	0%			
		2/1/2015	14,374	0%			
		8/1/2015	88,722	0%			
		2/1/2016	12,887	0%			
		8/1/2016	90,775	0%			
		2/1/2017	11,329	0%			
		8/1/2017	92,758	0%			
		2/1/2018	9,293	0%			
		8/1/2018	94,262	0%			
		2/1/2019	7,169	0%			
		8/1/2019	99,219	0%			
		2/1/2020	4,868	0%			
		8/1/2020	100,458	0%			
		2/1/2021	2,478	0%			
		8/1/2021	101,609	0%			
2004 Fund Loan Series Sub-Total					1,363,079	104,300	1,258,779

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
SCHEDULE OF REVENUE SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2009

Purpose	Date of Issue	Maturities Date	Maturities Amount	Interest Rate	Balance November 30, 2008	Paid	Balance November 30, 2009
$525,000.00 (Series 2006 NJEIT) Trust Loan	11/9/2006	8/1/2010	$ 30,000	4.00%			
		8/1/2011	30,000	5.00%			
		8/1/2012	30,000	5.00%			
		8/1/2013	30,000	5.00%			
		8/1/2014	35,000	5.00%			
		8/1/2015	35,000	5.00%			
		8/1/2016	40,000	5.00%			
		8/1/2017	40,000	4.00%			
		8/1/2018	40,000	4.00%			
		8/1/2019	45,000	4.00%			
		8/1/2020	45,000	4.00%			
		8/1/2021	45,000	4.125%			
2006 Trust Loan Series Sub-Total					$ 470,000	25,000	$ 445,000
$487,442.00 (Series 2006 NJEIT) Fund Loan	11/9/2006	2/1/2010	7,007	0%			
		8/1/2010	28,180	0%			
		2/1/2011	6,583	0%			
		8/1/2011	27,756	0%			
		2/1/2012	6,054	0%			
		8/1/2012	27,227	0%			
		2/1/2013	5,525	0%			
		8/1/2013	26,697	0%			
		2/1/2014	4,995	0%			
		8/1/2014	29,697	0%			
		2/1/2015	4,378	0%			
		8/1/2015	29,079	0%			
		2/1/2016	3,760	0%			
		8/1/2016	31,991	0%			
		2/1/2017	3,055	0%			
		8/1/2017	31,285	0%			
		2/1/2018	2,490	0%			
		8/1/2018	30,720	0%			
		2/1/2019	1,925	0%			
		8/1/2019	33,684	0%			
		2/1/2020	1,290	0%			
		8/1/2020	33,049	0%			
		2/1/2021	655	0%			
		8/1/2021	32,414	0%			
2006 Fund Loan Series Sub-Total					441,861	32,364	409,497
$3,070,000.00 (Series 2007 NJEIT) Trust Loan	11/8/2007	8/1/2010	110,000	5.00%			
		8/1/2011	115,000	5.00%			
		8/1/2012	125,000	3.40%			
		8/1/2013	125,000	3.50%			
		8/1/2014	130,000	3.60%			
		8/1/2015	135,000	5.00%			
		8/1/2016	145,000	5.00%			
		8/1/2017	150,000	5.00%			
		8/1/2018	155,000	5.00%			
		8/1/2019	165,000	4.00%			
		8/1/2020	170,000	4.00%			
		8/1/2021	180,000	5.00%			
		8/1/2022	185,000	5.00%			
		8/1/2023	195,000	4.25%			
		8/1/2024	205,000	4.50%			
		8/1/2025	215,000	4.50%			
		8/1/2026	225,000	4.50%			
		8/1/2027	235,000	4.25%			
2007 Trust Loan Series Sub-Total					3,070,000	105,000	2,965,000

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
SCHEDULE OF REVENUE SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2009

