TOWNSHIP OF OCEAN SEWERAGE AUTHORITY

COUNTY OF MONMOUTH, NEW JERSEY

COMPONENT UNIT

REPORT OF AUDIT

FISCAL YEARS ENDED DECEMBER 31, 2013 AND 2012

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 Authority
Township of Ocean, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements and the related notes to financial statements of the Township of Ocean Authority ("Authority") as of and for the fiscal years ended December 31, 2013 and 2012, as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2013 and 2012 and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied limited procedures, which consisted principally of inquiries of management regarding methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The information contained in the supplementary information is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

David A. Kaplan, CPA
Registered Municipal Accountant #433

DAK CPA
Certified Public Accountants

Long Branch, New Jersey
February 25, 2014

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section presents management's analysis of the Authority's financial condition and activities of the Authority for the year. Please note the Authority changed their fiscal year end from November 30 to December 31, effective with the year ended December 31, 2012, which is a thirteen month fiscal period.

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

Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis for Local Governments.*

Discussion of Financial Statements Included in Annual Audit

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

The first set of statements which consist of the Comparative Statement of Net Position, the Comparative Statement of Revenues, Expenses and Changes in Net Fund Net Position, 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 position remained good at year end, as depicted by the financial data which follows.

Comparative Statement of Net Position

The Authority's total assets decreased by $419,316. Total liabilities decreased by $2,906,795. Assets exceeded liabilities by $27,547,701. This compares to 2012 where assets exceeded liabilities by $25,060,224.

The Authority's Net Position of $27,547,701 is comprised of the following:

1. Investment in Capital Assets of $22,193,369, as depicted below, 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	$	37,799,633
Less:		
Bonds Payable - Current		(1,495,989)
Bonds Payable - Long Term		(15,286,993)
Add:		
Due from NJ EIT		166,014
Unexpended Bond Proceeds		1,010,704
Investment in Capital Assets	$	22,193,370

Investment in Capital Assets decreased by $282,983.

2. Net Position of $750,000 restricted for the purpose of Renewal and Replacement of "the System", which is determined each year by an independent consulting engineer. This amount increased $25,000 from the prior year.

3. Net Position of $122,188 restricted for the purpose of providing a Debt Service Reserve Fund, in accordance with the Authority's debt covenants, which is equal to the stipulated amount.

4. Net Position of $1,080,863 restricted for the working capital requirement as stipulated in the Bond Resolution, equal to one quarter of the subsequent year's operating budget.

5. Unrestricted net position of $2,570,189 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 increased by $1,770,234 from 2012.

Comparative Condensed Statements of Net Position

	December 31, 2013	December 31, 2012 (As Restated)	November 30, 2011
Total Current Assets	$ 5,419,867	$ 3,382,274	$ 3,377,455
Total Restricted Assets	1,698,514	3,967,773	7,494,897
Capital Assets, Net	37,799,632	37,987,284	38,421,334
Deferred Costs			455,361
Total Assets	$ 44,918,014	$ 45,337,332	$ 49,749,048
Total Current Liabilities Payable from Unrestricted Assets	$ 296,816	$ 307,781	$ 941,882
Total Current Liabilities Payable from Restricted Assets	1,715,871	1,743,639	3,577,690
Accrued Noncurrent Employee Benefits			1,227,969
Compensated Absences Payable	70,634	71,871	85,838
Non Current Obligations, Net	15,286,993	18,153,818	21,703,973
Total Liabilities	$ 17,370,312	$ 20,277,107	$ 27,537,352
Net Position	$ 27,547,702	$ 25,060,225	$ 22,211,696

Total Current Assets have increased mainly due to an increase in cash.

Total Restricted Assets have decreased because of the amounts de-obligated by New Jersey Environmental Infrastructure Trust Loan and because of disbursements for project costs.

Capital Assets, Net have decreased because assets capitalized were less than depreciation expense.

Total Current Liabilities Payable from Unrestricted Assets remain relatively unchanged.

Total Current Liabilities Payable from Restricted Assets remain relatively unchanged.

Non-Current Liabilities have decreased because of the payment and de-obligation of principal on bonds outstanding.

Total Net Position has increased as a result of the reported positive change in Net Position for the 2013 fiscal year.

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

	Fiscal Years Ended		
	December 31, 2013	December 31, 2012 (As Restated)	November 30, 2011
Total Operating Revenues	$ 7,304,691	$ 7,245,664	$ 7,460,137
Operating Expenses	3,499,996	4,186,232	3,730,270
Depreciation	1,043,146	1,123,550	1,049,323
Total Operating Expenses	4,543,142	5,309,782	4,779,593
Operating Income	2,761,549	1,935,882	2,680,544
Non-Operating Revenues/ (Expenses) - Net	(274,073)	(332,384)	(381,706)
Change in Net Position Before Special Item	2,487,477	1,603,498	2,298,838
Specail Item: Release of Deferred Reveue		591,424	
Change in Net Position After Specail Item		2,194,922	
Net Position Beginning	25,060,224	22,865,302	19,912,857
Net Position Ending	$ 27,547,701	$ 25,060,224	$ 22,211,696

Total Operating Revenues increased from the prior year.

Operating Income increased by $825,667 from the prior year.

Operating Expenses decreased by $766,640. The most significant changes were in energy and sludge disposal costs.

Total Net Position increased by $2,487,477 from $25,060,224 to $27,547,701.

Statement of Cash Flows

Cash and Cash Equivalents increased by $1,516,169. This compares to a net decrease of $2,710,170 of 2012.

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 has completed recent upgrades to 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.

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 Position as "User Charges" and reported as Operating Revenues. Initial service charge or connection fee revenue was significant again this year.

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 Department 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 is comprised of five permanent members appointed for five-year terms by the Township of Ocean.

The Authority board members at December 31, 2013 were:

Dennis Galvin, Chairman
Richard Bernhardt, Vice Chairman
John Villapiano, Member
Chris Kelly, Secretary/Treasurer
Ralph Stubbs, Member

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 17, an annual operating budget of $4.1 million and treatment plant and collection system renovation projects under construction. Senior staff is charged with the management of the operations and financial affairs of the Authority. Transfers were made within various 2013 budget appropriations to provide adequate budgetary resources for various expense line items.

The Executive Director and senior staff are as follows:

William Schmeling, Executive Director
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 and de-obligated a portion of the Authority's 2007 and 2010 bonds.

