



**Township of Ocean Sewerage Authority
(A Component Unit of the Township of Ocean)
Financial Statements
with Supplementary Information**

**Years ended December 31, 2017 and 2016
and
Independent Auditors' Report**

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
(A Component Unit of the Township of Ocean)

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Township of Ocean Sewerage Authority, County of Monmouth, New Jersey ("Authority"), a component unit of the Township of Ocean as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

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, 2017 and 2016, and the respective changes in financial position, and cash flows, thereof 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 management's discussion and analysis, schedule of the Authority's proportionate share of the net pension liability-PERS and schedule of the Authority's contributions-PERS as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information, which consists of the schedule of cash receipts, cash disbursements and changes in cash and cash equivalents and investments – unrestricted accounts, schedule of cash receipts, cash disbursements and changes in cash and cash equivalents – restricted accounts, comparative schedule of revenues and expenses compared to budget and schedule of long-term revenue bonds payable and the schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)* and *New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* and the other information such as the roster of officials and surety bond, insurance coverage and the general comments and recommendations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The roster of officials and surety bond, insurance coverage and general comments and recommendations, that appear on pages 53-57 of the report have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2018, 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 solely 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 effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Wiss & Company

WISS & COMPANY, LLP

May 31, 2018
Livingston, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION
PART I
MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
(A Component Unit of the Township of Ocean)

MANAGEMENT’S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

This section presents management’s analysis of the Authority’s financial condition and activities of the Authority for the fiscal years ended on December 31, 2017 and 2016.

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

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

Discussion of Financial Statements Included in Annual Audit

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

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

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

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

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

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

Other information or schedules incorporated within the annual audit report are the Schedules of Cash Receipts, Cash Disbursements and Changes in Cash, Cash Equivalents and Investments – Restricted and Unrestricted and the Schedule of Long-Term Revenue Bonds Payable. For the purpose of the Management Discussion and Analysis, the ensuing discussion will review the financial statements of the Township of Ocean Sewerage Authority, those prepared on an accrual basis and in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of state and local governments. This is the first set of statements included in the annual audit report.

Financial Condition

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

Comparative Statement of Net Position

The Authority’s total assets and deferred outflow of resources increased by \$15,927,640 due mainly to increases in restricted cash and cash equivalents and amounts due from the New Jersey Environmental Infrastructure Trust (“NJEIT”) as a result of the 2017 bond issues. Total liabilities increased by \$13,823,516 due mainly to the issuance of bonds in 2017 offset in part by the scheduled payment of revenue bond principal and a decrease in the net pension liability. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$30,907,916. This compares to 2016 where assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$29,540,735. The Authority’s Net Position of \$30,907,916 is comprised of the following:

1. Net investment in capital assets of \$27,583,431, as shown below, includes land, construction in progress, property plant and equipment, net of accumulated depreciation, and net of long-term debt related to the purchase or construction of capital assets. Net investment in capital assets increased by \$1,900,296 from the prior year.

Capital assets, net	\$	41,698,696
Less:		
Revenue bonds payable, net of unamortized premium		(26,259,058)
Add:		
Due from NJ Environmental Infrastructure Trust		2,038,461
Unexpended bond proceeds		10,105,332
Net investment in capital assets	\$	27,583,431

2. Net position of \$565,937 is restricted for the purpose of future debt service.
3. Net position of \$500,000 is restricted for the purpose of renewals and replacements.
4. Net position of \$641,221 is unrestricted - designated for rate stabilization.
5. Net position of \$1,072,224 is unrestricted - designated for working capital.
6. Net position of \$870,412 is unrestricted - designated for capital outlay.

7. Unrestricted, undesignated net position (deficit) of \$325,309 represents the portion available to maintain the Authority's continuing obligations to the contractual customers of its service area, its creditors and for its current liabilities.

Unrestricted undesignated net position decreased by \$618,499 mainly due to the positive change in net position offset by the increase in the net investment in capital assets.

Comparative Condensed Statements of Net Position

	<u>2017</u>	December 31, <u>2016</u>	<u>2015</u>
Total current assets	\$ 7,358,565	\$ 7,599,143	\$ 7,703,743
Total restricted assets	13,072,262	978,502	1,193,267
Capital assets, net	41,698,696	37,342,957	37,009,243
Deferred outflow of resources	<u>1,210,113</u>	<u>1,491,394</u>	<u>524,115</u>
Total assets and deferred outflow of resources	<u>\$ 63,339,636</u>	<u>\$ 47,411,996</u>	<u>\$ 46,430,368</u>
Total current liabilities payable from unrestricted assets	\$ 348,122	\$ 676,579	\$ 359,080
Total current liabilities payable from restricted assets	3,063,149	1,834,842	1,796,249
Deferred inflow of resources	860,020	123,077	213,679
Net pension liability	3,843,603	4,740,217	3,484,859
Compensated absences payable	8,346	15,536	64,348
Bonds payable, net	<u>24,308,480</u>	<u>10,481,010</u>	<u>12,151,508</u>
Total liabilities and deferred inflow of resources	<u>\$ 32,431,720</u>	<u>\$ 17,871,261</u>	<u>\$ 18,069,723</u>
Total Net Position	<u>\$ 30,907,916</u>	<u>\$ 29,540,735</u>	<u>\$ 28,360,645</u>

Total current assets decreased because of decreases in cash and cash equivalents and customer accounts receivable offset by an increase in investments.

Total restricted assets have increased because cash and cash equivalents in the construction account increased due to the 2017 bonds issued through the Monmouth County Improvement Authority and the NJEIT.

Capital assets, net increased because the current year's capital asset acquisitions exceeded depreciation expense.

Total current liabilities payable from unrestricted assets decreased mainly due to decreases in accounts payable and compensated absences payable.

Total current liabilities payable from restricted assets increased due to increases in accrued interest payable and bonds payable, both attributable to the 2017 bond issuances.

Non-current liabilities increased due to the increase in bonds payable offset by a decrease in the net pension liability.

Total net position has increased as a result of the reported positive change in net position for the 2017 fiscal year.

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

2017 operating revenues increased slightly from 2016 levels. Total operating expenses remained relatively constant. Depreciation expense increased slightly.

Total operating revenues less total operating expenses produced operating income of \$1,329,206 which is greater than 2016 operating income of \$1,204,451.

Total Net Position as of December 31, 2017 increased by \$1,367,181 as is depicted below.

	Years ended December 31,		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total operating revenues	\$ <u>7,082,963</u>	\$ <u>6,958,278</u>	\$ <u>6,886,567</u>
Operating expenses	4,510,047	4,565,257	3,970,385
Depreciation	<u>1,243,710</u>	<u>1,188,570</u>	<u>1,126,713</u>
Total operating expenses	<u>5,753,757</u>	<u>5,753,827</u>	<u>5,097,098</u>
Operating income	1,329,206	1,204,451	1,789,469
Nonoperating revenues (expenses), net	<u>37,975</u>	<u>(24,361)</u>	<u>14,278</u>
Change in net position	1,367,181	1,180,090	1,803,747
Total net position - beginning	<u>29,540,735</u>	<u>28,360,645</u>	<u>26,556,898</u>
Total net position - ending	<u>\$ 30,907,916</u>	<u>\$ 29,540,735</u>	<u>\$ 28,360,645</u>

Comparative Statements of Cash Flows

The net increase in cash and cash equivalents was \$8,789,038. This compares to a net increase in cash and cash equivalents in 2016 of \$286,398. The main reasons for the 2017 increase are the positive results of operations and the deposit of \$10,637,645 from the proceeds of the 2017 MCIA bond sale, offset in part by the purchase of \$1,094,810 in investments.

Debt Administration

As of December 31, 2017, the Authority had \$30,111,007 of outstanding long-term liabilities. Of this amount, \$3,843,603 relates to the net pension liability, \$8,346 is for compensated absences and \$24,691,842 is for revenue bonds payable and \$1,567,216 represents unamortized premiums. As of December 31, 2016, the Authority had \$16,932,495 of outstanding long-term liabilities. The increase in total liabilities is mainly attributed to two 2017 bond issuances, totaling \$14,623,416.

It is the current policy of the Township of Ocean Sewerage Authority Commissioners, 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
Borrowings through the Monmouth County Improvement Authority
Funding incrementally or annually from annual operating budget

Refunding of existing public debt is routinely reviewed, analyzed and recommended when appropriate. The Authority has defeased various bond issues and achieved significant debt service savings. See Note 4 to the basic financial statements for additional information.

Capital Assets

As of the December 31, 2017 and 2016, the Authority had \$41,698,696 and \$37,342,957, respectively, invested in land, construction in progress, buildings and improvements, other improvements, sewer mains and interceptors, pump stations, other equipment and vehicles, net of accumulated depreciation. The increase in net capital assets is due to the current year's capital asset additions being greater than the current year's depreciation expense.

See Note 3 to the basic financial statements for additional information related to capital assets.

Core Competencies

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

The System consists of a wastewater treatment plant, a wastewater collection system of approximately 6 miles of force mains, 165 miles of gravity mains, 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 3 acres located at 224 Roosevelt Avenue, Oakhurst, NJ.

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

The Township of Ocean Sewerage Authority owns and operates the piping and pumping systems that receive, meter, and transport the municipal wastewater to the Authority's Plant for treatment and discharge.

The user fees charged to the users of the system, which include Ocean Township users as well as those in the communities of Allenhurst, Deal, Interlaken and Loch Arbour are the major source of revenue for the Authority. This is shown on the Comparative Statement of Revenues, Expenses and Changes in Fund Net Position as "User Charges" and reported as operating revenue.

