

**Township of Ocean Sewerage Authority  
(A Component Unit of the Township of Ocean)  
Financial Statements and Supplementary Information  
Years ended December 31, 2021 and 2020**

**and**

**Independent Auditor's Report**

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

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

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the accompanying financial statements of the Township of Ocean Sewerage Authority of the County of Monmouth, New Jersey ("Authority"), a component unit of the Township of Ocean as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respect, the financial position of the Authority as of December 31, 2021, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Prior Period Financial Statements and Supplementary Information

The financial statements of the Authority, as of and for the year ended December 31, 2020 were audited by other auditors whose report dated April 1, 2022, expressed an unmodified opinion on those statements.

The 2020 supplementary information was subjected to auditing procedures applied in the 2020 audit of the financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2020 basic financial statements as a whole.

### Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for the twelve months beyond the financial statement date, including currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibility**

Our objectives are to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

### ***Supplementary Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

*Charles J. Fallon CPA RMA*

Charles J. Fallon  
Certified Public Accountant  
Registered Municipal Accountant #506

*Fallon & Company LLP*

FALLON & COMPANY LLP

Hazlet, New Jersey  
January 19, 2023

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, 2021 and 2020.

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 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 decreased by \$717,716.40 due mainly to decreases in OPEB deferrals, restricted and other unrestricted assets offset by increases in pension related deferrals and additions to capital assets. Total liabilities decreased by \$1,162,521.55 due mainly to a decrease in construction loans payable partially offset by an increase in bonds payable. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$30,023,693.15. This compares to 2020 where assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$29,570,828. The Authority's Net Position of \$30,023,693.15 is comprised of the following:

1. Net investment in capital assets of \$32,495,554.78, 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 \$748,249.78 from the prior year.

Capital assets, net	\$51,844,887.67
Add:	
Due from NJEIT	596,902.30
Unexpended bond proceeds	3,127,889.01
Less:	
Revenue bonds payable, net of unamortized premium	(22,626,156.90)
Short term construction loans	(447,967.30)
Net investment in capital assets	<u>\$32,495,554.78</u>

2. Net position of \$568,588 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 \$311,492 is unrestricted- designated for rate stabilization.
5. Net position of \$1,190,759 is unrestricted - designated for working capital.
6. Net position of \$380,243 is unrestricted - designated for capital outlay.

7. Unrestricted, undesignated net position (deficit) of \$(5,442,944.10) 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 increased by \$295,385.10 mainly due to a decrease in user charges in during 2021.

Comparative Condensed Statements of Net Position as of December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total unrestricted current assets	\$7,814,832.98	\$8,093,263.00	\$8,403,707.00
Total restricted assets	4,425,316.95	5,327,037.00	5,656,967.00
Capital assets, net	51,844,887.67	51,066,697.00	49,669,950.00
Deferred outflows of resources	<u>1,886,024.00</u>	<u>2,201,781.00</u>	<u>681,989.00</u>
Total assets and deferred outflow of resources	<u>\$65,971,061.60</u>	<u>\$66,688,778.00</u>	<u>\$64,412,613.00</u>
Total current liabilities payable from unrestricted assets	\$930,045.18	\$832,104.00	\$465,974.00
Total current liabilities payable from restricted assets	2,336,319.74	6,004,234.00	4,777,421.00
Deferred inflows of resources	3,707,316.00	3,715,376.00	3,978,937.00
Net pension liability	1,881,029.00	2,632,661.00	2,703,202.00
Net OPEB liability	5,798,270.00	5,511,405.00	3,876,208.00
Compensated absences payable	11,255.04	6,255.00	4,957.00
Bonds payable, net	<u>21,283,133.49</u>	<u>18,415,915.00</u>	<u>20,360,284.00</u>
Total liabilities and deferred inflow of resources	<u>35,947,368.45</u>	<u>37,117,950.00</u>	<u>36,166,983.00</u>
Total Net Position	<u>\$30,023,693.15</u>	<u>\$29,570,828.00</u>	<u>\$28,245,630.00</u>

Total unrestricted current assets decreased approximately \$278,430.02 mainly due to a decrease in cash partially offset by an increase in investments.

Total restricted assets decreased \$901,720.05 because cash and cash equivalents in the construction account decreased due to the use of cash for ongoing capital projects as well as cash utilized in the debt service fund.

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

Total current liabilities payable from unrestricted assets increased mainly due to the increase in the accounts payable.