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's Executive Director, William Schmeling or by visiting the Authority's website at www.tosa-nj.org.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2013 AND 2012

	December 31, 2013	2012 (As restated)
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 5,013,409	$ 2,716,018
Petty Cash and Change Funds	350	350
	5,013,759	2,716,368
Customer Accounts Receivable	358,439	605,839
Prepaid Expenses	10,556	28,048
Inventory	37,112	32,019
Total Current Assets	5,419,867	3,382,274
Restricted Assets:		
Developer Deposits:		
Cash and Cash Equivalents	57,604	42,775
Debt Service Account:		
Cash and Cash Equivalents	341,989	336,102
Debt Service Reserve Account:		
Cash and Cash Equivalents	122,204	122,196
Construction Account:		
Cash and Cash Equivalents	1,010,704	1,812,649
Due from NJ Environmental Infrastructure Trust	166,014	1,654,050
Total Restricted Assets	1,698,514	3,967,773
Noncurrent Assets:		
Capital Assets:		
Non-Depreciable	619,897	498,928
Depreciable - Net	37,179,736	37,488,356
Total Noncurrent Assets	37,799,633	37,987,284
Total Assets	$ 44,918,016	$ 45,337,331

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2013 AND 2012

	December 31, 2013	2012 (As restated)
LIABILITIES		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	$ 206,805	$ 230,156
Accrued Expenses	73,864	56,524
Customer Overpayments	12,537	18,460
Payroll Taxes Payable	3,610	2,641
Total Current Liabilities Payable from Current Assets	296,816	307,781
Current Liabilities Payable from Restricted Assets:		
Reserve for Developer's Escrow Deposits	50,902	37,954
Accrued Interest on Revenue Bonds Payable	167,099	85,173
Accounts Payable	1,881	161,386
Revenue Bonds Payable - Current Portion	1,495,989	1,459,125
Total Current Liabilities Payable from Restricted Assets	1,715,871	1,743,639
Non-Current Liabilities:		
Long-Term Revenue Bonds Payable	15,087,416	17,926,440
Less: Unamortized Bond Discounts/(Premium)	(199,577)	(227,378)
	15,286,993	18,153,818
Compensated Absences Payable	70,634	71,871
Total Non-Current Liabilities	15,357,627	18,225,689
Total Liabilities	$ 17,370,314	$ 20,277,109

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2013 AND 2012

	December 31, 2013	December 31, 2012 (As restated)
NET POSITION		
Restricted for:		
Rate Stabilization	$ 755,248	$ 137,651
Future Debt Service	122,188	122,188
Renewal and Replacement	750,000	500,000
Working Capital	1,080,863	1,033,360
Capital Outlay	75,843	
Investment in Capital Assets	22,193,369	22,467,071
Unrestricted Net Position	2,570,189	799,955
Total Net Position	$ 27,547,701	$ 25,060,224

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2013 AND 2012

	Years Ended December 31,			
	2013		2012 (As Restated)	
Operating Revenues:				
User Charges	$ 7,098,622		$ 7,033,372	
Initial Service Charges	206,069		212,292	
Total Operating Revenues		7,304,691		7,245,664
Operating Expenses:				
Cost of Providing Services	2,397,423		2,904,237	
Administration and General	1,102,573		1,281,995	
Depreciation	1,043,146		1,123,550	
Total Operating Expenses		4,543,142		5,309,782
Operating Income		2,761,549		1,935,882
Non-Operating Revenues/(Expenses):				
Interest Expense	(360,268)		(463,722)	
Major Repairs and Costs	(48,685)		(24,336)	
Interest on Investments	10,140		9,749	
Miscellaneous Income/(Expenses)	124,740		145,925	
Total Non-Operating Revenues/(Expenses)		(274,073)		(332,384)
Change in Net Position Before Special Item		$ 2,487,477		$ 1,603,498
Special Item:				
Release of Deferred Revenue				591,424
Change in Net Position After Special Item		2,487,477		2,194,922
Net Position Beginning of Year		25,060,224		22,865,302
Net Position End of Year		$ 27,547,701		$ 25,060,224

The Notes to Financial Statements are an intregral part of this statement.

Exhibit C

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2013 AND 2012

	Years Ended	
	December 31, 2013	December 31, 2012
Cash Flows from Operating Activities:		
Change in Net Position	$ 2,487,477	$ 2,194,922
Adjustments to Reconcile Net Income to Net Cash Provided by/(Used in) Operating Activities:		
Depreciation	1,043,146	1,123,550
Amortization of Bond Discount/(Premium)	(27,801)	38,362
Changes in Assets and Liabilities:		(85,269)
Unrestricted Accounts	259,799	(59,709)
Restricted Accounts	1,488,036	871,843
Increase/(Decrease) in Current Liabilities:		
Payable from Unrestricted Assets	(10,965)	(634,101)
Payable from Restricted Assets	(27,767)	(1,834,051)
(Decrease) Increase in Other Liabilities	(1,237)	(2,102)
Total Adjustments to Change in Net Position	2,723,211	(581,478)
Net Cash Provided by/(Used In) Operating Activities	5,210,687	1,575,082
Cash Flows from Capital and Related Financing Activities:		
Net Increase in Property, Plant and Equipment	(855,495)	(689,500)
Costs of Issuance		(6,909)
Net (Decrease)/Increase in Long-Term Bonds Payable	(2,839,023)	(3,588,843)
Net Cash (Used in)/ Provided by Capital and Related Financing Activities	(3,694,519)	(4,285,252)
Net Increase in Cash and Cash Equivalents	1,516,169	(2,710,170)
Cash and Cash Equivalents at Beginning of Year	5,030,091	7,740,261
Cash and Cash Equivalents at End of Year	$ 6,546,260	$ 5,030,091
Reconciliation to Statement of Net Position:		
Unrestricted Cash and Cash Equivalents	$ 5,013,759	$ 2,716,368
Restricted Cash and Cash Equivalents	1,532,499	2,313,723
	$ 6,546,260	$ 5,030,091

The Notes to Financial Statements are an intregral part of this statement.

NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COMPONENT UNIT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2013 AND 2012

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 utilizes the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (GAAP) revenue is recorded as earned and expenses are reflected as the liability is incurred.

The Authority applies all Governmental Accounting Standards Board pronouncements as well as Financial Standards Board statements and pronouncements.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Grants

Contributions received from various sources as grants are recorded in the period they become measurable. 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 supplies and chemicals annually. The inventory values, reported at cost, as of December 31, 2013 and 2012 were $37,112 and $32,019, respectively.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources, which represents a consumption of net resources that applies to future periods.

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	40 - 75 Years
Sewer Mains Interceptors and Pump Station	75 Years
Other Equipment	5 - 25 Years
Vehicles	3 - 5 Years

	Balance December 31, 2012	Current Year's Activity Increase	Current Year's Activity Transfers	Balance December 31, 2013
Non-Depreciable Assets:				
Land	$ 487,419	$		$ 487,419
Construction in Progress	11,509	120,969		132,478
Depreciable Assets:				
Treatment Plant and Collection System	48,392,223	524,369		48,916,592
Collection System (Contributed)	1,811,321			1,811,321
Treatment Plant (Contributed)	1,887,353			1,887,353
Machinery and Equipment	772,705	210,156		982,861
	53,362,530	855,494		54,218,024
Less: Accumulated Depreciation	15,375,244	1,043,146		16,418,390
	$ 37,987,284	$ 1,898,640		$ 37,799,634

It is the Authorities policy to record capital assets when their cost exceeds $2,000. Depreciation expense for the fiscal years ended December 31, 2013 and 2012 was $1,043,146 and $1,123,550, 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 Funds

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.

Unamortized Debt Issuance Costs

The unamortized deferred debt issuance costs were written off as of December 31, 2012.