Budget Variations

There were adjustments made during the year to the adopted 2017 budget. All of these adjustments were made via Board approved budgetary transfers and amendments. The most significant adjustments to the adopted budget were increases to the Township of Ocean Contribution and to Capital Outlay – Odor Control. Significant variations between final budgeted amounts and actual expenses occurred in the following budgetary line items: administration – hospitalization insurance where rate increases came in less than anticipated, treatment plant and collection system electric where actual expenses exceeded budgeted amounts due increased delivery charge rates, to administration – public employees retirement system due to the requirements of GASBS No. 68 and 71 and to debt service – bond principal, where estimated 2017 bond principal requirements for the two 2017 bond issuances came in less than anticipated.

The Chairman's Outlook for the Future

"Our mission for the Township of Ocean Sewerage Authority is to provide the ultimate wastewater collection and treatment. Always responsive to the customers' needs and the growing community, in compliance with the applicable laws, rules and regulations, the 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 Department of Environmental Protection.

As an environmental utility, the Authority is accountable to the U.S Environmental Protection Agency. The Authority is also accountable to its governing body and the Township of Ocean, and as such, accountable to certain government officials.

Governing Body

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

Dennis Galvin, Chairman
Richard Bernhardt, Vice Chairman
Ralph E. Stubbs, Secretary/Treasurer
Charles Theodora, Assistant Secretary and Assistant Treasurer
John Villapiano, 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 and a 2017 final budget of \$7.95 million. Senior staff is charged with the management of the operations and financial affairs of the Authority. The Executive Director is William Schmeling.

Independent Auditors

The independent audit firm is Wiss & Company, LLP, Livingston, New Jersey.

Financial Information

Prior audits and budgets can be obtained by contacting the Township of Ocean Sewerage Authority 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
A COMPONENT UNIT OF THE TOWNSHIP OF OCEAN
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2017 AND 2016

	December 31,	
	2017	2016
Assets		
Unrestricted Current Assets:		
Cash and cash equivalents	\$ 5,983,459	\$ 7,253,475
Investments	1,094,810	
Petty cash and change funds	150	150
	<u>7,078,419</u>	<u>7,253,625</u>
Accrued interest receivable	3,252	
Customer accounts receivable	220,718	292,061
Prepaid expenses	17,728	17,801
Inventory	38,448	35,656
	<u>7,358,565</u>	<u>7,599,143</u>
Total unrestricted current assets		
Restricted assets:		
Developer deposits:		
Cash and cash equivalents	63,809	43,563
Debt service account:		
Cash and cash equivalents	272,892	348,828
Debt service reserve account:		
Cash and cash equivalents	568,769	122,226
Construction account:		
Cash and cash equivalents	10,105,331	437,130
Due from NJ Department of Transportation	23,000	
Due from NJ Environmental Infrastructure Trust	2,038,461	26,755
	<u>13,072,262</u>	<u>978,502</u>
Total restricted assets		
Non-current assets:		
Capital Assets - Non-depreciable	6,734,497	1,870,678
Capital Assets - Depreciable, net of depreciation	34,964,199	35,472,279
	<u>41,698,696</u>	<u>37,342,957</u>
Total capital assets, net		
Total assets	<u>62,129,523</u>	<u>45,920,602</u>
Deferred outflow of resources		
Pension deferrals	1,210,113	1,491,394
	<u>1,210,113</u>	<u>1,491,394</u>
Total deferred outflow of resources		
Total assets and deferred outflow of resources	<u>\$ 63,339,636</u>	<u>\$ 47,411,996</u>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
A COMPONENT UNIT OF THE TOWNSHIP OF OCEAN
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2017 AND 2016**

	December 31,	
	2017	2016
Liabilities		
Current liabilities payable from unrestricted assets:		
Accounts payable	\$ 346,561	\$ 622,517
Accrued expenses	1,561	1,026
Compensated absences payable		53,036
	348,122	676,579
Total current liabilities payable from unrestricted assets		
Current liabilities payable from restricted assets:		
Reserve for developer's escrow deposits	61,102	51,754
Accrued interest on revenue bonds payable	287,011	131,084
Accounts payable	332,070	9,308
Construction loans payable - NJEIT	432,388	
Bonds payable - current portions	1,950,578	1,642,696
	3,063,149	1,834,842
Total current liabilities payable from restricted assets		
Non-current liabilities:		
Net pension liability	3,843,603	4,740,217
Compensated absences payable - noncurrent portion	8,346	15,536
Bonds payable, net	24,308,480	10,481,010
	28,160,429	15,236,763
Total non-current liabilities		
Total liabilities	31,571,700	17,748,184
Deferred inflow of resources		
Pension deferrals	860,020	123,077
Net position		
Net investment in capital assets	27,583,431	25,683,135
Restricted for:		
Future debt service	565,937	122,188
Renewal and replacement	500,000	621,412
Unrestricted:		
Designated for:		
Rate stabilization	641,221	1,238,543
Working capital	1,072,224	1,119,587
Capital outlay	870,412	462,680
Undesignated (deficit)	(325,309)	293,190
Total net position	\$ 30,907,916	\$ 29,540,735

See accompanying notes to the basic financial statements.

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
A COMPONENT UNIT OF THE TOWNSHIP OF OCEAN
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	December 31,	
	2017	2016
Operating revenues:		
User charges	\$ 7,082,963	\$ 6,958,278
Total operating revenues	7,082,963	6,958,278
Operating expenses:		
Cost of providing services	2,543,820	2,611,391
Administration and general	1,966,227	1,953,866
Depreciation	1,243,710	1,188,570
Total operating expenses	5,753,757	5,753,827
Operating income	1,329,206	1,204,451
Nonoperating revenues (expenses):		
Connection fees	165,313	106,723
Interest on bonds	(337,505)	(268,454)
Major repairs and costs	(163,063)	
NJEIT bonds deobligated	370,446	
Costs of bond issuances	(220,929)	
Prior year's receivable cancelled	(26,755)	
FEMA proceeds	45,653	
Interest income	110,820	18,592
Miscellaneous income	93,995	118,778
Total nonoperating revenues (expenses)	37,975	(24,361)
Change in net position	1,367,181	1,180,090
Total net position-beginning	29,540,735	28,360,645
Total net position - ending	\$ 30,907,916	\$ 29,540,735

See accompanying notes to the basic financial statements.

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
A COMPONENT UNIT OF THE TOWNSHIP OF OCEAN
COMPARATIVE STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

Exhibit C

	December 31,	
	2017	2016
Cash flows from operating activities:		
Receipts from users of system	\$ 7,154,306	\$ 7,020,437
Payments to employees	(1,243,558)	(1,305,720)
Payments to suppliers	(3,483,245)	(2,872,319)
Net cash provided by operating activities	2,427,503	2,842,398
Cash flows from capital and related financing activities:		
Purchase of capital assets	(5,060,932)	(1,426,673)
Federal Emergency Management Agency	45,653	
Received from NJEIT	3,922,342	
Proceeds from sale of MCIA bonds:		
Bond principal	9,095,000	
Premium on sale of bonds	1,542,645	
Bond issuance costs	(218,429)	
Repayment of bonds payable	(1,568,660)	(1,548,546)
Net cash provided by (used in) capital and related financing activities	7,757,619	(2,975,219)
Cash flows from investing activities:		
Interest received	107,568	18,592
Investments (purchased) redeemed	(1,094,810)	504,085
Interest paid on bonds	(482,127)	(324,057)
Net cash (used in) provided by investing activities	(1,469,369)	198,620
Cash flows from noncapital financing activities:		
Escrow refunds and replacements	9,348	(18,403)
Major repairs and replacements	(163,063)	
Connection fees	165,313	106,723
Prior year construction fund accounts payable paid	(9,308)	
NJDOT refundable deposit	(23,000)	
Miscellaneous income	93,995	132,279
Net cash provided by noncapital financing activities	73,285	220,599
Net increase in cash and cash equivalents	8,789,038	286,398
Cash and cash equivalents, beginning of year	8,205,372	7,918,974
Cash and cash equivalents, end of year	\$ 16,994,410	\$ 8,205,372
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,329,206	\$ 1,204,451
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,243,710	1,188,570
Changes in assets and liabilities:		
Decrease in receivables and other assets:		
Unrestricted accounts	68,624	68,177
Increase (decrease) in current liabilities:		
Payable from unrestricted assets	(344,620)	232,535
(Decrease) in other liabilities	(7,190)	
Increase (decrease) in accounts payable - pension	16,163	(48,812)
(Decrease) increase in net pension liability	(896,614)	1,255,358
Increase (decrease) in deferred inflows - pension related	736,943	(90,602)
Decrease (increase) in deferred outflows - pension related	281,281	(967,279)
Net cash provided by operating activities	\$ 2,427,503	\$ 2,842,398
Reconciliation to Statement of Net Position:		
Unrestricted cash and cash equivalents	\$ 5,983,609	\$ 7,253,625
Restricted cash and cash equivalents	11,010,801	951,747
	\$ 16,994,410	\$ 8,205,372

See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
(A Component Unit of the Township of Ocean)
Notes to the Basic Financial Statements
Years Ended December 31, 2017 and 2016

1. Summary of Significant Accounting Policies

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

A. Reporting Entity:

The Township of Ocean Sewerage Authority, Monmouth County, New Jersey is a public body politic and corporate of the State of New Jersey, created by virtue of an ordinance of the Township of Ocean on September 8, 1964, pursuant to the Sewerage Authority Law of the State of New Jersey (P.L. 1946, Chapter 138 as amended and supplemented). The Authority functions independently through a five member Board appointed to three-year terms. The purpose of the Authority is to keep the local waters free of pollution.

The Authority has adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34*. The Authority is a component unit of the primary government unit, the Township of Ocean.

B. Basis of Presentation, Basis of Accounting:

Basis of Presentation

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

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
(A Component Unit of the Township of Ocean)
Notes to the Basic Financial Statements
Years Ended December 31, 2017 and 2016

B. Basis of Presentation, Basis of Accounting (Continued):

Basis of Accounting

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

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

C. Assets, Liabilities and Net Position:

Cash and Cash Equivalents:

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

Investments:

Investments consist of Bond Anticipation Notes and Special Emergency Notes issued by New Jersey municipalities and are carried at fair value.