Total current liabilities payable from restricted assets decreased due to decreases in the current portion of bonds payable as well as construction loans payable.

Non-current liabilities increased mainly due to the increase in bonds payable and Net OPEB Liability 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 2021 fiscal year.

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

2021 operating revenues decreased slightly from 2020 levels.

Total operating revenues less total operating expenses produced operating income of \$1,098,358.93, which is less than 2020 operating income of \$1,221,531.00.

Total Net Position as of December 31, 2021 increased by \$452,864.93 as is depicted below for the years ended December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total operating revenues	<u>\$7,032,899.53</u>	<u>\$7,254,263.00</u>	<u>\$7,130,128.00</u>
Operating expenses	4,232,391.37	4,526,267.00	4,307,714.00
Depreciation	<u>1,702,149.23</u>	<u>1,506,465.00</u>	<u>1,399,159.00</u>
Total operating expenses	<u>5,934,540.60</u>	<u>6,032,732.00</u>	<u>5,706,873.00</u>
Operating income	1,098,358.93	1,221,531.00	1,423,255.00
Nonoperating revenues (expenses), net	<u>(645,494.00)</u>	<u>103,667.00</u>	<u>409,520.00</u>
Change in net position	452,864.93	1,325,198.00	1,832,775.00
Total net position - beginning	<u>29,570,828.22</u>	<u>28,245,630.00</u>	<u>26,412,855.00</u>
Total net position - ending	<u>\$30,023,693.15</u>	<u>\$29,570,828.00</u>	<u>\$28,245,630.00</u>

## Comparative Statements of Cash Flows

The net decrease in cash and cash equivalents was \$2,484,569.52. This compares to a net increase in cash and cash equivalents in 2020 of \$922,506.00. The main reasons for the 2021 decrease is due to the repayment of debt and the purchase of capital assets.

## Debt Administration

As of December 31, 2021, the Authority had \$30,316,710.94 of outstanding long-term liabilities. Of this amount, \$1,881,029.00 relates to the net pension liability, \$5,798,270.00 relates to the net OPEB liability, \$11,255.04 is for compensated absences and \$22,626,156.90 is for net bonds payable. As of December 31, 2020, the Authority had \$28,691,641.00 of outstanding long-term liabilities. The increase in outstanding long-term liabilities is mainly attributed to increases in bonds payable offset by decreases in construction loans payable and the net pension liability.

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, 2021 and 2020, the Authority had \$51,844,887.67 and \$51,066,697.00 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 treatment 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 with the exception of the Deal Pump Station which pumps wastewater from the Borough of Deal directly to the Authority's Plant. The service municipalities are responsible for the piping systems within their municipalities.

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 Arbor 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 was an adjustment made to the adopted 2021 budget. This adjustment was made via Board approved budgetary amendment. The Authority added a \$343,277.50 contribution to the Township of Ocean at their request.

### **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 Authority's mission statement reads, the Authority's accountability, is first and foremost, to protect the environment. The Authority continues to meet this goal while providing a cost effective and reliable service, the Authority's annual service charge has remained constant since 2009. The Authority remains accountable to its customers, the agencies and people served using the same principles: cost effective, efficient, reliable and protective. These are the principles the Authority's employees follow and meet each and every day. The Authority values its employees and works with them on a daily basis to provide them the tools they need and request to meet the Authority's mission statement.

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, Commissioner  
John Villapiano, Assistant Secretary/Assistant Treasurer

### **Management of the Authority**

The 2021 Acting Executive Director of the Township of Ocean Sewerage Authority, Natalie Chesko, managed the daily operations of the Authority. She oversaw a staff of 18 and a 2021 final budget of \$7.776 million. Senior staff is charged with the management of the operations and financial affairs of the Authority.

### **Independent Auditors**

The independent audit firm is Fallon & Company, LLP, Hazlet, 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](http://www.tosa-nj.org).