Management Estimates

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

Operating versus Non-Operating Revenues

It is the Authorities position to treat user charges received from customers and initial service charges as Operating Revenues. All other revenues are considered non–operating.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position represents the difference between assets and liabilities. Investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through 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 include 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 December 31, 2013, the book balances of cash equivalents (Deposits) of the Authority, consisting of interest bearing Checking, Money Market Checking accounts and a CD totaled $ 6,546,260. The bank balances for these accounts totaled $6,552,156. Of this, $ 2,133,896 was covered by FDIC insurance.

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 December 31, 2013, the Authority had no investments.

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 LIABILITIES

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, 2014 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 $220,000 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.

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 $105,000 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 LIABILITIES (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 $33,684. 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 $35,000 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 Environmental 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 $6,430 to $147,004. 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 $130,000 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.

On November 27, 2012, $207,719 of the 2007 Series Bonds were de-obligated by the NJEIT, resulting in a reduction of the bonds payable.

2010 Series Bonds – New Jersey Environmental Infrastructure Trust (NJEIT)

On March 10, 2010 the Authority issued $5,450,662 in Revenue Bonds through the New Jersey Infrastructure Trust. A portion of the Revenue Bonds were funded by the American Recovery and Reinvestment Act ("ARRA").

The ARRA funded portion of the Revenue Bonds totaled $1,926,012. This amount was segregated into two portions: Trust Loan Bonds of $475,000 which mature annually on August 1 of each year through 2029 at interest rates ranging from 3.5% to 5% and Fund Loan Bonds of $1,451,012. Principal forgiveness of $967,342 on this portion of the Bonds resulted in net Fund Loan Bonds payable

Note 4. LONG-TERM LIABILITIES (CONTINUED)

2010 ARRA Revenue Bonds - (Continued)

of $483,670, which mature semi-annually through August, 2029 with no interest. Annual maturities and interest rates are more fully described in Schedule 4.

2010 Traditional Revenue Bonds

The Traditional portion of the Revenue Bonds totaled $3,524,650. This amount was segregated into two portions: Trust Loan Bonds of $865,000 which mature annually on August 1 of each year through 2024 in amounts ranging from $35,000 to $55,000 at interest rates ranging from 3% to 5%, and Fund Loan Bonds of $2,659,650 which mature semi-annually through August, 2022 in amounts ranging from $45,079 to $90,158, with no interest. Annual maturities and interest rates are more fully described in Schedule 4.

During 2013, $295,000 of the 2010 Traditional Trust Series Bonds were de-obligated by the NJEIT, resulting in a reduction of the bonds payable and $1,048,036 of the Traditional Fund Series Bonds were de-obligated by the NJEIT, resulting in a reduction of the bonds payable.

2011 Series Sewer Revenue Bonds

On September 22, 2011 the Authority issued $2,970,000 in Sewer Revenue Bonds. The Bonds mature annually on February 1 of each year through 2031 in amounts ranging from $115,000 to $200,000 at interest rates ranging from 2% to 4%. Annual maturities and interest rates are more fully described in Schedule 4.

Optional Redemption

Bonds maturing on or after February 1, 2022 are redeemable at the option of the Authority in whole or in part on any date on or after February 1, 2021 at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption.

2011 Series Sewer Revenue Refunding Bonds

On September 22, 2011 the Authority issued $1,025,000 in Sewer Revenue Refunding Bonds. The Bonds mature annually on February 1 of each year through 2018 in amounts ranging from $100,000 to $180,000 at interest rates ranging from 2% to 3%. Annual maturities and interest rates are more fully described in Schedule 4. The proceeds of the Refunding Bonds were utilized to refund the $1,225,000 outstanding balance of the Sewer Revenue Bonds Series 1998 C. The 2011 Series Sewer Revenue Refunding Bonds are not subject to redemption prior to their stated maturities.

Note 4. LONG-TERM LIABILITIES (CONTINUED)

Principal and interest due on revenue bonds outstanding is as follows:

Year	Bond Principal	Interest on Bonds	Grand Total
2014	$ 1,495,989	$ 423,736	$ 1,919,725
2015	1,511,335	390,731	1,902,066
2016	1,568,546	354,856	1,923,402
2017	1,589,659	317,056	1,906,715
2018	1,534,615	279,581	1,814,196
2019-2023	5,779,468	873,575	6,653,043
2024-2028	2,464,200	324,400	2,788,600
2029-2031	639,591	36,800	676,391
	$16,583,403	$3,000,735	$19,584,138

Note 4. LONG-TERM LIABILITIES (CONTINUED)

The following changes occurred in long-term liabilities during the fiscal year:

	Balance January 1, 2013	Principal Paid	De-Obligated	Balance December 31, 2013	Current Portion
Revenue Bonds	$ 19,385,561	$ 1,314,124	$ 1,488,036	$ 16,583,403	$ 1,495,989
	$ 19,385,561	$ 1,314,124	$ 1,488,036	$ 16,583,403	$ 1,495,989

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 December 31, 2013 and 2012 is $70,634 and $71,871, respectively, exclusive of fringe benefits associated thereon, which it provides for through annual budget appropriations. This liability is fully funded.

Note 6. PENSION PLAN

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.

Note 6. PENSION PLAN - (CONTINUED)

Funding Policy and Contributions

Employee contributions were 6.64% of pensionable wages through June 30, 2013 and 6.78% thereafter. 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. Annual employer and employee contributions for PERS for the last three years were as follows:

Year Ended	Employees' Contributions	Employers' Contributions
2013	$ 72,270	$ 134,058
2012	87,752	136,794
2011	71,446	132,323

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

All amounts required by the bond resolution to be held in the debt service and debt service reserve funds were as required at December 31, 2013 and 2012.

Note 9. USER RATES

The Authority charges each residential customer a user fee of $460 per year. Commercial customers are charged a minimum of $460 per year. If their annual water usage exceeds 73,000 gallons per year, they are billed $6.30 per thousand gallons usage. Those rates have not changed since January, 2010

Note 10. NET POSITION

Restricted for Rate Stabilization - The $755,248 Reserve for Rate Stabilization at December 31, 2013 was not utilized as revenue in the succeeding year's budget.

Restricted for Future Debt Service – The Authority's Bond Resolution mandates a designation of net position for the benefit of the bond holders equal to $122,188.

Restricted for Working Capital - The Authority's Bond Resolution mandates a designation of net position for operating costs at a level equal to one quarter of the succeeding year's operating budget, or $1,080,863.

Restricted for Renewal and Replacement – The Authority's Bond Resolution mandates a designation of net position for major unforeseen system repairs and replacements of $500,000. The Authority opted to increase this designation to $750,000.

Restricted for Future Capital Projects – The Authority has provided for various capital projects on a "pay as you go" basis through budget appropriations. The unencumbered portions of these capital projects have restricted net position totaling $75,843.

Note 11. 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, respectively.

Note 12. 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 Fund Net Position (Exhibit B) for 2012 and 2013.