Purpose	Date of Issue	Maturities Date	Maturities Amount	Interest Rate	Balance November 30, 2008	Paid	Balance November 30, 2009
$2,960,000.00 (Series 2007 NJEIT) Fund Loan	11/8/2007	2/1/2010	$ 42,445	0%			
		8/1/2010	112,783	0%			
		2/1/2011	40,686	0%			
		8/1/2011	114,222	0%			
		2/1/2012	38,848	0%			
		8/1/2012	118,778	0%			
		2/1/2013	37,489	0%			
		8/1/2013	117,419	0%			
		2/1/2014	36,090	0%			
		8/1/2014	119,218	0%			
		2/1/2015	34,594	0%			
		8/1/2015	120,919	0%			
		2/1/2016	32,436	0%			
		8/1/2016	125,155	0%			
		2/1/2017	30,118	0%			
		8/1/2017	126,034	0%			
		2/1/2018	27,720	0%			
		8/1/2018	126,834	0%			
		2/1/2019	25,242	0%			
		8/1/2019	130,750	0%			
		2/1/2020	23,132	0%			
		8/1/2020	131,837	0%			
		2/1/2021	20,958	0%			
		8/1/2021	136,058	0%			
		2/1/2022	18,080	0%			
		8/1/2022	136,377	0%			
		2/1/2023	15,123	0%			
		8/1/2023	139,814	0%			
		2/1/2024	12,473	0%			
		8/1/2024	143,559	0%			
		2/1/2025	9,524	0%			
		8/1/2025	147,004	0%			
		2/1/2026	6,430	0%			
		8/1/2026	150,305	0%			
		2/1/2027	3,193	0%			
		8/1/2027	153,463	0%			
2007 Fund Loan Series Sub-Total					$ 2,960,500	$ 155,388	$ 2,805,112
Grand Total					$ 25,995,204	$ 2,672,871	$ 23,322,333

Detail:

Current Portion	$ 2,782,215
Long Term Liability	20,540,118
	$ 23,322,333

*Term Bonds

Schedule 5

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
ANALYSIS OF SERVICE CHARGES RECEIVABLE
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2009

	Balance November 30, 2008	Net Charges	Net Collection	Balance November 30, 2009
Annual Service Charges				
Residential, Commercial, Industrial, Public Buildings, Apartments, Motels and Other Municipalities	$ 348,878	$ 6,051,902	$ 5,993,715	$ 407,065
Initial Service Charges		154,072	154,072	
	$ 348,878	$ 6,205,974	$ 6,147,787	$ 407,065

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
BALANCE SHEET BY FUND AS OF NOVEMBER 30, 2009

	Revenue Fund	Construction Fund	Debt Service Fund	Debt Service Reserve Fund	Authority Reserve Fund	(Memorandum Only) November 30, 2009 Total
ASSETS						
Unrestricted Assets:						
Cash - Money Market	$ 1,380,656	$	$	$	$ 447,663	$ 1,828,318
New Jersey Cash Management Fund					515,471	515,471
Petty Cash Fund	350					350
Customer Accounts Receivable	407,065					407,065
Inventory	27,199					27,199
Prepaid Insurance	9,635					9,635
Prepaid Expenses	13,042					13,042
Due from Construction Fund	8,012					8,012
Due from Authority Reserve Fund	535,002					535,002
Due from Debt Service Fund	20,808					20,808
Due from Debt Service Reserve Fund	47,475					47,475
Total Unrestricted Assets	2,449,242				963,133	3,412,376
Restricted Assets:						
Cash and Cash Equivalents - Money Market	58,812	154,732	2,172,872			2,386,416
Cash and Cash Equivalents - NJ Cash Management Fund				957,356		957,356
Due from NJ Environmental Infrastructure Trust		4,008,435				4,008,435
Total Restricted Assets	$ 58,812	$ 4,163,167	$ 2,172,872	$ 957,356	$	$ 7,352,207

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
BALANCE SHEET BY FUND AS OF NOVEMBER 30, 2009

	Revenue Fund	Construction Fund	Debt Service Fund	Debt Service Reserve Fund	Authority Reserve Fund	(Memorandum Only) November 30, 2009 Total
ASSETS (CONTINUED)						
Property, Plant and Equipment:						
Land	$	$ 487,419	$	$	$	$ 487,419
Construction in Progress		2,036,963				2,036,963
Treatment Plant and Collection System		37,606,099				37,606,099
Collection System (Donated)		1,811,321				1,811,321
Treatment Plant (Donated)		1,887,353				1,887,353
Machinery and Equipment		685,043				685,043
		44,026,780				44,026,780
Less: Accumulated Depreciation		12,410,751				12,410,751
		31,616,029				31,616,029
Net Property, Plant and Equipment		32,103,447				32,103,447
Other Assets:						
Unamortized Debt Issue Costs		507,869				507,869
Total Assets	$ 2,508,054	$ 36,774,483	$ 2,172,872	$ 957,356	$ 963,133	$ 43,375,899