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
A COMPONENT UNIT OF THE TOWNSHIP OF OCEAN  
COMPARATIVE STATEMENTS OF NET POSITION  
DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Assets		
Unrestricted current assets		
Cash and equivalents	\$5,602,076.83	\$7,202,373.00
Investments	1,845,789.00	533,274.00
Receivables:		
Customer accounts receivable	225,312.21	244,849.00
Accrued interest receivable	3,486.87	1,308.00
Miscellaneous	4.00	16,116.00
Inventories	54,982.89	54,983.00
Prepaid expenses	83,181.18	40,360.00
Total unrestricted current assets	7,814,832.98	8,093,263.00
Restricted assets:		
Developer's escrow:		
Cash and equivalents	166,510.59	23,190.00
Debt service fund:		
Cash and equivalents	257.74	176,817.00
Debt Service Reserve Fund:		
Cash and equivalents	533,757.31	593,366.00
Construction Account:		
Cash and equivalents	3,127,889.01	3,919,315.00
Due from NJIB	596,902.30	614,349.00
Total restricted assets	4,425,316.95	5,327,037.00
Noncurrent assets		
Capital assets not being depreciated:		
Land and Easements	487,418.92	487,419.00
Construction in Progress	1,416,746.20	9,289,722.00
Capital assets net of accumulated depreciation:		
Depreciable Capital Assets	49,940,722.55	41,289,556.00
Total capital assets- net of accumulated depreciation	51,844,887.67	51,066,697.00
Total noncurrent assets	56,270,204.62	56,393,734.00
Total assets	64,085,037.60	64,486,997.00
Deferred outflows of resources		
OPEB related deferrals	1,648,357.00	1,434,319.00
Pension related deferrals	237,667.00	767,462.00
	\$1,886,024.00	\$2,201,781.00

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
A COMPONENT UNIT OF THE TOWNSHIP OF OCEAN  
COMPARATIVE STATEMENTS OF NET POSITION  
DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Liabilities		
Current liabilities payable from unrestricted assets:		
Accounts payable	\$869,938.49	\$806,334.00
Payroll payable	5,433.76	7,069.00
Accrued expenses	23,756.26	18,701.00
Customer overpayments	30,916.67	0.00
Total current liabilities payable from unrestricted assets	<u>930,045.18</u>	<u>832,104.00</u>
Current liabilities payable from restricted assets:		
Reserve for developer's deposits	146,110.96	23,190.00
Accrued interest on bonds payable	313,654.81	248,516.00
Accounts Payable	85,563.26	85,466.00
Construction Loans Payable	447,967.30	3,521,657.00
Bonds payable-current portion	1,343,023.41	2,125,405.00
Total current liabilities payable	<u>2,336,319.74</u>	<u>6,004,234.00</u>
Noncurrent liabilities:		
from restricted assets		
Net pension liability	1,881,029.00	2,632,661.00
Net OPEB liability	5,798,270.00	5,511,405.00
Bonds payable, Net	21,283,133.49	18,415,915.00
Compensated absences payable	11,255.04	6,255.00
Total noncurrent liabilities	<u>28,973,687.53</u>	<u>26,566,236.00</u>
Total Liabilities	<u>32,240,052.45</u>	<u>33,402,574.00</u>
Deferred inflows of resources		
OPEB related deferrals	2,362,336.00	2,410,605.00
Pension related deferrals	1,344,980.00	1,304,771.00
Total deferred inflows of resources	<u>3,707,316.00</u>	<u>3,715,376.00</u>
Net position		
Net Investment in capital assets	<u>32,495,554.78</u>	<u>31,747,305.00</u>
Restricted for:		
Future debt service	568,588.00	568,588.00
Renewal and Replacement	500,000.00	500,000.00
Total restricted	<u>1,068,588.00</u>	<u>1,068,588.00</u>
Unrestricted:	<u>(3,540,449.63)</u>	<u>(3,245,065.00)</u>
Total net position	<u>\$30,023,693.15</u>	<u>\$29,570,828.00</u>

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY**  
**COUNTY OF MONMOUTH, NEW JERSEY**  
**A COMPONENT UNIT OF THE TOWNSHIP OF OCEAN**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Operating Revenues:		
User Charges	\$7,032,899.53	\$7,254,263.00
Total operating revenues	<u>7,032,899.53</u>	<u>7,254,263.00</u>
Operating expenses:		
Cost of Providing Services	2,714,578.48	2,716,169.00
Administration	1,517,812.89	1,810,098.00
Depreciation	1,702,149.23	1,506,465.00
Total operating expenses	<u>5,934,540.60</u>	<u>6,032,732.00</u>
Operating Income (deficit)	<u>1,098,358.93</u>	<u>1,221,531.00</u>
Nonoperating revenues and (expenses):		
Connection Fees	124,034.50	434,263.00
Interest on delinquent accounts	45,782.51	
Interest income	106,748.27	70,236.00
Miscellaneous revenue	120,423.63	147,796.00
Interest expense	(667,780.66)	(548,628.00)
Township Contribution	(343,277.50)	
Loss on Bond Refunding	(31,424.75)	
Net nonoperating revenues	<u>(645,494.00)</u>	<u>103,667.00</u>
Change in net position	452,864.93	1,325,198.00
Net Position - beginning of year	<u>29,570,828.22</u>	<u>28,245,630.00</u>
Net Position - end of year	<u><u>\$30,023,693.15</u></u>	<u><u>\$29,570,828.00</u></u>