Consumer Accounts Receivable:

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

Inventories:

Inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. At December 31, 2017 and 2016, the value of the inventory, consisting of chemicals and supplies, not held for resale, was \$38,448 and \$35,656, respectively.

Capital Assets:

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

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
(A Component Unit of the Township of Ocean)
Notes to the Basic Financial Statements
Years Ended December 31, 2017 and 2016

C. Assets, Liabilities and Net Position – (Continued)

Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Treatment Plant Buildings and Improvements	40-75 Years
Sewer Mains, Interceptors and Pump Stations	75 Years
Other Equipment	5 - 25 Years
Vehicles	3 - 5 Years

Net Position:

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

D. Revenues, Operating Revenues and Expenses:

Revenues - Exchange and Non-exchange Transactions:

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

Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the Authority. For the Authority, these revenues are for the collection and treatment of waste water. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Authority. All other revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

E. Management Estimates:

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

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
(A Component Unit of the Township of Ocean)
Notes to the Basic Financial Statements
Years Ended December 31, 2017 and 2016

C. Assets, Liabilities and Net Position – (Continued)

F. Deferred Outflows / Inflows of Resources

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

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

G. Recent Pronouncements

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (“GASB No. 75”). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. The Statement will become effective for the Authority in the 2018 fiscal year. Management has not yet determined the impact of this Statement on the financial statements.

H. Subsequent Events

Management has reviewed and evaluated all events and transactions occurring from December 31, 2017 through the date of the financial statement issuance, May 31, 2018, for possible disclosure and recognition in the accompanying financial statements. No such items have come to the attention of the Authority which would require disclosure or recognition.

Deposits and Investments

Cash and Cash Equivalents:

Operating cash, in the form of checking and money market accounts, is held in the Authority’s name by commercial banking institutions. At December 31, 2017 and 2016, the carrying amount of the Authority’s deposits (excluding petty cash) were \$16,994,260 and \$8,205,222, respectively and the bank balances at December 31, 2017 and 2016 were \$17,186,776 and \$8,252,526, respectively. Of the bank balances, \$750,000 was insured with Federal Deposit Insurance Corporation for both 2017 and 2016 and the remaining balances were covered by GUDPA.

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
(A Component Unit of the Township of Ocean)
Notes to the Basic Financial Statements
Years Ended December 31, 2017 and 2016

2. Deposits and Investments – (Continued)

Cash and Cash Equivalents: (Continued)

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

Concentration of Credit Risk: The Authority places no limit on the amount the Authority may invest in any one issuer.

The Authority does not have a policy for the management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA. The Authority has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

Investments:

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

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

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
(A Component Unit of the Township of Ocean)
Notes to the Basic Financial Statements
Years Ended December 31, 2017 and 2016

2. Deposits and Investments – (Continued)

Cash and Cash Equivalents: (Continued)

Concentration of Credit Risk – The Authority places no limit on the amount it may invest in any one issuer.

Credit Risk – As of December 31, 2016, the Authority had no investments. As of December 31, 2017, the Authority’s various investments in the Bond Anticipation Notes and Special Emergency Notes were not rated by a nationally recognized bond rating agency.

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

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

Interest Rate Risk: The Authority does not have a policy to limit interest rate risk.

The following is the detail of the balance of the Authority’s investments at fair value as of December 31, 2017.

Description of Investment	Interest Rates	Balance as of December 31, 2017
<u>Revenue Fund</u>		
Bond Anticipation Notes:		
Borough of Ocean Gate	0.99%	\$ 324,868
Borough of Ocean Gate	1.01%	73,468
Township of Plumsted	1.20%	83,474
Borough of South Bound Brook	1.75%	576,000
Total Bond Anticipation Notes		<u>1,057,810</u>
Special Emergency Notes:		
Township of Barnegat	0.98%	<u>37,000</u>
Grand Total		<u>\$ 1,094,810</u>

GASB 72 established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement.) The three levels of the fair value hierarchy under GASB 72 are described as follows:

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
(A Component Unit of the Township of Ocean)
Notes to the Basic Financial Statements
Years Ended December 31, 2017 and 2016

2. Deposits and Investments – (Continued)

Investments: (Continued)

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Authority's investments at fair value as of December 31, 2017.

	<i>Investments at Fair Value</i>	
	<i>as of December 31, 2017</i>	
	<u>Level 2</u>	<u>Total</u>
Held to maturity securities:		
Bond Anticipation Notes	\$ 1,057,810	\$ 1,057,810
Special Emergency Notes	37,000	37,000
Total	<u>\$ 1,094,810</u>	<u>\$ 1,094,810</u>

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
(A Component Unit of the Township of Ocean)
Notes to the Basic Financial Statements
Years Ended December 31, 2017 and 2016

3. Capital Assets

The following schedule is a summarization of the changes in capital assets for the year ended December 31, 2017.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:			
Construction in progress	\$ 1,383,259	\$ 4,863,819	\$ 6,247,078
Land	487,419	-	487,419
Total capital assets, not depreciated	<u>1,870,678</u>	<u>4,863,819</u>	<u>6,734,497</u>
Capital assets, depreciated:			
Plant and Collection System	50,140,656	665,436	50,806,092
Collection System (Contributed)	1,811,321	-	1,811,321
Plant (Contributed)	1,887,353	-	1,887,353
Machinery and Equipment	1,414,307	70,194	1,484,501
Total capital assets being depreciated	<u>55,253,637</u>	<u>735,630</u>	<u>55,989,267</u>
Accumulated depreciation	<u>(19,781,358)</u>	<u>(1,243,710)</u>	<u>(21,025,068)</u>
Total depreciated assets, net	<u>35,472,279</u>	<u>(508,080)</u>	<u>34,964,199</u>
Net Capital Assets	<u>\$ 37,342,957</u>	<u>\$ 4,355,739</u>	<u>\$ 41,698,696</u>

The following schedule is a summarization of the changes in capital assets for the year ended December 31, 2016.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Construction in progress	\$ 717,093	\$ 728,133	\$ (61,967)	\$ 1,383,259
Land	487,419	-	-	487,419
Total capital assets, not depreciated	<u>1,204,512</u>	<u>728,133</u>	<u>(61,967)</u>	<u>1,870,678</u>
Capital assets, depreciated:				
Plant and Collection System	49,373,141	741,412	26,103	50,140,656
Collection System (Contributed)	1,811,321	-	-	1,811,321
Plant (Contributed)	1,887,353	-	-	1,887,353
Machinery and Equipment	1,312,758	88,603	12,946	1,414,307
Total capital assets being depreciated	<u>54,384,573</u>	<u>830,015</u>	<u>39,049</u>	<u>55,253,637</u>
Accumulated depreciation	<u>(18,579,842)</u>	<u>(1,188,570)</u>	<u>(12,946)</u>	<u>(19,781,358)</u>
Total depreciated assets, net	<u>35,804,731</u>	<u>(358,555)</u>	<u>-</u>	<u>35,472,279</u>
Net Capital Assets	<u>\$ 37,009,243</u>	<u>\$ 369,578</u>	<u>\$ (35,864)</u>	<u>\$ 37,342,957</u>

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
(A Component Unit of the Township of Ocean)
Notes to the Basic Financial Statements
Years Ended December 31, 2017 and 2016

4. Long-Term Liabilities

During the year ended December 31, 2017, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance
Bonds payable	\$ 12,007,532	\$ 14,623,416	\$ 1,939,106	\$ 24,691,842
Unamortized premium	116,174	1,542,645	91,603	1,567,216
Bonds payable, net	12,123,706	16,166,061	2,030,709	26,259,058
Net pension liability	4,740,217	-	896,614	3,843,603
Compensated absences	68,572	1,945	62,171	8,346
	<u>\$ 16,932,495</u>	<u>\$ 1,945</u>	<u>\$ 2,989,494</u>	<u>\$ 30,111,007</u>
Current portion				<u>\$ 1,950,578</u>

During the year ended December 31, 2016, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance
Bonds payable	\$ 13,576,079		\$ 1,568,547	\$ 12,007,532
Unamortized premium	143,974		27,800	116,174
Bonds payable, net	13,720,053		1,596,347	12,123,706
Net pension liability	3,484,859	\$ 1,255,358	\$ -	4,740,217
Compensated absences	64,348	4,224	-	68,572
	<u>\$ 17,269,260</u>	<u>\$ 1,259,582</u>	<u>\$ 1,596,347</u>	<u>\$ 16,932,495</u>
Current portion				<u>\$ 1,642,696</u>

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, 2018 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.

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
(A Component Unit of the Township of Ocean)
Notes to the Basic Financial Statements
Years Ended December 31, 2017 and 2016

4. Long-Term Liabilities

The “Loan” (State Funds) portion of the Bond Issue, \$3,905,000, mature annually through August 1, 2021 at remaining annual maturities ranging from \$251,931 to \$295,311 and bear interest at rates ranging from 4.75% to 5.00%.

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 August 1, 2021 at maturities ranging from \$2,478 to \$101,609. The Bonds were issued with an original issue premium of \$127,178.

The “Loan” (State Funds) portion of the Bond Issue \$1,630,000, mature annually through August 1, 2021 at remaining annual maturities ranging from \$115,484 to \$134,674 and bear an interest rate of 5.00%.

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.

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 Environmental 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.

The “Loan” (State Funds) portion of the Bond Issue, \$495,000, mature annually through August 1, 2021 at annual maturities ranging from \$38,389 to \$43,192 and bear interest rates ranging from 4.00% to 4.125%.