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
BALANCE SHEET BY FUND AS OF NOVEMBER 30, 2009

	Revenue Fund	Construction Fund	Debt Service Fund	Debt Service Reserve Fund	Authority Reserve Fund	(Memorandum Only) November 30, 2009 Total
LIABILITIES AND FUND EQUITY						
Current Liabilities Payable From Unrestricted Assets:						
Accounts Payable	$ 258,324	$	$	$	$	$ 258,324
Accrued Expenses	44,853					44,853
Customer Overpayments	44,768					44,768
Deferred Revenue	504,325					504,325
Due to Revenue Fund					535,002	535,002
Current Liabilities Payable from Restricted Assets:						
Accounts Payable	234	7,161			34,073	41,468
Reserve for Developer's Escrow Deposits	50,871					50,871
Revenue Bonds Payable - Current Portion		912,215	1,870,000			2,782,215
Accrued Interest on Revenue Bonds Payable			282,064			282,064
Due to Revenue Fund		8,012	20,808	47,475		76,294
Total Current Liabilities	903,375	927,388	2,172,872	47,475	569,075	4,620,185
Long-Term Revenue Bonds Payable		20,540,119				20,540,119
Less: Unamortized Loss on Defeasance		106,838				106,838
Less: Unamortized Bond Discounts/(Premium)		(463,134)				(463,134)
		20,896,415				20,896,415
Reserve for Construction Fund		14,950,680				14,950,680
Other Non Current Post Employement Benefits	594,379					594,379
Reserve for Compensated Absences	64,697					64,697
Total Non-Current Liabilities	$ 659,076	$ 14,950,680	$	$	$	$ 15,609,757

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
BALANCE SHEET BY FUND AS OF NOVEMBER 30, 2009

	Revenue Fund	Construction Fund	Debt Service Fund	Debt Service Reserve Fund	Authority Reserve Fund	(Memorandum Only) November 30, 2009 Total
LIABILITIES AND FUND EQUITY (CONTINUED)						
Fund Equity:						
Net Assets:						
Reserved for:						
Renewal and Replacement	$	$	$	$	$ 500,000	$ 500,000
Rate Stabilization					267,000	267,000
Future Debt Service				909,881		909,881
Unreserved Net Assets - Designated	945,602					945,602
Unreserved Net Assets (Deficit)- Undesignated					(372,941)	(372,941)
Total Fund Equity	945,602			909,881	394,059	2,249,543
Total Liabilities and Fund Equity	$ 2,508,054	$ 36,774,483	$ 2,172,872	$ 957,356	$ 963,134	$ 43,375,899

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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*

Honorable Chairman and Members of the
Township of Ocean Sewerage Authority
Township of Ocean
County of Monmouth, New Jersey

We have audited the financial statements of the Township of Ocean Sewerage Authority, County of Monmouth, State of New Jersey (the "Authority"), as of and for the year ended November 30, 2009, and have issued our report thereon dated January 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiency described in the accompanying General Comments and Recommendations as 2009-2 to be a significant deficiency in internal control over financial reporting.

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* (CONTINUED)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not disclose all significant deficiencies that are considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to the management of the Authority in the "General Comments and Recommendations" section of this report.

This report is intended solely for the information and use of the members of the Authority's Board and its management and for filing with the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not intended to be and should not be used by anyone other than these specified parties.