	Fiscal Year Ended December 31, 2012		
	Per Schedule 3	Less Asset Acquisitions	Per Exhibit B
Administration	$ 1,287,195	$ (5,200)	$ 1,281,995
Treatment Plant	2,374,016	(38,415)	2,335,601
Collection System	568,636		568,636
Total Cost of Providing Service	2,942,652	(38,415)	2,904,237
Totals	$ 4,229,847	$ (43,615)	$ 4,186,232

	Fiscal Year Ended December 31, 2013		
	Per Schedule 3	Less Asset Acquisitions	Per Exhibit B
Administration	$ 1,102,573	-	$ 1,102,573
Treatment Plant	1,889,217	$ -	1,889,217
Collection System	508,207		508,207
Total Cost of Providing Service	2,397,423		2,397,423
Totals	$ 3,499,996	$ -	$ 3,499,996

Note 13. OTHER EMPLOYEE BENEFITS

Benefit Plans

The Authority participates in the New Jersey State Health Benefits Program ("SHBP"), which qualifies as a cost-sharing, multiple-employer plan in accordance with GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pensions and Benefits.

Under the SHBP, retirees may continue the health benefits programs in which they were enrolled at the time of retirement, provided the retiree pays the costs of the benefits (at group rates) for themselves and their eligible dependents.

A retiree may also receive Authority paid health benefits in accordance with labor agreements if they have twenty-five (25) or more years enrolled in the pension system.

Funding Policy – The contribution requirements of plan members are established and may be amended by the state legislature. Participating local government units are contractually required to contribute at a rate assessed each year by the SHBP. The SHBP Commission sets the employer contribution rate based on that annual required contribution of the employers (ARC) as established in an annual rate recommendation report.

The Authority funds retiree health benefits on a pay as you go basis. For 2013 and 2012, the Authority's contributions to the SHBP for retiree's health benefits $211,593 and $205,598.

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

Note 14. PRIOR PERIOD RESTATEMENTS

As required by GASB Statement 65, *Items Previously Reported as Assets and Liabilities,* the Authority's Comparative Statement of Net Position and Comparative Statement of Revenues, Expenses and Changes in Fund Net Position are reflected as restated as of and for the fiscal year ended December 31, 2012.

As discussed below in Note 15, the Authority implemented the provisions of GASB Statement No. 65 this year. Bond issues costs previously recorded as deferred charges were eliminated. This restatement resulted in a reduction of unrestricted net position of $398,652. Unamortized losses on defeasances previously recorded as a reduction of long-term revenue bonds payable were eliminated. This restatement resulted in a reduction of unrestricted net position of $85,597.

GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* prescribes accounting policy for participants in cost-sharing multiple-employer plans for post-retirement benefits. Accruals for other post-employment benefits have been eliminated. This restatement resulted in an increase in unrestricted net position of $1,239,835.

Note 15. RECENT PRONOUNCEMENTS

During fiscal year 2013, the Authority adopted the following GASB Statements:

GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

GASB Statement 65, *Items Previously Reported as Assets and Liabilities*

Note 16. SUBSEQUENT EVENTS

There were no events occurring through the date of the independent auditor's report, February 25, 2014, which have been considered necessary for subsequent events disclosure.

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 DECEMBER 31, 2013

	Revenue Account	Authority Reserve Account	Total
Cash and Cash Equivalents:			
January 1, 2013	$ 2,303,593	$ 455,550	$ 2,759,143
Cash Receipts:			
Transfer from Revenue Account		905,058	905,058
Interest Received	1,870	2,441	4,310
Customer Overpayments	12,537		12,537
Annual Service Charges	7,340,675		7,340,675
Initial Service Charges	206,069		206,069
Miscellaneous Fees and Charges	40,954		40,954
Interest on Delinquent Accounts	83,786		83,786
Total Cash and Cash Equivalents Available	9,989,484	1,363,048	11,352,532
Cash Disbursed:			
Accounts Payable	230,156		230,156
Transfer to Authority Reserve Account	905,058		905,058
Transfer to Restricted Accounts	27,300		27,300
Transfer to Debt Service Account	1,458,614		1,458,614
Budgetary Expenditures	3,394,718		3,394,718
Capital Outlay Expenditures	200,823		200,823
Accrued Expenses	73,864		73,864
Prepaid Expenses	10,556		10,556
Major Repairs and Replacements		37,685	37,685
Total Cash Disbursed	6,301,089	37,685	6,338,774
Cash and Cash Equivalents, December 31, 2013	$ 3,688,396	$ 1,325,363	$ 5,013,759
Balance Comprised of:			
Petty Cash and Change Funds	$ 350	$	$ 350
Cash - Money Market Funds/Checking Accounts/CD	3,688,046	1,325,363	5,013,409
	$ 3,688,396	$ 1,325,363	$ 5,013,759

Schedule 2

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 DECEMBER 31, 2013

	Accounts Required by Revenue Bond Resolution				
	Debt Service Account	Debt Service Reserve Account	Construction Account	Developer's Escrow	Totals
Cash and Cash Equivalents:					
January 1, 2013	$ 336,102	$ 122,196	$ 1,812,649	$ 42,775	$ 2,313,722
Cash Receipts:					
Interest Received	12	6	243	97	359
Transfer from Revenue Account:					
Budget for Debt Service	1,431,314				1,431,314
Other	27,300				27,300
Developer's Escrow Deposits				43,373	43,373
Total Cash and Cash Equivalents Available	1,794,728	122,203	1,812,893	86,245	3,816,068
Cash Disbursed:					
Payment of Bond Principal	1,119,295				1,119,295
Payment of Interest on Bonds	306,143				306,143
Payment of NJEIT Admin. Fees	27,300				27,300
Payment of Project Costs			822,189		822,189
Reserve for Developer's Escrow				28,642	28,642
Total Cash Disbursed	1,452,739		822,189	28,642	2,303,569
Cash and Cash Equivalents, December 31, 2013	$ 341,989	$ 122,204	$ 990,704	$ 57,604	$ 1,512,500
Balance Comprised of:					
Cash - Checking	$	$	$	$ 57,604	$ 57,604
Goldman US Treasury Obligation Fund	341,989	122,204	990,704		1,454,897
	$ 341,989	$ 122,204	$ 990,704	$ 57,604	$ 1,512,500

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 DECEMBER 31, 2013 AND 2012

	December 31, 2013				December 31, 2012		
	Original Budget	Final Budget	Realized	Variance Final to Actual	Final Budget	Realized	Variance Final to Actual
Revenues							
User Charges	$ 7,147,000	$ 7,147,000	$ 7,098,622	$ (48,378)	$ 7,781,194	$ 7,624,796	$ (156,398)
Initial Service Charges			206,069	206,069	210,000	212,292	2,292
Interest on Investments	10,000	10,000	10,140	140	41,000	9,749	(31,251)
Interest on Delinquent Accounts	45,000	45,000	83,786	38,786	46,000	55,040	9,040
Miscellaneous Fees and Charges	13,000	13,000	40,954	27,954	13,000	90,885	77,885
Bond Service Reserve Release					155,110	154,391	(719)
Total Revenues	$ 7,215,000	$ 7,215,000	$ 7,439,572	$ 224,572	$ 8,246,304	$ 8,147,153	$ (99,150)