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
(A Component Unit of the Township of Ocean)
Notes to the Basic Financial Statements
Years Ended December 31, 2017 and 2016

4. Long-Term Liabilities

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 2026 at maturities ranging from \$6,430 to \$147,004. The Bonds were issued with an original issue premium of \$66,108.

The “Loan” (State Funds) portion of the Bond Issue, \$3,070,000, mature annually through 2027 at remaining annual maturities ranging from \$133,000 to \$210,000 and bear interest rates ranging from 4.00% to 5.00%.

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. During 2017, an additional \$261,000 of Trust Loan bonds were de-obligated, resulting in a further reduction of 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 Environmental 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 3.00% to 5.00% 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 of \$483,670, which mature semi-annually through August 1, 2029 in amounts ranging from \$8,198 to \$16,395, with no interest.

During 2017, \$16,000 of the 2010 ARRA Trust Series Bonds were de-obligated by the NJEIT, resulting in a reduction of the bonds payable.

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 \$40,000 to \$52,000 at interest rates ranging from 3.00% to 5.00%, and Fund Loan Bonds of \$2,659,650 which mature semi-annually through August, 2022 in amounts ranging from \$33,856 to \$90,158, with no interest.

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
(A Component Unit of the Township of Ocean)
Notes to the Basic Financial Statements
Years Ended December 31, 2017 and 2016

4. Long-Term Liabilities – (Continued)

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.

During 2017, \$11,000 of the 2010 Traditional Trust Series Bonds were de-obligated by the NJEIT, resulting in a reduction of the bonds payable.

2011 Series Sewer Revenue and Refunding 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 remaining amounts ranging from \$130,000 to \$200,000 at interest rates ranging from 2.00% to 4.00%.

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.

On September 22, 2011, the Authority issued \$1,025,000 in Sewer Revenue Refunding Bonds. The Bonds mature in a final annual maturity on February 1 of \$100,000 at an interest rate ranging of 2.00%. 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. None of the refunded Sewer Revenue Bonds Series 1998 C remained outstanding at December 31, 2017 or 2016.

2017 Series Sewer Revenue Bonds

On February 23, 2017 the Authority issued \$9,095,000 in Sewer Revenue Bonds through the Monmouth County Improvement Authority. The Bonds mature annually on February 15 of each year through 2037 in remaining amounts ranging from \$275,000 to \$700,000 at interest rates ranging from 2.00% to 5.00%.

The Bonds were issued with an original issue premium of \$1,542,645.

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
(A Component Unit of the Township of Ocean)
Notes to the Basic Financial Statements
Years Ended December 31, 2017 and 2016

4. Long-Term Liabilities – (Continued)

Optional Redemption

Bonds maturing on or after February 15, 2028 are redeemable at the option of the Authority in whole or in part on any date on or after February 1, 2027 at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption.

2017 Series Bonds – New Jersey Environmental Infrastructure Trust (NJEIT)

On November 21, 2017, the Authority issued \$4,295,416 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust. The “Fund” (Federal Funds) portion of the Bond Issue, \$4,158,416 was issued with no interest rate. The Bonds mature semi-annually through 2037 at maturities ranging from \$70,482 to \$140,963.

The “Loan” (State Funds) portion of the Bond Issue, \$1,370,000 mature annually through 2037 at remaining annual maturities ranging from \$50,000 to \$95,000 and bear interest rates ranging from 2.13% to 5.00%.

Remaining principal and interest payments on all outstanding debt of the Authority are presented below:

<u>Year</u>	<u>Bond Principal</u>	<u>Interest on Bonds</u>	<u>Grand Total</u>
2018	\$ 1,909,382	\$ 759,759	\$ 2,669,141
2019	1,993,555	724,720	2,718,275
2020	2,031,044	672,391	2,703,435
2021	2,082,516	618,613	2,701,129
2022	1,188,352	560,416	1,748,768
2023-2027	6,002,361	2,232,089	8,234,450
2028-2032	4,797,411	1,281,604	6,079,015
2033-2037	<u>4,687,221</u>	<u>454,356</u>	<u>5,141,577</u>
	<u>\$ 24,691,842</u>	<u>\$ 7,303,948</u>	<u>\$ 31,995,790</u>

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
(A Component Unit of the Township of Ocean)
Notes to the Basic Financial Statements
Years Ended December 31, 2017 and 2016

5. Compensated Absences

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

Authority employees are granted vacation and sick leave in varying amounts under the Authority’s personnel policies and according to negotiated contracts. In the event of retirement, according to contract, an employee is reimbursed for accumulated sick leave.

The liability for vested compensated absences of the Authority amounted to \$8,346 and \$68,572 at December 31, 2017 and 2016, respectively.

6. Pension Plans

Description of Systems:

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

Public Employees' Retirement System (PERS):

The Public Employees' Retirement System (PERS) was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan.

Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, Authority or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years’ compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years’ compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier’s retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
(A Component Unit of the Township of Ocean)
Notes to the Basic Financial Statements
Years Ended December 31, 2017 and 2016

6. Pension Plans – (Continued)

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

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, employee contribution rates for PERS increased from 7.06% to 7.20% of employees' annual compensation. An additional increase is being phased in through 2018 that will bring the total pension contribution rate to 7.50% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate for PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The Authority's actuarially determined contributions to PERS for the years ended December 31, 2017, 2016 and 2015 were \$142,186, \$133,466 and \$131,611, respectively, equal to the required contributions for each year.

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

Public Employee's Retirement System (PERS)

At December 31, 2017 and 2016, the Authority reported a liability of \$3,843,603 and \$4,740,217, respectively, for its proportionate share of the net pension liability. The December 31, 2017 net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation on July 1, 2016, which was rolled forward to June 30, 2017. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the Authority's proportion was 0.0165114554 percent, which was an increase of 0.0005064705 from its proportion measured as of June 30, 2016.

For the years ended December 31, 2017, and 2016 the Authority recognized full accrual pension expense of \$156,964 and \$301,675, respectively, in the financial statements.

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
(A Component Unit of the Township of Ocean)
Notes to the Basic Financial Statements
Years Ended December 31, 2017 and 2016

6. Pension Plans – (Continued)

At December 31, 2017 and 2016, respectively, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 774,354	\$ 771,515
Net difference between expected and actual experience	90,504	-
Net difference between projected and actual earnings on pension plan investments	26,172	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	151,484	88,505
Authority contributions subsequent to the measurement date	167,599	-
	<u>\$ 1,210,113</u>	<u>\$ 860,020</u>
	2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 981,920	\$ -
Net difference between expected and actual experience	88,154	-
Net difference between projected and actual earnings on pension plan investments	180,749	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	78,360	123,077
Authority contributions subsequent to the measurement date	162,211	-
	<u>\$ 1,491,394</u>	<u>\$ 123,077</u>

\$167,599 is reported as deferred outflows of resources related to pensions at December 31, 2017 resulting from Authority contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2018	\$	94,153
2019		138,683
2020		102,238
2021		(71,211)
2022		(81,369)
	\$	<u>182,494</u>

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
(A Component Unit of the Township of Ocean)
Notes to the Basic Financial Statements
Years Ended December 31, 2017 and 2016

6. Pension Plans (Continued)

Actuarial Assumptions

The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions applied to all periods in the measurement:

Inflation rate	2.25%
Salary increases	
Through 2026	1.65-4.15% based on age
Thereafter	2.65-5.15% based on age
Investment rate of return	7.00%

The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions applied to all periods in the measurement.

Inflation rate	3.08%
Salary increases	
Through 2026	1.65-4.15% based on age
Thereafter	2.65-5.15% based on age
Investment rate of return	7.65%

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions the emerging liability may be higher or lower than anticipated. The more the expectation deviates, the larger the impact on future financial statements.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
(A Component Unit of the Township of Ocean)
Notes to the Basic Financial Statements
Years Ended December 31, 2017 and 2016

6. Pension Plans (Continued)

projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries.

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	<u>100.00%</u>	

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
(A Component Unit of the Township of Ocean)
Notes to the Basic Financial Statements
Years Ended December 31, 2017 and 2016

6. Pension Plans (Continued)

Discount rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefits payments after that date in determining the total pension liability.

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefits payments after that date in determining the total pension liability.

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

The following presents the Authority's proportionate share of the net pension liability as of December 31, 2017 calculated using the discount rate as disclosed below as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current rate:

	At 1% Decrease (4.00%)	At Current Discount Rate (5.00%)	At 1% Increase (6.00%)
Authority's proportionate share of the net pension liability	\$ 4,768,250	\$ 3,843,603	\$ 3,073,257

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
(A Component Unit of the Township of Ocean)
Notes to the Basic Financial Statements
Years Ended December 31, 2017 and 2016

6. Pension Plans (Continued)

The following presents the Authority's proportionate share of the net pension liability as of December 31, 2016 calculated using the discount rate as disclosed below as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98 percent) or 1-percentage-point higher (4.98 percent) than the current rate:

	At 1% Decrease (2.98%)	At Current Discount Rate (3.98%)	At 1% Increase (4.98)
Authority's proportionate share of the net pension liability	\$ 5,808,583	\$ 4,740,217	\$ 3,858,189

Pension Plan Fiduciary Net Position

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

Additional Information

Collective balances of the Local Group at the end of the current measurement period, June 30, 2017 are as follows:

Deferred outflows of resources	\$ 6,424,455,842
Deferred inflows of resources	\$ 5,700,625,981
Net pension liability	\$ 23,278,401,588
Authority's Proportion	0.0165114554%

Collective balances of the Local Group at the end of the current measurement period, June 30, 2016 are as follows:

Deferred outflows of resources	\$ 8,685,338,380
Deferred inflows of resources	\$ 870,133,595
Net pension liability	\$ 29,617,131,759
Authority's Proportion	0.0160049849%

Collective pension expense for the Local Group for the measurement periods ended June 30, 2017 and 2016, respectively, are \$1,694,315,613 and \$2,830,763,540.