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
A COMPONENT UNIT OF THE TOWNSHIP OF OCEAN  
COMPARATIVE STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Receipts from customers	\$7,099,464.99	\$7,257,932.00
Payments to suppliers	(2,098,996.18)	(1,263,695.00)
Payments to employees	(2,266,164.60)	(2,954,989.00)
Net cash provided by operating activities	<u>2,734,304.21</u>	<u>3,039,248.00</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(2,480,344.00)	(2,903,212.00)
Issuance of New Debt	2,055,000.00	
Premium received on issuance of debt	425,211.97	
Received from NJEIT	1,068,229.30	1,917,761.00
Proceeds from the sale of NJEIT bonds		81,415.00
Repayment of NJEIT construction loans	(542,544.00)	(314,413.00)
Repayment of bonds and loans	(3,836,122.73)	(2,051,044.00)
Loss on defeasance of debt	(31,424.75)	
Net cash (used) in capital and related financing activities	<u>(3,341,994.21)</u>	<u>(3,269,493.00)</u>
Cash flows from investing activities:		
Interest received	64,164.09	78,272.00
Interest paid on revenue bonds and notes	(602,643.08)	(621,214.00)
Redemption (purchase) of investment securities	(1,312,515.00)	1,791,789.00
Net cash provided by investing activities	<u>(1,850,993.99)</u>	<u>1,248,847.00</u>
Cash flows from noncapital financing activities:		
Connection charges	124,034.50	434,263.00
Prior year construction fund account payable paid		(615,824.00)
Contribution to Township	(343,277.50)	
Developers deposits	122,920.96	
Escrow refunds and replacements	5,000.04	(21,520.00)
Miscellaneous income	65,436.47	106,985.00
Net cash provided by noncapital financing activities	<u>(25,885.53)</u>	<u>(96,096.00)</u>
Net increase in cash and cash equivalents	(2,484,569.52)	922,506.00
Cash - beginning of year	<u>11,915,061.00</u>	<u>10,992,555.00</u>
Cash - end of year	<u>\$9,430,491.48</u>	<u>\$11,915,061.00</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$1,098,358.93	\$1,221,531.00
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,702,149.23	1,506,465.00
Other		
Changes in assets and liabilities		
Decrease (Increase) in receivables and other assets:		
Unrestricted Accounts	(7,172.39)	162,521.00
Increase (Decrease) in current liabilities:		
Payable from unrestricted assets	98,038.44	321,727.00
Increase (Decrease) in other liabilities		1,298.00
Increase (Decrease) in net pension liability	(751,632.00)	(26,138.00)
Increase (Decrease) in net OPEB liability	286,865.00	1,635,197.00
(Increase) Decrease in deferred outflows - pension related	529,795.00	(152,643.00)
(Increase) Decrease in deferred outflows - OPEB related	(214,038.00)	(1,367,149.00)
Increase (Decrease) in deferred inflows - pension related	40,209.00	25,946.00
Increase (Decrease) in deferred inflows - OPEB related	(48,269.00)	(289,507.00)
Net cash provided by operating activities	<u>\$2,734,304.21</u>	<u>\$3,039,248.00</u>
Reconciliation to Statement of Net Position:		
Unrestricted cash and cash equivalents	\$5,602,076.83	\$7,202,373.00
Restricted cash and cash equivalents	3,828,414.65	4,712,688.00
	<u>\$9,430,491.48</u>	<u>\$11,915,061.00</u>

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY**  
**(A Component Unit of the Township of Ocean)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2021 and 2020**

**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 five-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.

The Authority has oversight responsibility and control over all activities related to the Township of Ocean Sewerage Authority. The Authority receives funding from federal and state government sources and must comply with requirements of these funding source entities.