	December 31, 2013				December 31, 2012		
	Original Budget	Final Budget	Paid or Charged	Variance Final to Actual	Final Budget	Paid or Charged	Variance Final to Actual
Expenditures							
Administration:							
Members Salaries	$ 10,250	$ 10,275	$ 10,251	$ 25	$ 12,820	$ 10,250	$ 2,570
Administrative Salaries	111,000	111,000	111,938	(938)	120,000	118,988	1,012
Consultant Services						1,791	(1,791)
Office Salaries	10,400	4,225		4,225			
Telephone	21,000	21,000	20,759	241	21,000	23,657	(2,657)
Office Supplies	2,500	2,500	2,685	(185)	12,000	13,854	(1,854)
Postage	6,000	6,000	2,886	3,114	10,000	1,746	8,254
Professional Fees:							
Engineering	27,500	27,500	14,086	13,414	138,500	136,423	2,078
Legal	27,500	27,500	14,096	13,404	13,500	12,479	1,022
Accounting	44,000	44,000	35,000	9,000	41,440	43,425	(1,985)
Programmers	7,000	13,000	11,119	1,881			
Insurance General	130,000	130,000	122,946	7,054	117,600	117,721	(121)

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 DECEMBER 31, 2013 AND 2012

	December 31, 2013				December 31, 2012		
Expenditures (Continued)	Original Budget	Final Budget	Paid or Charged	Variance Final to Actual	Final Budget	Paid or Charged	Variance Final to Actual
Administration (Continued):							
Travel Expense	$ 2,500	$ 2,500	$ 772	$ 1,728	$ 2,000	$ 1,843	$ 157
Dues and Subscriptions	5,200	5,200	4,680	520	4,150	4,335	(185)
Hospitalization Insurance	444,000	444,000	367,459	76,541	393,200	174,351	218,849
Social Security Taxes	106,735	106,735	92,858	13,877	110,000	102,440	7,560
Public Employee Retirement System	146,401	146,401	134,058	12,343	136,794	136,794	
Group Life Insurance	950	950	658	292	850	652	198
Advertising	2,000	2,000	1,781	219	2,000	594	1,406
Heat	2,500	2,500	2,087	413	2,625	2,383	242
Trustee and Paying Agent	51,575	51,725	59,222	(7,497)	69,215	64,214	5,001
Equipment Maintenance Contracts	9,000	9,000	6,457	2,543	8,600	8,769	(169)
Office Equipment	500	500		500	5,200	5,300	(100)
Conventions and Seminars	2,500	2,500	1,191	1,309	1,900	1,836	64
Education and Training Courses	4,000	4,000	3,809	191	3,250	3,227	23
Safety Equipment	6,000	6,000		6,000	1,000		1,000
Reserve for Accumulated Vacation and Sick Time	5,000	5,000	908	4,092		1,536	(1,536)
Other Post Employment Benefits	200,000	200,000		200,000	100,000	214,780	(114,780)
Township of Ocean Interlocal	110,000	110,000	80,866	29,134	99,000	83,808	15,192
Total Administration	1,496,011	1,496,011	1,102,573	393,438	1,426,644	1,287,195	139,449
Treatment Plant:							
Salaries							
Base	810,130	810,130	803,460	6,670	900,000	889,103	10,897
Overtime	28,200	28,200	21,215	6,985	54,350	42,585	11,765
Water	12,000	12,000	7,227	4,773	11,925	11,135	790
Electric	334,250	334,250	293,621	40,629	421,000	441,665	(20,665)
Gas	13,000	13,000	12,868	132	14,250	11,694	2,556
Process Chemicals:							
Liquid Oxygen	22,500	20,000	14,401	5,599	21,500	19,858	1,642
Sodium Hypochlorite	53,200	55,700	55,298	402	50,800	55,916	(5,116)
Polymer	17,600	17,600	9,844	7,756	15,100	14,766	334
Other	3,850				3,850	4,658	(808)
Maintenance Chemicals	2,000	5,850	4,535	1,315	2,000	3,755	(1,755)

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 DECEMBER 31, 2013 AND 2012

	December 31, 2013				December 31, 2012		
Treatment Plant(Continued):	Original Budget	Final Budget	Paid or Charged	Variance Final to Actual	Final Budget	Paid or Charged	Variance Final to Actual
Repairs and Supplies:							
Uniforms and Lockers	$ 6,150	$ 6,850	$ 3,902	$ 2,948	$ 6,350	$ 6,729	$ (379)
One Call	3,000	3,400	3,211	189	3,250	3,423	(173)
Pumps	27,000	27,000	9,080	17,920	17,150	17,195	(45)
General	35,000	35,000	34,094	906	22,100	28,212	(6,112)
Repairs - Contractors	25,000	25,000	41,748	(16,748)	27,000	30,178	(3,178)
Truck Expenses							
Gasoline	7,500	8,500	7,884	616	7,950	10,050	(2,100)
Repairs	7,500	7,500	5,422	2,078	4,750	3,176	1,574
Other	40,000				1,500	944	556
Truck Acquisition	6,750	6,750	766	5,984	45,000	44,589	411
Sludge Disposal	425,000	425,000	403,346	21,654	517,000	552,284	(35,284)
Grit Disposal	20,000	20,000	14,937	5,063	16,000	17,600	(1,600)
Bioxide Plant	60,000	47,400	3,768	43,633	30,000	40,935	(10,935)
Lab:							
Supplies	9,000	12,500	10,299	2,201	5,250	8,812	(3,562)
Equipment	5,000	7,500	7,182	318	2,250	3,256	(1,006)
Testing	15,000	21,500	20,369	1,131	18,500	19,580	(1,080)
Permit Fees	60,000	50,000	49,176	824	55,706	55,706	0
Maintenance Contracts Equipment	35,000	43,000	51,563	(8,563)	30,000	36,213	(6,213)
Total Treatment Plant	2,083,630	2,043,630	1,889,217	154,413	2,304,531	2,374,016	(69,485)
Collection System:							
Salaries							
Base	240,000	240,000	211,469	28,531	215,000	213,393	1,607
Overtime	18,000	18,000	15,336	2,664	41,750	32,700	9,050
Repairs and Supplies:							
Pumps	55,000	40,000	31,367	8,633	17,500	18,039	(539)
Controls	15,000	7,000	1,851	5,149	12,000	6,818	5,182
Jet Truck	18,000	18,000	17,312	688	9,000	8,940	60
General	5,500	5,500	3,885	1,615	7,500	7,103	397
Repairs - Contractors	30,000	110,000	81,899	28,101	69,200	74,196	(4,996)