The average of the expected remaining service lives of all active and inactive plan members is 5.48 and 5.57 years for 2017 and 2016, respectively.

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
(A Component Unit of the Township of Ocean)
Notes to the Basic Financial Statements
Years Ended December 31, 2017 and 2016

7. Defined Contribution Retirement Program

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

8. Deferred Compensation

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

9. Risk Management

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

Property and Liability Insurance:

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

New Jersey Unemployment Compensation Insurance:

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

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
(A Component Unit of the Township of Ocean)
Notes to the Basic Financial Statements
Years Ended December 31, 2017 and 2016

10. Contingent Liabilities

Grant Programs:

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

Litigation:

In the opinion of the Authority, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants or pending lawsuits; therefore, no provisions have been recorded in the accompanying basic financial statements for such contingencies.

11. Restrictions on Net Position

Certain portions of net position have been restricted. Restrictions include net position restricted for future debt service of \$565,937 and restricted for renewal and replacement of \$500,000.

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

Township of Ocean Sewerage Authority
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employee's Retirement System
Required Supplementary Information and Notes to Required Supplementary Information
Last Ten Fiscal Years

	Years Ended December 31,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Authority's proportion of the net pension liability (asset) - Local Group	0.0165114554%	0.0160049849%	0.0155241436%	0.0159647383%	N/A	N/A	N/A	N/A	N/A	N/A
Authority's proportionate share of the net pension liability (asset)	\$ 3,843,603	\$ 4,740,217	\$ 3,484,859	\$ 2,989,036	N/A	N/A	N/A	N/A	N/A	N/A
Authority's covered-employee payroll	\$ 1,112,629	\$ 1,082,336	\$ 1,060,160	\$ 1,083,535	\$ 1,127,938	\$ 1,215,651	\$ 1,212,904	\$ 1,163,995	\$ 1,148,682	\$ 1,114,920
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	345.45%	437.96%	328.71%	275.86%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability - Local Group	48.10%	40.14%	47.93%	48.72%	N/A	N/A	N/A	N/A	N/A	N/A

* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.
N/A - Information not available

Notes to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016.

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017.

Township of Ocean Sewerage Authority
Schedule of Authority Contributions
Public Employee's Retirement System
Required Supplementary Information
Last Ten Fiscal Years

	Years Ended December 31,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 142,186	\$ 133,466	\$ 131,611	\$ 125,304	\$ 134,058	\$ 143,918	\$ 132,323	\$ 93,036	\$ 79,830	\$ 69,698
Contributions in relation to the contractually required contribution	\$ (142,186)	\$ (133,466)	(131,611)	(125,304)	(134,058)	\$ (143,918)	\$ (132,323)	\$ (93,036)	\$ (79,830)	\$ (69,698)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 1,110,734	\$ 1,112,629	\$ 1,082,336	\$ 1,060,160	\$ 1,083,535	\$ 1,127,938	\$ 1,215,651	\$ 1,212,904	\$ 1,163,995	\$ 1,148,682
Contributions as a percentage of covered-employee payroll	12.80%	12.00%	12.16%	11.82%	12.37%	12.76%	10.88%	7.67%	6.86%	6.07%

SUPPLEMENTARY INFORMATION

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
A COMPONENT UNIT OF THE TOWNSHIP OF OCEAN
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH AND CASH EQUIVALENTS AND INVESTMENTS
UNRESTRICTED ACCOUNTS
YEAR ENDED DECEMBER 31, 2017

Schedule 1

	<u>Revenue</u> <u>Account</u>	<u>Authority</u> <u>Reserve Account</u>	<u>Total</u>
Cash, Cash Equivalents and Investments, January 1, 2017	\$ 5,898,037	\$ 3,000,603	\$ 8,898,640
Cash Receipts:			
Transfer from Construction Account	2,300,718		2,300,718
Transfer from Authority Reserve Account	340,809		340,809
Interest received	16,072	18,506	34,578
User charges	7,154,306		7,154,306
Connection fees	165,313		165,313
Miscellaneous fees and charges	29,578		29,578
Interest on delinquent accounts	64,417		64,417
	<hr/>	<hr/>	<hr/>
Total Cash, Cash Equivalents and Investments Available	15,969,250	3,019,109	18,988,359
	<hr/>	<hr/>	<hr/>
Cash Disbursed:			
Accounts payable	622,517		622,517
Transfer to unrestricted account		340,809	340,809
Transfer to restricted accounts	2,252,438		2,252,438
Transfer to debt service account	1,762,897		1,762,897
Budgetary expenses	3,940,813		3,940,813
Payments to contractors	2,476,949	570,812	3,047,761
Accrued expenses	1,026		1,026
	<hr/>	<hr/>	<hr/>
Total Cash Disbursed	11,056,640	911,621	11,968,261
	<hr/>	<hr/>	<hr/>
Cash, Cash Equivalents and Investments December 31, 2017	\$ <u>4,912,610</u>	\$ <u>2,107,488</u>	\$ <u>7,020,098</u>
Balance Comprised of:			
Petty Cash and Change Funds	\$ 150		\$ 150
Cash - Money Market Funds/Checking Accounts	3,875,970	\$ 2,107,488	5,983,458
Investments - Special Emergency Notes	37,000		37,000
Investments - Bond Anticipation Notes	1,057,810		1,057,810
	<hr/>	<hr/>	<hr/>
	\$ <u>4,970,930</u>	\$ <u>2,107,488</u>	\$ <u>7,078,418</u>
	<hr/>	<hr/>	<hr/>

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
 COUNTY OF MONMOUTH, NEW JERSEY
 A COMPONENT UNIT OF THE TOWNSHIP OF OCEAN
 SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
 AND CHANGES IN CASH AND CASH EQUIVALENTS
 RESTRICTED ACCOUNTS
 YEAR ENDED DECEMBER 31, 2017**

	Accounts Required by Revenue Bond Resolution			Developer's Escrow	Totals
	Debt Service Account	Debt Service Reserve Account	Construction Account		
Cash and Cash Equivalents:					
January 1, 2017	\$ 348,828	\$ 122,226	\$ 437,130	\$ 43,563	\$ 951,747
Cash Receipts:					
Interest received	350	2,793	55,963		59,106
Transfer from Revenue Fund:					
Budget for debt service	1,762,897				1,762,897
Other			2,252,438		2,252,438
NJEIT Proceeds			3,922,342		3,922,342
MCIA Bond Proceeds			10,485,157		10,485,157
Transfer from Restricted Accounts		443,750			443,750
Developer's escrow deposits				51,412	51,412
	2,112,075	568,769	17,153,030	94,975	19,928,849
Total Cash and Cash Equivalents Available					
Cash Disbursed:					
Payment of bond principal	1,369,830				1,369,830
Payment of interest on bonds	442,053				442,053
Payment of NJEIT administrative fees	27,300				27,300
Payment of project costs			4,266,430		4,266,430
Payment of costs of bond issuance			36,801		36,801
Reserve for developer's escrow				31,166	31,166
Transfer to Restricted Accounts			443,750		443,750
Transfer to Revenue Fund - Unrestricted			2,300,718		2,300,718
	1,839,183		7,047,699	31,166	8,918,048
Total Cash Disbursed					
Cash and Cash Equivalents, December 31, 2017	\$ 272,892	\$ 568,769	\$ 10,105,331	\$ 63,809	\$ 11,010,801
Balance Comprised of:					
Cash - Checking	\$ 3,290	\$	\$ 419,047	\$ 63,809	\$ 486,146
Blackrock US Treasury Obligation Money Market Fund	10	446,285	9,276,827		
Goldman US Treasury Obligation Money Market Fund	269,592	122,484	409,457		801,533
	\$ 272,892	\$ 568,769	\$ 10,105,331	\$ 63,809	\$ 1,287,679

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
A COMPONENT UNIT OF THE TOWNSHIP OF OCEAN
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	December 31, 2017				December 31, 2016		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Realized</u>	<u>Variance Final to Actual</u>	<u>Final Budget</u>	<u>Realized</u>	<u>Variance Final to Actual</u>
<u>Revenues</u>							
User Charges	\$ 7,038,673	\$ 7,038,673	\$ 7,082,963	\$ 44,290	\$ 7,029,473	\$ 6,958,278	\$ (71,195)
Connection Fees		145,000	165,313	20,313	75,000	106,723	31,723
Interest on Investments	12,000	87,000	110,820	23,820	7,000	18,592	11,592
Interest on Delinquent Accounts	45,000	45,000	64,417	19,417	45,000	67,325	22,325
Miscellaneous Fees and Charges	20,000	40,000	29,578	(10,422)	38,000	51,449	13,449
Reserve for Rate Stabilization	361,700	597,322	597,322		401,102	400,549	(553)
Total Revenues	\$ 7,477,373	\$ 7,952,995	\$ 8,050,413	\$ 97,418	\$ 7,595,575	\$ 7,602,916	\$ 7,341
<u>Expenses</u>							
<u>Administration:</u>							
Administrative Salaries	\$ 141,470	\$ 136,720	\$ 131,830	\$ 4,890	\$ 136,338	\$ 128,574	\$ 7,764
Telephone	15,000	15,000	5,930	9,070	20,000	12,161	7,839
Office Supplies	3,000	3,000	3,621	(621)	2,729	1,823	906
Postage	3,000	3,000	1,415	1,585	3,000	1,038	1,962
Office Other Expense	15,000	15,000	13,500	1,500	13,216	13,216	
Professional Fees:							
Engineering	40,000	40,000	34,473	5,527	40,000	27,506	12,494
Legal	18,000	18,000	9,527	8,473	20,000	15,923	4,077
Accounting	40,000	40,000	36,200	3,800	44,000	36,647	7,353
Insurance General	150,000	131,800	130,401	1,399	130,775	130,243	532