David A. Kaplan
Certified Public Accountant
Registered Municipal Accountant #433

DAK CPA

DAK CPA, Certified Public Accountants

Long Branch, New Jersey
January 25, 2010

OFFICIALS IN OFFICE AND SURETY BOND/INSURANCE COVERAGE

OFFICIALS IN OFFICE
AS OF NOVEMBER 30, 2009

The following were in office during the period under audit:

Members of the Sewerage Authority	Title	Term Expiration Date
Andrew G. DeSarno	Chairman	January 31,2012
John Villapiano	Vice-Chairman	January 31,2011
James A. Vacchiano	Secretary/Treasurer	January 31,2010
Dennis Galvin	Member	January 31,2013
Chris Kelly	Member	January 31, 2014

Other Officials

William E. Schmeling	Executive Director
CME, Inc	Consulting Engineer
John Bonello, Esq.	Attorney
Bank of New York	Trustee

INSURANCE COVERAGE
NOVEMBER 30, 2009

			Expiration Date
Special Multi Peril Policy:			
Property:			
Buildings and Contents		$ 50,000,000.00	1/1/2010 *
Contractors Equipment		66,805.00	
Employee Blanket Dishonesty		2,500,000.00	
Valuable Papers		10,000,000.00	
Accounts Receivable		10,000,000.00	
Depositor's Forgery		100,000.00	
Theft, Disappearance and Destruction:			
Inside		5,000.00	
Outside		5,000.00	
Miscellaneous Tools and Equipment		10,000.00	
Boiler and Machinery		100,000,000.00	
	Property Damage	Bodily Injury	
Liability:			
General Liability, Property and Bodily Damage (Combined Single Limit)		$ 10,000,000.00	1/1/2010 *
Auto Fleet:			
Liability (Combined Single Limit)	$ 10,000,000.00		1/1/2010 *
Uninsured Motorists	10,000,000.00		
Public Officials Liability	3,000,000.00		1/1/2010 *
Umbrella Liability	20,000,000.00		1/1/2010 *
Ocean Outfall - Flood and Earthquake	5,000,000.00		1/1/2010 *
Workmen's Compensation	Statutory	1,000,000.00	1/1/2010 *

The above schedule is presented as a memorandum only, and we do not express an opinion as to the adequacy of coverage.

*Policies were renewed.

GENERAL COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS
NOVEMBER 30, 2009

Cash Balances

The cash balances were verified with the statements rendered by the trustee and other depositories and also confirmed by direct communication. Bank reconciliations were verified and reconciled to general ledger control totals.

The Petty Cash was counted.

Contracts and Agreements Required to be Advertised For N.J.S. 40A:11-4 (As Amended)

N.J.S. 40A:11-4 (as amended) states, "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate $21,000.00 , except by contract or agreement".

The Members and Executive Director of the Authority have the responsibility of determining whether any contract or agreement might result in violation of the statute and, when necessary, the Authority Counsel opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertising for the following items:

Disposal of Sewerage Screenings and Grit	Emergency/Sewer Line Repairs
Liquid Oxygen	Sodium Hypochlorite
Sludge Removal, Transportation and Disposal	Facility Improvements - Phase I
Oxygen Production and Distribution System Repair	Emulsion Polymers
	Carbon Media Removal and Replacement
	Pump Repair and Service
	Treatment Plant Improvements

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

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

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of $21,000.00 "for the performance of any work or the furnishing or hiring of any materials or supplies" other than those commented on hereinafter or where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6 (As Amended).

The Authority appointed the office manager as their Qualified Purchasing Agent. Accordingly, the 2009 bid threshold was increased to $29,000.00

Delinquent Sewer Charges and Initial Service Charges

A detail of all unpaid sewer charges and initial service charges is being properly carried on the Authority's records. An abstract taken from these records as at November 30, 2009 covering all unpaid charges on that date was verified with the accounting control figures shown in this report.

A test verification of delinquent charges outstanding at November 30, 2009, 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 verifications mailed.

Collection of Interest on Delinquent Sewer Charges

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

It appears, from our examination of the Authority's records, that the interest was charged in accordance with the foregoing resolution.

Interest Requirements

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

Bond Resolution Covenants

The Authority covenants in their bond resolution and complied with the following:

(a) The proceeds from the bonds shall be held by the Trustee in separate funds and applied only to pay the cost of the project or related cost pursuant to the resolution.

(b) The Authority will not authorize or issue additional bonds unless they are authenticated by the Trustee and are for the purpose allowed by the resolution.

(c) The Authority will comply with the requirements of the resolution as to the maintaining of the required funds and transfer of revenues to the various funds, under the supervision of the Trustee and an annual audit.