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 DECEMBER 31, 2013 AND 2012

	December 31, 2013				December 31, 2012		
	Original Budget	Final Budget	Paid or Charged	Variance Final to Actual	Final Budget	Paid or Charged	Variance Final to Actual
Collection System(Continued):							
Maintenance Chemicals:							
Bioxide	$ 75,000	$ 63,000	$ 61,669	$ 1,331	$ 81,000	$ 75,367	$ 5,633
Other	16,900	10,600	9,991	609	9,400	9,727	(327)
Electric	42,500	42,500	39,626	2,874	55,000	55,708	(708)
Water	1,900	1,900	1,649	251	2,075	1,801	274
Truck Expenses:							
Gasoline	10,000	10,000	6,587	3,413	9,700	13,180	(3,480)
Diesel	8,000	8,300	7,676	624	33,570	41,034	(7,464)
Repairs	2,000	3,000	2,642	358	4,500	5,069	(569)
Other	1,000	1,000	993	7	1,000	525	475
Manhole Maintenance	15,000	15,000	14,253	747	2,500	5,035	(2,535)
Total Collection System	553,800	593,800	508,207	85,593	570,695	568,636	2,059
Total Operations	4,133,441	4,133,441	3,499,996	633,445	4,301,870	4,229,847	72,023
Debt Service:							
Bond Principal	1,459,125	1,459,125	1,314,125	145,000	3,278,374	3,278,374	
Interest Expense	468,836	468,836	388,069	80,767	612,238	548,992	63,246
Total Debt Service	1,927,961	1,927,961	1,702,194	225,767	3,890,612	3,827,366	63,246
Reserves:							
Renewal and Replacement	250,000	250,000	250,000				
Rate Stabilization	617,598	617,598	617,598		67,903	53,822	
Total Reserves	867,598	867,598	867,598		67,903	53,822	
Capital Outlay:							
Perimeter Fencing	20,000	20,000	20,000				
Main Pump Building Grit Screens	20,000	13,000	13,000				
PSA Ventilation	30,000	17,000	17,000				
Loch Arbour Flow Meter	20,000						
HVAC System - Administration Building	6,000						
Outfall System Inspection	60,000	60,000	60,000				
Gravity Thickener	40,000	115,000	115,000				
Main Pump Drives and Control	60,000	12,000	12,000				
Pump Station Bypass Connections	10,000						
Acquisition of Vehicles	20,000	10,000	10,000				
Grit Building Rehabilitation		39,000	39,000				
Total Capital Outlay	286,000	286,000	286,000				
Total Expenditures	$ 7,215,000	$ 7,215,000	$ 6,355,788	$ 859,212	$ 8,260,385	$ 8,111,035	$ 135,269

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
SCHEDULE OF REVENUE SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

Purpose	Date of Issue	Maturities Date	Maturities Amount	Interest Rate	Balance January 1, 2013	De-Obligated	Paid	Balance December 31, 2013
$3,905,000 (Series 2001 NJEIT)	11/9/2001	8/1/2014	$ 220,000	5.00%	$	$	$	$
Trust Loan - To provide funds		8/1/2015	230,000	5.00%				
for the 2001 Treatment Plant		8/1/2016	245,000	5.00%				
and Collection System		8/1/2017	255,000	5.00%				
Capital Project.		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					2,310,000		210,000	2,100,000
$3,935,900 (Series 2001 NJEIT)	11/9/2001	2/1/2014	33,605	0%				
Fund Loan - To provide funds		8/1/2014	176,484	0%				
for the 2001 Treatment Plant		2/1/2015	30,033	0%				
and Collection System		8/1/2015	179,406	0%				
Capital Project.		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	4,782	0%				
		8/1/2021	206,111	0%				
2001 Fund Loan Series Sub-Total					1,891,796		211,095	1,680,701
$1,630,000.00 (Series 2004A NJEIT)	11/4/2004	8/1/2014	105,000	4.00%				
Trust Loan		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					1,060,000		100,000	960,000

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
SCHEDULE OF REVENUE SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

Purpose	Date of Issue	Maturities Date	Maturities Amount	Interest Rate	Balance January 1, 2013	De-Obligated	Paid	Balance December 31, 2013
$1,720,000.00 (Series 2004B NJEIT)	11/4/2004	2/1/2014	15,861	0%	$	$	$	$
Fund Loan		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					942,339		106,069	836,270
$525,000.00 (Series 2006 NJEIT)	11/9/2006	8/1/2014	35,000	5.00%				
Trust Loan		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					355,000		30,000	325,000
$487,442.00 (Series 2006 NJEIT)	11/9/2006	2/1/2014	4,995	0%				
Fund Loan		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					306,690		32,222	274,468

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
SCHEDULE OF REVENUE SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

Purpose	Date of Issue	Maturities Date	Maturities Amount	Interest Rate	Balance January 1, 2013	De-Obligated	Paid	Balance December 31, 2013
$3,070,000.00 (Series 2007 NJEIT) Trust Loan	11/8/2007	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					2,615,000	125,000		2,490,000
$2,960,500 (Series 2007 NJEIT) Fund Loan	11/8/2007	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	102,242	0%				
2007 Fund Loan Series Sub-Total					2,132,631		154,908	1,977,723

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
SCHEDULE OF REVENUE SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

Purpose	Date of Issue	Maturities Date	Maturities Amount	Interest Rate	Balance January 1, 2013	De-Obligated	Paid	Balance December 31, 2013
$475,000 (Series 2010A NJEIT)	3/10/2010	8/1/2014	20,000	5.00%	$	$	$	$
ARRA Trust		8/1/2015	20,000	5.00%				
		8/1/2016	20,000	5.00%				
		8/1/2017	20,000	5.00%				
		8/1/2018	25,000	5.00%				
		8/1/2019	25,000	4.00%				
		8/1/2020	25,000	5.00%				
		8/1/2021	25,000	3.00%				
		8/1/2022	25,000	4.00%				
		8/1/2023	30,000	4.00%				
		8/1/2024	30,000	4.00%				
		8/1/2025	30,000	4.00%				
		8/1/2026	30,000	3.50%				
		8/1/2027	30,000	4.00%				
		8/1/2028	35,000	4.00%				
		8/1/2029	35,000	4.00%				
2010A ARRA Trust Series Sub-Total					445,000	20,000		425,000
$483,670 (Series 2010 NJEIT)	3/10/2010	2/1/2014	8,198	0%				
ARRA Fund		8/1/2014	16,395	0%				
		2/1/2015	8,198	0%				
		8/1/2015	16,395	0%				
		2/1/2016	8,198	0%				
		8/1/2016	16,395	0%				
		2/1/2017	8,198	0%				
		8/1/2017	16,395	0%				
		2/1/2018	8,198	0%				
		8/1/2018	16,395	0%				
		2/1/2019	8,198	0%				
		8/1/2019	16,395	0%				
		2/1/2020	8,198	0%				
		8/1/2020	16,395	0%				
		2/1/2021	8,199	0%				
		8/1/2021	16,395	0%				
		2/1/2022	8,198	0%				
		8/1/2022	16,395	0%				
		2/1/2023	8,199	0%				
		8/1/2023	16,395	0%				
		2/1/2024	8,199	0%				
		8/1/2024	16,395	0%				
		2/1/2025	8,199	0%				
		8/1/2025	16,395	0%				
		2/1/2026	8,199	0%				
		8/1/2026	16,395	0%				
		2/1/2027	8,199	0%				
		8/1/2027	16,395	0%				
		2/1/2028	8,199	0%				
		8/1/2028	16,395	0%				
		2/1/2029	8,199	0%				
		8/1/2029	16,395	0%				
2010 ARRA Fund Series Sub-Total					418,089		24,593	393,496