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
A COMPONENT UNIT OF THE TOWNSHIP OF OCEAN
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	December 31, 2017				December 31, 2016		
	Original Budget	Final Budget	Paid or Charged	Variance Final to Actual	Final Budget	Paid or Charged	Variance Final to Actual
<u>Expenses (Continued)</u>							
<u>Administration (Continued):</u>							
Travel Expense	\$ 3,500	\$ 3,500	\$ 1,061	\$ 2,439	\$ 5,000	\$ 2,677	\$ 2,323
Dues and Subscriptions	7,500	7,500	6,402	1,098	7,000	6,806	194
Hospitalization Insurance	590,932	565,582	491,854	73,728	491,307	455,743	35,564
Social Security Taxes	112,612	112,612	98,450	14,162	115,728	100,315	15,413
Public Employee Retirement System	142,186	161,936	299,485	(137,549)	133,500	344,043	(210,543)
Group Life Insurance	966	966	568	398	924	624	300
Advertising	2,000	2,000	1,956	44	2,200	1,996	204
Natural Gas	2,000	2,000	1,718	282	2,420	1,457	963
Trustee and Paying Agent	101,775	101,775	68,072	33,703	59,830	53,987	5,843
Equipment Maintenance Contracts	13,000	13,000	4,715	8,285	9,635	5,252	4,383
Office Equipment	1,000	1,375	1,352	23	1,000	130	870
Conventions and Seminars	4,000	4,125	4,111	14	3,500	1,653	1,847
Education and Training Courses	5,000	9,450	9,346	104	4,000	3,652	348
Safety Equipment	6,000	6,600	2,331	4,269	6,000	4,773	1,227
Reserve for Accumulated Vacation and Sick Time	5,000	5,000	1,945	3,055	5,000	4,224	776
Township of Ocean Contribution		323,979	323,979		299,425	299,425	
Township of Ocean Interlocal	305,978	305,978	299,978	6,000	299,978	299,978	
Total Administration	1,728,919	2,029,898	1,984,220	45,678	1,856,505	1,953,866	(97,361)
<u>Treatment Plant:</u>							
<u>Salaries</u>							
Base	816,532	779,532	766,635	12,897	886,154	827,421	58,733
Overtime	32,304	38,304	31,991	6,313	31,212	27,200	4,012
Water	12,000	14,000	13,769	231	12,000	10,794	1,206
Electric	314,594	337,594	388,944	(51,350)	367,014	393,828	(26,814)
Natural Gas	13,000	13,000	6,880	6,120	9,500	9,630	(130)
Diesel	3,500	3,500		3,500	500	46	454
<u>Process Chemicals:</u>							
Liquid Oxygen	22,000	22,000	16,971	5,029	14,500	13,444	1,056
Sodium Hypochlorite	52,000	59,000	57,600	1,400	60,000	62,584	(2,584)
Polymer	17,600	20,300	20,138	162	15,600	14,791	809
Other	5,100	5,100		5,100	100		100
Bioxide/VX456	25,000	25,000	19,639	5,361			
Maintenance Chemicals	4,600	4,600	3,668	932	4,600	6,546	(1,946)
Generator Maintenance	11,000	15,500	15,441	59			
Other Maintenance Contracts	14,000	6,500	5,062	1,438			

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
A COMPONENT UNIT OF THE TOWNSHIP OF OCEAN
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	December 31, 2017				December 31, 2016		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Paid or Charged</u>	<u>Variance Final to Actual</u>	<u>Final Budget</u>	<u>Paid or Charged</u>	<u>Variance Final to Actual</u>
Treatment Plant(Continued):							
Repairs and Supplies:							
Uniforms and Lockers	\$ 12,500	\$ 12,500	\$ 12,341	\$ 159	\$ 11,500	\$ 10,932	\$ 568
One Call Service	4,000	4,000	3,422	578	3,300	2,713	587
Pumps	40,000	40,000	34,878	5,122	39,569	39,173	396
General	30,000	31,500	43,993	(12,493)	37,000	27,964	9,036
Repairs - Contractors	30,000	32,000	31,037	963	215,000	37,969	177,031
Truck Expenses:							
Gasoline	7,000	7,000	3,489	3,511	4,000	3,457	543
Repairs	10,000	10,000	4,785	5,215	8,000	6,916	1,084
Other	1,500	1,500	550	950	1,500	350	1,150
Sludge Disposal	467,500	592,500	583,517	8,983	468,000	458,345	9,655
Grit Disposal	21,200	21,200	20,780	420	18,700	15,441	3,259
Lab:							
Supplies	6,000	6,000	1,920	4,080	4,000	1,832	2,168
Equipment	8,000	8,000	2,777	5,223	9,050	6,807	2,243
Testing	15,000	15,000	11,417	3,583	16,450	16,193	257
Permit Fees	60,000	41,500	36,663	4,837	41,000	40,932	68
Unox Maintenance Contracts Equipment	30,000	80,000	68,842	11,158	52,000	51,250	750
Total Treatment Plant	2,085,930	2,246,630	2,207,149	39,481	2,330,249	2,086,558	243,691
Collection System:							
Salaries							
Base	283,293	246,893	232,847	14,046	247,275	235,117	12,158
Overtime	21,536	21,536	18,619	2,917	20,808	18,304	2,504
Repairs and Supplies:							
Pumps	50,000	65,000	60,988	4,012	38,000	34,721	3,279
Controls	10,000	10,000	3,417	6,583	4,000	4,000	4,000
Jet Truck	20,000	20,000	7,816	12,184	22,000	14,850	7,150
General	5,500	15,500	14,810	690	5,500	5,407	93
Repairs - Contractors	80,000	80,000	74,755	5,245	95,400	91,522	3,878

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
A COMPONENT UNIT OF THE TOWNSHIP OF OCEAN
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	December 31, 2017				December 31, 2016		
	Original Budget	Final Budget	Paid or Charged	Variance Final to Actual	Final Budget	Paid or Charged	Variance Final to Actual
<u>Collection System(Continued):</u>							
Maintenance Chemicals:							
Bioxide	\$ 75,000	\$ 75,000	\$ 55,685	\$ 19,315	\$ 75,000	\$ 71,252	\$ 3,748
Other	16,900	16,900	7,195	9,705	7,900	5,593	2,307
Electric	34,001	44,001	48,672	(4,671)	40,695	42,753	(2,058)
Water	2,500	2,900	2,447	453	3,900	3,443	457
Truck Expenses:							
Natural Gas	3,000	3,000	696	2,304	3,000	660	2,340
Gasoline	12,000	12,000	3,931	8,069	8,000	2,791	5,209
Diesel	6,750	6,750	1,816	4,934	4,350	1,359	2,991
Repairs	2,000	2,000	362	1,638	2,000	1,278	722
Other	1,000	1,000	61	939	1,000	434	566
TV Truck Other Expenses	5,000	6,000	5,876	124	5,000	24	4,976
Manhole Maintenance	35,000	22,300	3,424	18,876	14,000	9,414	4,586
Total Collection System	<u>663,480</u>	<u>650,780</u>	<u>543,417</u>	<u>107,363</u>	<u>597,828</u>	<u>538,922</u>	<u>58,906</u>
Total Operations	<u>4,478,329</u>	<u>4,927,308</u>	<u>4,734,786</u>	<u>192,522</u>	<u>4,784,582</u>	<u>4,579,346</u>	<u>205,236</u>
Debt Service:							
Bond Principal	1,859,660	1,784,660	1,568,659	216,001	1,569,906	1,548,548	21,358
Interest Expense	689,006	639,006	638,053	953	312,156	296,255	15,901
Total Debt Service	<u>2,548,666</u>	<u>2,423,666</u>	<u>2,206,712</u>	<u>216,954</u>	<u>1,882,062</u>	<u>1,844,803</u>	<u>37,259</u>
Reserves:							
Rate Stabilization	<u>88,378</u>						
Total Reserves	<u>88,378</u>						

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
A COMPONENT UNIT OF THE TOWNSHIP OF OCEAN
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	December 31, 2017				December 31, 2016		
	Original <u>Budget</u>	Final <u>Budget</u>	Paid or <u>Charged</u>	Variance <u>Final to Actual</u>	Final <u>Budget</u>	Paid or <u>Charged</u>	Variance <u>Final to Actual</u>
Capital Outlay:							
Outfall Inspection					\$ 170,000	\$ 170,000	
Buildings and Grounds Improvements	\$ 40,000	\$ 40,000	\$ 40,000		85,000	85,000	
Pump Replacements					50,431	50,431	
Pump Station Improvements					13,000	13,000	
SCADA System Improvements	25,000	25,000	25,000		50,000	50,000	
Collection System Improvements	50,000	50,000	50,000		10,000	10,000	
Odor Control Maintenance		240,021	240,021				
Acquisition of Vehicles	20,000	20,000	20,000		10,000	10,000	
Maintenance and Assets Management	77,000	77,000	77,000				
Plant Generators	75,000	75,000	75,000				
Control Building Electrical Work					20,000	20,000	
Main Pump Building Drives and Controls					500	500	
Lateral Replacement and Repair	75,000	75,000	75,000		520,000	520,000	
Total Capital Outlay	<u>362,000</u>	<u>602,021</u>	<u>602,021</u>		<u>928,931</u>	<u>928,931</u>	
Total Expenses	<u>\$ 7,477,373</u>	<u>\$ 7,952,995</u>	<u>\$ 7,543,519</u>	<u>\$ 409,476</u>	<u>\$ 7,595,575</u>	<u>\$ 7,353,080</u>	<u>\$ 242,495</u>

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
A COMPONENT UNIT OF THE TOWNSHIP OF OCEAN
SCHEDULE OF LONG-TERM REVENUE BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2017