(d) They will proceed to acquire and construct the project in conformity to law and governmental requirements having jurisdiction there over, and in accordance with the plans on file, with all practical dispatch, in a sound and economical manner, and in accordance with the restrictions defined in the bond resolution.

(e) They will at all times employ a Consulting Engineer.

(f) They will operate the system properly and in a sound, economical manner at all times, and they will adopt an annual budget for operating expenses.

Bond Resolution Covenants - (Continued)

(g) They will establish and enforce reasonable rules and regulations governing the operations, use and services of the system.

(h) They will charge "Service Charges" and revise the rates from time to time in order that the revenues collected, including the balance in the Reserve for Rate Stabilization at the end of the preceding fiscal year, are adequate to meet all operating expenses and pay all interest and principal of revenue bond issues outstanding.

(i) They will not create, assume or suffer to be created any mortgage bonds, notes or other evidence of indebtedness on the revenues or assets of the Authority, not sell, mortgage or dispose of any part of the project unless the requirements of the resolution are met.

(j) They will not amend or repeal the resolution without the written consent of the bondholders pursuant to this resolution.

(k) They will use their best efforts to maintain adequate insurance coverage or reserves.

Revenues

The Authority's revenues from annual service charges, initial service charges, and other authorized revenues, including rate stabilization reserves, were adequate in providing sufficient revenue to cover operating, maintenance and debt service costs for the fiscal year.

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 an annual operating budget for the fiscal year ending November 30, 2009.

The vouchers were examined to the extent deemed necessary and found to be satisfactory with minor exceptions.

The Authority operates with a complete encumbrance system for its budget appropriations.

An examination was made of the employees' compensation records, including compensated absences for the year ended November 30, 2009 and no exceptions were noted.

Expenditures - (Continued)

Finding:

Condition: Our examination revealed that, in certain instances, budgetary accounts were charged for expenditures that did not correlate with the proper account to which those expenditures should have been charged. Electricity and gas were two examples of this condition.

Cause: The cause of the condition was the clients attempt not to overexpend budgetary line items.

Criteria: Internal controls over financial reporting.

Client Response: Budgetary accounts will only be charged for items that are appropriately charged to the respective line items.

Recommendation: It is recommended that expenditures be charged to appropriate budgetary line items.

General Ledger

Finding:

Condition: Our examination of the general ledger revealed material adjusting journal entries were necessary to bring the balances reflected in the general ledger into agreement with supporting subsidiary records. Management concurred with the proposed entries and recorded them in the general ledger. We did note improvement in the quality of the general ledger this year.

Cause: The cause of the condition is a combination of factors which, when taken collectively, resulted in the general ledger being presented for audit and requiring adjustments.

Criteria: Internal controls over financial reporting.

Client Response: A standardized general ledger posting routine manual has been developed and will be used effective immediately so as to minimize the number and materiality of correcting entries needed in the future.

Recommendation: It is again recommended that the general ledger be maintained properly.

GENERAL COMMENTS (CONTINUED)
NOVEMBER 30, 2009

Other

An exit audit conference with the Authority was held.

Acknowledgment

We wish to express our appreciation for the cooperation received from the Township of Ocean Sewerage Authority officials and employees, and the courtesies extended during the course of the audit.

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
NOVEMBER 30, 2009

It is recommended:

2009-1. It is recommended that expenditures be charged to appropriate budgetary line items.

2009-2. It is again recommended that the general ledger be maintained accurately.

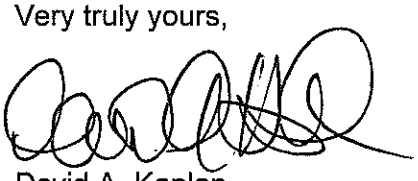
Summary Schedule of Prior Year Findings

The Authority approved a corrective action plan addressing the prior year's audit recommendations. Recommendations 2009-2 appeared in the prior year's audit. This recommendation has been repeated for several years and while progress has been made, material adjusting journal entries continue to be necessary throughout all funds.

A corrective action plan addressing the above recommendations must be implemented by the Authority. Should you desire my assistance in developing or implementing this plan, please do not hesitate to contact me.

The problems and weaknesses noted in my audit were not of such magnitude that they would affect my ability to express an opinion on the financial statements taken as a whole.

Very truly yours,



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For The Firm
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