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
SCHEDULE OF REVENUE SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

Purpose	Date of Issue	Maturities Date	Maturities Amount	Interest Rate	Balance January 1, 2013	De-Obligated	Paid	Balance December 31, 2013
$865,000 (Series 2010A NJEIT)	3/10/2010	8/1/2014	35,000	5.00%	$	$	$	$
Traditional Trust		8/1/2015	35,000	5.00%				
		8/1/2016	35,000	5.00%				
		8/1/2017	40,000	5.00%				
		8/1/2018	40,000	5.00%				
		8/1/2019	45,000	4.00%				
		8/1/2020	45,000	5.00%				
		8/1/2021	45,000	3.00%				
		8/1/2022	50,000	4.00%				
		8/1/2023	50,000	4.00%				
		8/1/2024	55,000	4.00%				
2010A ARRA Traditional Trust Series Sub-Total					805,000	295,000	35,000	475,000
$2,659,650(Series 2010 NJEIT)	3/10/2010	2/1/2014	45,079	0%				
Traditional Fund		8/1/2014	90,158	0%				
		2/1/2015	45,079	0%				
		8/1/2015	90,158	0%				
		2/1/2016	45,079	0%				
		8/1/2016	90,158	0%				
		2/1/2017	45,079	0%				
		8/1/2017	90,158	0%				
		2/1/2018	45,079	0%				
		8/1/2018	90,158	0%				
		2/1/2019	45,078	0%				
		8/1/2019	90,158	0%				
		2/1/2020	45,078	0%				
		8/1/2020	90,158	0%				
		2/1/2021	45,078	0%				
		8/1/2021	90,158	0%				
		2/1/2022	33,856	0%				
2010A ARRA Traditional Fund Series Sub-Total					2,299,018	1,048,036	135,237	1,115,745

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
SCHEDULE OF REVENUE SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

Purpose	Date of Issue	Maturities Date	Maturities Amount	Interest Rate	Balance January 1, 2013	De-Obligated	Paid	Balance December 31, 2013
$1,025,000(Series 2011 Refunding)	9/22/2011	2/1/2014	170,000	3.00%	$	$	$	$
Proceeds utilized to redeem all		2/1/2015	170,000	3.00%				
outstanding 1998 Series C		2/1/2016	180,000	3.00%				
bonds.		2/1/2017	180,000	3.00%				
		2/1/2018	100,000	2.00%				
2011 Refunding Bonds Series Sub-Total					960,000		160,000	800,000
$2,970,000 (Series 2011 Capital Projects)	9/22/2011	2/1/2014	115,000	3.00%				
Proceeds utilized to finance the		2/1/2015	120,000	3.00%				
2011 Capital Projects.		2/1/2016	125,000	3.00%				
		2/1/2017	125,000	3.00%				
		2/1/2018	130,000	2.00%				
		2/1/2019	135,000	2.50%				
		2/1/2020	135,000	2.75%				
		2/1/2021	140,000	2.75%				
		2/1/2022	145,000	3.00%				
		2/1/2023	150,000	3.00%				
		2/1/2024	155,000	3.50%				
		2/1/2025	160,000	3.50%				
		2/1/2026	165,000	3.50%				
		2/1/2027	170,000	4.00%				
		2/1/2028	180,000	4.00%				
		2/1/2029	185,000	4.00%				
		2/1/2030	195,000	4.00%				
		2/1/2031	200,000	4.00%				
2011 Capital Projects Bonds Series Sub-Total					2,845,000		115,000	2,730,000
Grand Total					$ 19,385,563	$ 1,488,036	$ 1,314,124	$ 16,583,403
Detail:								
Current Portion								$ 1,495,989
Long Term Liability								15,087,414
								$ 16,583,403

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
BALANCE SHEET BY FUND AS OF DECEMBER 31, 2013

	Revenue Fund	Construction Fund	Debt Service Fund	Debt Service Reserve Fund	Authority Reserve Fund	(Memorandum Only) December 31, 2013 Total
ASSETS						
Unrestricted Assets:						
Cash	$ 3,688,046	$	$	$	$ 1,325,363	$ 5,013,409
Petty Cash Fund	350					350
Customer Accounts Receivable	358,439					358,439
Inventory	37,112					37,112
Prepaid Expenses	10,556					10,556
Due from Revenue Fund					2,805,058	2,805,058
Due from Construction Fund	54,985				43,074	98,059
Due from Debt Service Fund	174,891					174,891
Due from Debt Service Reserve Fund	16					16
Total Unrestricted Assets	4,324,395				4,173,496	8,497,890
Restricted Assets:						
Cash and Cash Equivalents - Money Market	57,603	1,010,704	341,989	122,204		1,532,500
Due from Revenue Fund						
Due from Construction Fund						
Due from NJ Environmental Infrastructure Trust		166,014				166,014
Total Restricted Assets	$ 57,603	$ 1,176,718	$ 341,989	$ 122,204	$	$ 1,698,514

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
BALANCE SHEET BY FUND AS OF DECEMBER 31, 2013

	Revenue Fund	Construction Fund	Debt Service Fund	Debt Service Reserve Fund	Authority Reserve Fund	(Memorandum Only) December 31, 2013 Total
ASSETS (CONTINUED)						
Property, Plant and Equipment:						
Land	$	$ 487,419	$	$	$	$ 487,419
Construction in Progress		132,478				132,478
Treatment Plant and Collection System		48,916,591				48,916,591
Collection System (Donated)		1,811,321				1,811,321
Treatment Plant (Donated)		1,887,353				1,887,353
Machinery and Equipment		982,861				982,861
		53,730,604				53,730,604
Less: Accumulated Depreciation		16,418,391				16,418,391
		37,312,213				37,312,213
Net Property, Plant and Equipment		37,799,632				37,799,632
Total Assets	$ 4,381,998	$ 38,976,350	$ 341,989	$ 122,204	$ 4,173,496	$ 47,996,036

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
BALANCE SHEET BY FUND AS OF DECEMBER 31, 2013

	Revenue Fund	Construction Fund	Debt Service Fund	Debt Service Reserve Fund	Authority Reserve Fund	(Memorandum Only) December 31, 2013 Total
LIABILITIES AND FUND EQUITY						
Current Liabilities Payable From Unrestricted Assets:						
Accounts Payable	$ 206,805	$	$	$	$	$ 206,805
Accrued Expenses	73,864					73,864
Customer Overpayments	12,537					12,537
Payroll Taxes Payable	3,610					3,610
Due to Authority Reserve Fund	2,805,058					2,805,058
Current Liabilities Payable from Restricted Assets:						
Accounts Payable	1,881					1,881
Reserve for Developer's Escrow Deposits	50,902					50,902
Revenue Bonds Payable - Current Portion		1,495,989				1,495,989
Accrued Interest on Revenue Bonds Payable			167,099			167,099
Due to Authority Reserve Fund		43,074				43,074
Due to Revenue Fund		54,985	174,891	16		229,892
Total Current Liabilities	3,154,657	1,594,048	341,990	16		5,090,711
Long-Term Revenue Bonds Payable		15,087,416				15,087,416
Less: Unamortized Bond Discounts/(Premium)		(199,577)				(199,577)
		15,286,993				15,286,993
Reserve for Construction Fund		22,095,309				22,095,309
Reserve for Compensated Absences	70,634					70,634
Total Non-Current Liabilities	$ 70,634	$ 22,095,309	$	$	$	$ 22,165,944