Purpose	Date of Issue	Maturities		Interest Rate	Balance December 31, 2016	Issued	De-Obligated	Paid	Balance December 31, 2017
		Date	Amount						
\$3,905,000 (Series 2001 NJEIT) Trust Loan - To provide funds for the 2001 Treatment Plant and Collection System Capital Project.	11/9/2001	8/1/2018	\$ 251,931	5.00% %					
		8/1/2019	266,409	5.00% %					
		8/1/2020	280,794	4.75% %					
		8/1/2021	295,311	4.75% %					
2001 Trust Loan Series Sub-Total					\$ 1,405,000		\$ 55,554	\$ 255,000	\$ 1,094,446
\$3,935,900 (Series 2001 NJEIT) Fund Loan - To provide funds for the 2001 Treatment Plant and Collection System Capital Project.	11/9/2001	2/1/2018	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					1,049,460		210,251	839,209	
\$1,630,000 (Series 2004A NJEIT) Trust Loan	11/4/2004	8/1/2018	115,484	5.00%					
		8/1/2019	125,094	5.00%					
		8/1/2020	129,905	5.00%					
		8/1/2021	134,674	5.00%					
2004 Trust Loan Series Sub-Total					640,000		19,845	115,000	505,155
\$1,720,000 (Series 2004B NJEIT) Fund Loan	11/4/2004	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					523,442		104,087	419,355	

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
A COMPONENT UNIT OF THE TOWNSHIP OF OCEAN
SCHEDULE OF LONG-TERM REVENUE BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2017

Purpose	Date of Issue	Maturities		Interest Rate	Balance December 31, 2016	Issued	De-Obligated	Paid	Balance December 31, 2017
		Date	Amount						
\$495,000 (Series 2006 NJEIT) Trust Loan	11/9/2006	8/1/2018	\$ 38,389	4.00%					
		8/1/2019	43,186	4.00%					
		8/1/2020	43,185	4.00%					
		8/1/2021	43,192	4.125%					
2006 Trust Loan Series Sub-Total					\$ 215,000	\$ 7,048	\$ 40,000	\$ 167,952	
\$487,442 (Series 2006 NJEIT) Fund Loan	11/9/2006	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					170,568		34,340	136,228	
\$3,070,000 (Series 2007 NJEIT) Trust Loan	11/8/2007	8/1/2018	133,000	5.00%					
		8/1/2019	141,000	4.00%					
		8/1/2020	147,000	4.00%					
		8/1/2021	157,000	5.00%					
		8/1/2022	162,000	5.00%					
		8/1/2023	170,000	4.25%					
		8/1/2024	180,000	4.50%					
		8/1/2025	190,000	4.50%					
		8/1/2026	200,000	4.50%					
8/1/2027	210,000	4.25%							
2007 Trust Loan Series Sub-Total					2,080,000	261,000	129,000	1,690,000	
\$2,960,500 (Series 2007 NJEIT) Fund Loan	11/8/2007	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					1,509,311		156,152	1,353,159	

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
A COMPONENT UNIT OF THE TOWNSHIP OF OCEAN
SCHEDULE OF LONG-TERM REVENUE BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2017

Purpose	Date of Issue	Maturities		Interest Rate	Balance December 31, 2016	Issued	De-Obligated	Paid	Balance December 31, 2017
		Date	Amount						
\$475,000 (Series 2010A NJEIT) ARRA Trust	3/10/2010	8/1/2018	\$ 25,000	5.00%					
		8/1/2019	25,000	4.00%					
		8/1/2020	24,000	5.00%					
		8/1/2021	24,000	3.00%					
		8/1/2022	24,000	4.00%					
		8/1/2023	29,000	4.00%					
		8/1/2024	28,000	4.00%					
		8/1/2025	28,000	4.00%					
		8/1/2026	28,000	3.50%					
		8/1/2027	29,000	4.00%					
		8/1/2028	33,000	4.00%					
		8/1/2029	33,000	4.00%					
2010A ARRA Trust Series Sub-Total					\$ 365,000		\$ 16,000	\$ 20,000	\$ 329,000
\$483,670 (Series 2010 NJEIT) ARRA Fund	3/10/2010	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					319,717			24,593	295,124
\$865,000 (Series 2010A NJEIT) Traditional Trust	3/10/2010	8/1/2018	40,000	5.00%					
		8/1/2019	45,000	4.00%					
		8/1/2020	45,000	5.00%					
		8/1/2021	42,000	3.00%					
		8/1/2022	48,000	4.00%					
		8/1/2023	47,000	4.00%					
		8/1/2024	52,000	4.00%					
2010A ARRA Traditional Trust Series Sub-Total					370,000		11,000	40,000	319,000

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
A COMPONENT UNIT OF THE TOWNSHIP OF OCEAN
SCHEDULE OF LONG-TERM REVENUE BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2017

Purpose	Date of Issue	Maturities		Interest Rate	Balance December 31, 2016	Issued	De-Obligated	Paid	Balance December 31, 2017	
		Date	Amount							
\$2,659,650 (Series 2010 NJEIT) Traditional Fund	3/10/2010	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					\$ 710,034		\$ 135,237	\$ 574,797		
\$1,025,000 (Series 2011 Refunding) Proceeds utilized to redeem all outstanding 1998 Series C bonds.	9/22/2011	2/1/2018	100,000	2.00%						
		2011 Refunding Bonds Series Sub-Total					280,000	180,000	100,000	
\$2,970,000 (Series 2011 Capital Projects) Proceeds utilized to finance the 2011 Capital Projects.	9/22/2011	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					2,370,000		125,000	2,245,000
		\$9,095,000 2017 MCIA Bonds Proceeds utilized to finance the 2017 Capital Projects.	2/23/2017	2/15/2018	275,000	2.00%				
2/15/2019	285,000			5.00%						
2/15/2020	300,000			5.00%						
2/15/2021	315,000			5.00%						
2/15/2022	330,000			5.00%						
2/15/2023	350,000			5.00%						
2/15/2024	365,000			5.00%						
2/15/2025	385,000			5.00%						
2/15/2026	405,000			5.00%						
2/15/2027	425,000			5.00%						
2/15/2028	445,000			5.00%						
2/15/2029	470,000			5.00%						
2/15/2030	495,000			5.00%						
2/15/2031	520,000			5.00%						
2/15/2032	545,000			5.00%						
2/15/2033	575,000			5.00%						
2/15/2034	605,000	5.00%								
2/15/2035	635,000	5.00%								
2/15/2036	670,000	5.00%								
2/15/2037	700,000	5.00%								
2017 MCIA Bonds Series Sub-Total					\$ 9,095,000			9,095,000		
						9,095,000		9,095,000		

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
A COMPONENT UNIT OF THE TOWNSHIP OF OCEAN
SCHEDULE OF LONG-TERM REVENUE BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2017

Purpose	Date of Issue	Maturities		Interest Rate	Balance December 31,		De-Obligated	Paid	Balance December 31, 2017
		Date	Amount		2016	Issued			
\$1,370,000 (Series 2017 NJEIT)	11/21/2017								
Traditional Trust		8/1/2019	\$ 50,000.00	5.00%		\$ 1,370,000		\$ 1,370,000	
Proceeds utilized to finance the 2017 Capital Projects.		8/1/2020	50,000.00	5.00%					
		8/1/2021	55,000.00	5.00%					
		8/1/2022	55,000.00	5.00%					
		8/1/2023	60,000.00	5.00%					
		8/1/2024	60,000.00	5.00%					
		8/1/2025	65,000.00	5.00%					
		8/1/2026	70,000.00	5.00%					
		8/1/2027	70,000.00	2.13%					
		8/1/2028	75,000.00	2.38%					
		8/1/2029	75,000.00	2.50%					
		8/1/2030	80,000.00	2.63%					
		8/1/2031	80,000.00	2.75%					
		8/1/2032	80,000.00	2.75%					
		8/1/2033	85,000.00	2.88%					
		8/1/2034	85,000.00	2.88%					
		8/1/2035	90,000.00	3.00%					
		8/1/2036	90,000.00	3.00%					
		8/1/2037	95,000.00	3.00%					
2017 Traditional Trust Series Sub-Total						1,370,000		1,370,000	
\$4,158,416 (Series 2017 NJEIT)	11/21/2017								
Traditional Fund		8/1/2018	140,963	0%		4,158,416		4,158,416	
Proceeds utilized to finance the 2017 Capital Projects.		2/1/2019	70,482	0%					
		8/1/2019	140,963	0%					
		2/1/2020	70,482	0%					
		8/1/2020	140,963	0%					
		2/1/2021	70,482	0%					
		8/1/2021	140,963	0%					
		2/1/2022	70,482	0%					
		8/1/2022	140,963	0%					
		2/1/2023	70,482	0%					
		8/1/2023	140,963	0%					
		2/1/2024	70,482	0%					
		8/1/2024	140,963	0%					
		2/1/2025	70,482	0%					
		8/1/2025	140,963	0%					
		2/1/2026	70,482	0%					
		8/1/2026	140,963	0%					
		2/1/2027	70,482	0%					
		8/1/2027	140,963	0%					
		2/1/2028	70,482	0%					
		8/1/2028	140,963	0%					
		2/1/2029	70,482	0%					
		8/1/2029	140,963	0%					
		2/1/2030	70,482	0%					
		8/1/2030	140,963	0%					
		2/1/2031	70,482	0%					
		8/1/2031	140,963	0%					
		2/1/2032	70,482	0%					
		8/1/2032	140,963	0%					
		2/1/2033	70,482	0%					
		8/1/2033	140,963	0%					
		2/1/2034	70,482	0%					
		8/1/2034	140,963	0%					
		2/1/2035	70,482	0%					
		8/1/2035	140,963	0%					
		2/1/2036	70,482	0%					
		8/1/2036	140,963	0%					
		2/1/2037	70,482	0%					
		8/1/2037	140,963	0%					
2017 Traditional Fund Series Sub-Total						4,158,416		4,158,416	
Grand Total					\$ 12,007,532	\$ 14,623,416	\$ 370,446	\$ 1,568,660	\$ 24,691,842
Detail:									
Current portion								\$ 1,950,578	
Long-term portion								22,741,264	
								\$ 24,691,842	

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Township of Ocean Sewerage Authority, in the County of Monmouth, New Jersey ("Authority") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 31, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Wiss & Company

WISS & COMPANY, LLP

May 31, 2018
Livingston, New Jersey

OTHER SUPPLEMENTARY INFORMATION

ROSTER OF OFFICIALS AND SURETY BOND/INSURANCE COVERAGE

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY

ROSTER OF OFFICIALS AND SURETY BOND

YEAR ENDED DECEMBER 31, 2017

<u>Name</u>	<u>Title</u>	<u>Surety Bond</u>
Dennis Galvin	Chairman	A
Richard Bernhardt	Vice Chairman	A
Ralph E. Stubbs	Secretary/Treasurer	A
John Villapiano	Member	A
Charles Theodora	Assistant Secretary/Treasurer	A
William E. Schmeling	Executive Director	A
John Bonello, Esq.	Attorney	
CME Associates	Engineer	
BNY/Mellon	Trustee	

Surety Coverages:

- A. Municipal Excess Liability Joint Insurance Fund: Public Officials Liability/Employment Practices. \$2,000,000 in the aggregate on claims made basis per member local unit for each fund year subject to a deductible and coinsurance.

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY

INSURANCE COVERAGE

YEAR ENDED DECEMBER 31, 2017

A blanket policy issued by the New Jersey Utility Authorities Joint Insurance Fund for a one-year period expiring on January 1, 2018, payable semi-annually was in force during the period under audit. The following coverages were provided:

			<u>Expiration Date</u>
Special Multi Peril Policy:			
Property:			
Buildings and Contents	\$	150,000,000	1/1/2018
Contractors Equipment		5,000,000	
Employee Blanket Dishonesty		1,000,000	
Valuable Papers		10,000,000	
Accounts Receivable		10,000,000	
Depositor's Forgery		1,000,000	
Theft, Disappearance and Destruction:			
Inside		1,000,000	
Outside		1,000,000	
Miscellaneous Tools and Equipment		5,000,000	
Boiler and Machinery		150,000,000	
	<u>Property Damage</u>	<u>Bodily Injury</u>	
Liability:			
General Liability, Property and Bodily Damage (Combined Single Limit)	\$	10,000,000	1/1/2018
Auto Fleet:			
Liability (Combined Single Limit)	\$	10,000,000	1/1/2018
Uninsured Motorists		16,000/30,000/5,000	
Public Officials Liability		2,000,000	1/1/2018
Ocean Outfall		5,000,000	1/1/2018
Flood		20,000,000	1/1/2018
Workmen's Compensation		Statutory	1/1/2018

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

OTHER INFORMATION

GENERAL COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS DECEMBER 31, 2017

Cash Balances

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

The cash on hand was verified by a physical cash count.

Contracts and Agreements Requiring Advertisement for Bids

The Commissioners and Executive Director of the Township of Ocean Sewerage Authority have the responsibility of determining whether any contract or agreement might result in violation of the statute and, when necessary, the Authority's Counsel's 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 2017 bid threshold was \$40,000.

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

Based on the results of our examination, we did not note any individual payments, contracts, or agreements made for the performance of any work or the furnishing or hiring of any materials or supplies, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 40A: 11-2.

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

Delinquent Sewer Charges

A detail of all unpaid sewer charges including customer municipality billings outstanding and amounts due from users is in agreement with an abstract taken from these records as at December 31, 2017 covering all unpaid charges on that date.

A test verification of delinquent charges outstanding at December 31, 2017 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 verification notices mailed.

Collection of Interest on Delinquent Sewer Charges

The statutes provide the method for authorizing interest and maximum rates to be charged for nonpayment of sewer charges on or before the date when they would become delinquent. The

Authority approved a resolution establishing an interest rate of 1½% per month for delinquent members' charges. The resolution was complied with.

Interest Requirements

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

Revenues

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

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

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

Expenses

In accordance with the Bond Resolution, Section 610, the Authority adopted annual operating budgets for the fiscal years ending December 31, 2017 and 2016.

The vouchers were examined to the extent deemed necessary.

An examination was made of the employees' compensation and payroll deductions for the year ended December 31, 2017 and for those employees examined, no exceptions were noted.

Exit Conference

An exit audit conference with the Authority was held.

Acknowledgment

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

Follow-up on Prior Year's Recommendations

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year's recommendations including findings. A corrective action plan was successfully adopted for all 2016 recommendations.

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

No recommendations noted.

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

SINGLE AUDIT SECTION

Report on Compliance For Each Major Federal and State Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance and New Jersey OMB Circular 15-08

Independent Auditors' Report

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

Report on Compliance for Each Major Federal and State Program

We have audited the Township of Ocean Sewerage Authority's, in the County of Monmouth, New Jersey (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal and state programs for the year ended December 31, 2017. The Authority's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Department of Community Affairs, State of New Jersey; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and New Jersey OMB Circular 15-08, *Single Audit*

Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, the Uniform Guidance and New Jersey OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.



David A. Kaplan
Certified Public Accountant



WISS & COMPANY, LLP

May 31, 2018
Livingston, New Jersey

Township of Ocean Sewerage Authority

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2017

Federal Funding Department	Federal CFDA Number	Federal Award Identification Number	State Account Number	Total Award	Grant Period		Expenditures for the year ended December 31, 2017
					From	To	
United States Environmental Protection Agency							
Passed Through the State of New Jersey:							
Clean Water State Revolving Funds Cluster:							
New Jersey Clean Water State Revolving Funds	66.458	34000117	042-4860-711-009/010	\$ 4,146,312	1/1/2017	Completion	<u>\$ 2,923,725</u>
Sub-total - Passed Through Awards							<u>\$ 2,923,725</u>
Total Federal Financial Awards Expenditures							<u><u>\$ 2,923,725</u></u>

See accompanying notes to the schedules of expenditures of federal awards and state financial assistance.

Township of Ocean Sewerage Authority
 Schedule of Expenditures of State Financial Assistance
 Year Ended December 31, 2017

State Grantor/Program Title	Grant or State Project Number	From	<u>Grant Period</u> To	Total Award	Expenditures for the year ended December 31, 2017
New Jersey Environmental Infrastructure Trust: Capitalization Grants for Clean Water State Revolving Funds	042-4860-711-009/010	1/1/2017	Project Completion	\$ 1,382,104	\$ <u>974,575</u>
Total State Financial Assistance Expenditures					\$ <u><u>974,575</u></u>

See accompanying notes to the schedules of expenditures of federal awards and state financial assistance.

Township of Ocean Sewerage Authority

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance

Year ended December 31, 2017

1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal awards and state financial assistance programs of the Township of Ocean Sewerage Authority. The Authority is defined in Note 1 to the Authority's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal financial awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the accrual basis of accounting. This basis of accounting is described in Note 1 to the Authority's basic financial statements. The information in these schedules are presented in accordance with the requirements of 2 CFR 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented, or used in the preparation of, the basic financial statements.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

Expenditures incurred for New Jersey Clean Water State Revolving Funds Capitalization Grants are based upon the New Jersey Environmental Infrastructure Trust's share of expenditures incurred for these projects. When expenditures are incurred, a requisition is submitted to the N.J.E.I.T. for reimbursement for their allocable share of eligible costs.

Township of Ocean Sewerage Authority

Notes to Schedules of Expenditures of
Federal Awards and State Financial Assistance

Year ended December 31, 2017

4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

5. INDIRECT COSTS

The Authority did not use the 10% de minimis indirect cost rate.

Township of Ocean Sewerage Authority
 Schedule of Findings and Questioned Costs

Year ended December 31, 2017

Part I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	<u> X </u>	No
Significant deficiency(ies) identified?	_____	Yes	<u> X </u>	None Reported
Noncompliance material to financial statements noted?	_____	Yes	<u> X </u>	No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	_____	Yes	<u> X </u>	No
Significant deficiency(ies) identified?	_____	Yes	<u> X </u>	None Reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____	Yes	<u> X </u>	No
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Identification of major federal programs:

CFDA Number(s)	FAIN Number	Name of Federal Program or Cluster
66.468	34000117	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:	_____	\$750,000	_____	No
Auditee qualified as low-risk auditee?	<u> X </u>	Yes	_____	No

Township of Ocean Sewerage Authority

Schedule of Findings and Questioned Costs (continued)

Year ended December 31, 2017

Part I - Summary of Auditors' Results (continued)

State Awards

Internal control over major state programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None Reported

Type of auditors' report issued on compliance for major State programs: _____ Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 15-08? _____ Yes X No

Identification of major state programs:

GMIS/Program Number	Name of State Program or Cluster
042-4860-711-009/010	New Jersey Clean Water State Revolving Funds Capitalization Grant

Dollar threshold used to distinguish between Type A and Type B programs: _____ \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Township of Ocean Sewerage Authority
Schedule of Findings and Questioned Costs

Year ended December 31, 2017

Part II - Schedule of Financial Statement Findings

No financial statement findings noted that are required to be reported under *Government Auditing Standards*.

Township of Ocean Sewerage Authority

Schedule of Findings and Questioned Costs (continued)

Year ended December 31, 2017

**Part III - Schedule of Federal Award and State Financial Assistance
Findings and Questioned Costs**

No compliance or internal control findings noted that are required to be reported in accordance with 2 CFR 200 Section 516(a) and new Jersey State OMB Circular 15-08.

Township of Ocean Sewerage Authority
Summary Schedule of Prior Year Audit Findings
Year ended December 31, 2017

SUMMARY OF PRIOR YEAR FINDINGS

Not applicable.