LIABILITIES AND NET POSITION
(CONTINUED)

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
COMPONENT UNIT
BALANCE SHEET BY FUND AS OF DECEMBER 31, 2013

	Revenue Fund	Construction Fund	Debt Service Fund	Debt Service Reserve Fund	Authority Reserve Fund	(Memorandum Only) December 31, 2013 Total
Net Position						
Restricted for:						
Renewal and Replacement	$	$	$	$	$ 750,000	$ 750,000
Rate Stabilization					755,248	755,248
Future Debt Service				122,188		122,188
Capital Outlay	75,843					75,843
Unrestricted Net Position - Designated	1,080,863					1,080,863
Unreserved Net Position - Undesignated					2,668,247	2,668,247
Total Net Position	1,156,706			122,188	4,173,496	5,452,389
Total Liabilities and Net Position	$ 4,381,998	$ 38,976,350	$ 341,990	$ 122,204	$ 4,173,496	$ 47,996,037

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

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

We have audited the financial statements of the Township of Ocean Sewerage Authority ("Authority"), in the County of Monmouth, State of New Jersey, as of and for the year ended December 31, 2013, which collectively comprise the Authority's basic financial statements and related notes to the financial statements and have issued our report thereon dated February 25, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Authority in a separate report entitled, Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance dated February 25, 2014.

Purpose of this Report

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

David A. Kaplan, CPA
Registered Municipal Accountant #433

DAK CPA

DAK CPA
Certified Public Accountants

Long Branch, New Jersey
February 25, 2014

OFFICIALS IN OFFICE AND SURETY BOND/INSURANCE COVERAGE

OFFICIALS IN OFFICE
AS OF DECEMBER 31, 2013

The following were in office during the period under audit:

Members of the Sewerage Authority	Title
Dennis Galvin	Chairman
Richard Bernhardt	Vice-Chairman
Chris Kelly	Secretary/Treasurer
Ralph Stubbs	Member
John Villapiano	Member

Other Officials	
William E. Schmeling	Executive Director
CME, Inc	Consulting Engineer
John Bonello, Esq.	Attorney
BNY/Mellon	Trustee

INSURANCE COVERAGE
DECEMBER 31, 2013

			Expiration Date
Special Multi Peril Policy:			
Property:			
Buildings and Contents		$ 150,000,000.00	1/1/2014 *
Contractors Equipment		5,000,000.00	
Employee Blanket Dishonesty		2,500,000.00	
Valuable Papers		10,000,000.00	
Accounts Receivable		10,000,000.00	
Depositor's Forgery		1,000,000.00	
Theft, Disappearance and Destruction:			
Inside		500,000.00	
Outside		500,000.00	
Miscellaneous Tools and Equipment		10,000.00	
Boiler and Machinery		150,000,000.00	
	Property Damage	Bodily Injury	
Liability:			
General Liability, Property and Bodily Damage (Combined Single Limit)		$ 10,000,000.00	1/1/2014 *
Auto Fleet:			
Liability (Combined Single Limit)	$ 10,000,000.00		1/1/2014 *
Uninsured Motorists	10,000,000.00		
Public Officials Liability	3,000,000.00		1/1/2014 *
Ocean Outfall	5,000,000.00		1/1/2014 *
Flood	20,000,000.00		1/1/2014 *
Workmen's Compensation	Statutory	1,750,000.00	1/1/2014 *
Excess Liability	3,000,000.00		1/1/2014

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
DECEMBER 31, 2013

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)

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.

Under N.J.S.A 40A:11-9(b) the Authority appointed the Executive Director as their Qualified Purchasing Agent. Accordingly, the 2013 bid threshold was $36,000.00.

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

Sewerage Lines and Facility Repairs
Gravity Sludge Thickener Reconstruction Project
Sewerage Screening & Dried Grease
Supply Sodium Hypochlorite
Delivery of Calcium Nitrate

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 $36,000.00 "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).

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 December 31, 2013 covering all unpaid charges on that date was verified with the accounting control figures shown in this report.

A test verification of delinquent charges outstanding at December 31, 2013, 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.

Bond Resolution Covenants - (Continued)

(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.

(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.

Finding:

Condition: Our examination revealed a deposit that was not deposited within 48 hours by the Township although the check was hand delivered to the Township on the day it was received by the Authority.

Cause: No plausible explanation.

Criteria: New Jersey State Statute.

Client Response: Oversight.

Recommendation: It is recommended that all deposits be made within 48 hours as required by New Jersey State Statute.

Expenditures

In accordance with the bond resolution, Section 610, the Authority adopted an annual operating budget for the fiscal year ending December 31, 2013.

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.

Payroll

An examination was made of the employees' compensation records, including compensated absences and employees' contribution towards health coverage for the year ended December 31, 2013 and no exceptions were noted.

Finding:

Condition: Although requested from the Township no payroll bank reconciliations for the entire year were provided as required by the inter-local service agreement.

Cause: No plausible explanation.

Criteria: inter-local service agreement in place.

Client Response: The Authority will continue to request the reconciliations from the Township in writing on a monthly basis.

Recommendation: It is recommended that the payroll bank reconciliations be provided to the Authority on a monthly basis as required by the inter-local service agreement.

Other

Finding:

Condition: Our examination revealed that the accounts receivable subsidiary ledger is not being reconciled monthly to the general ledger.

Cause: Management was unable to obtain documentation needed for the reconciliation.

Criteria: Monthly reconciliations are a fundamental element of internal control.

Client Response: Management will emphasize the importance of monthly reconciliations.

Recommendation: It is recommended that the accounts receivable subsidiary ledger be reconciled monthly to the general ledger.

GENERAL COMMENTS
DECEMBER 31, 2013 - (CONTINUED)

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
DECEMBER 31, 2013

It is recommended:

2013-1. That all deposits be made within 48 hours as required by New Jersey State Statute.

2013-2. That the payroll bank reconciliations be provided to the Authority on a monthly basis as required by the inter-local service agreement.

2013-3. That the accounts receivable subsidiary ledger be reconciled monthly to the general ledger.

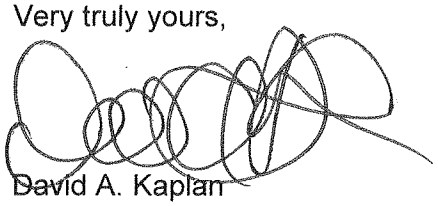
Summary Schedule of Prior Year Findings

The 2012 audit findings have been corrected with the exception of recommendation 2013-3, cited above.

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,



David A. Kaplan
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For The Firm
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