**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 in the 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, 2021 and 2020**

**1. Summary of Significant Accounting Policies (Continued)**

**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 as of December 31, 2021 consist of Bond Anticipation Notes issued by New Jersey municipalities and are carried at fair value. Investments as of December 31, 2021 consist of United States Treasury Bills and Bond Anticipation 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, 2021 and 2020, the value of the inventory, consisting of chemicals and supplies, not held for resale, was \$54,982.89 and \$54,983.00, 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 acquisition value on the date of acquisition. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY**  
**(A Component Unit of the Township of Ocean)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2021 and 2020**

**1. Summary of Significant Accounting Policies (Continued)**

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

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.

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	3 - 25 Years
Vehicles	3 - 10 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 non-operating revenues and expenses.

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY**  
**(A Component Unit of the Township of Ocean)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2021 and 2020**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Management Estimates**

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

**F. 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 two items that qualify for reporting in this category, deferred amounts related to pensions and deferred amounts related to other post employment benefits.

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

**G. Recent Pronouncements**

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in April 2018. This Statement defines debt for purposes of disclosures in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments. The requirements of this Statement are effective for periods beginning after June 15, 2019. Management adopted this statement in the 2019 fiscal year and it was determined that it did not have an impact on its financial statements or disclosures.

The GASB issued Statement No. 84, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2019. Management has adopted this statement in the 2020 fiscal year and it was determined that it did not have an impact on its financial statements or disclosures.

The GASB issued Statement No. 87, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY**  
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**1. Summary of Significant Accounting Policies (Continued)**

**G. Recent Pronouncements (Continued)**

Statement are effective for periods beginning after June 15, 2021. Management has not yet determined the impact of the Statement on the financial statements or disclosures.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* in June 2018. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2020. Management has not determined the impact of the Statement on the financial statements.

The GASB issued Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61* in August 2018. This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The requirements of this Statement are effective for periods beginning after December 15, 2019. Management has determined that is Statement did not impact the Authority's financial statements.

The GASB issued Statement No. 91, *Conduit Debt Obligations* in May 2019. This Statement establishes a single method of reporting conduit debt obligations by issuers to eliminate diversity in practice. The requirements of this Statement are effective for periods beginning after December 15, 2021. Management has not determined the impact of the Statement on the financial statements.

**H. Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Health Benefits Local Government Retired Employees Plan (SHBP) and additions to/deductions from SHBP's fiduciary net position have been determined on the same basis as they are reported by SHBP.

**I. Subsequent Events**

Management has reviewed and evaluated all events and transactions occurring from December 31, 2021 through the date of the financial statement issuance, January 19, 2023, for possible disclosure and recognition in the accompanying financial statements. The effects of those events and transactions that provide additional pertinent information about conditions that existed at the statement of net position date have been recognized in the accompanying 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, 2021 and 2020**

**1. Summary of Significant Accounting Policies (Continued)**

**I. Subsequent Events (Continued)**

In March 2020, the World Health Organization declared a novel strain of coronavirus (“COVID- 19”) a global pandemic which caused substantial economic volatility on a global scale. As a result, the Authority’s economically sensitive revenues (i.e. user charges, interest earnings and connection fees) might be negatively impacted. Collection rates on sewer billings might be slowed as unemployment rates are expected to continue to spike. Meanwhile, the Authority’s expenses for operations, health service functions and pension benefits {due to stock market declines) would all be expected to increase sharply. Credit markets may tighten and interest rates could fluctuate. These factors were taken into consideration in the development of the 2021 and 2022 adopted budgets. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the actual impact on the Authority’s financial position at this time.

**2. 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, 2021 and 2020, the carrying amount of the Authority’s deposits (excluding petty cash) were \$9,430,491.48 and \$11,915,011, respectively, and the bank balances at December 31, 2021 and 2020 were \$9,483,550.46 and \$11,912,171, respectively. Of the bank balances, \$750,000 was insured with Federal Deposit Insurance Corporation for both 2021 and 2020 and the remaining balances were covered by GUDPA.

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.

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.

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY**  
**(A Component Unit of the Township of Ocean)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2021 and 2020**

**2. Deposits and Investments (Continued)**

**Cash and Cash Equivalents (Continued)**

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

*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, 2021 and 2020, the Authority's various investments in United States Treasury Bills and Bond Anticipation 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.

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY**  
**(A Component Unit of the Township of Ocean)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2021 and 2020**

**2. Deposits and Investments - (Continued)**

The following presents the components of investments held at fair value at December 31, 2021:

<u>Description of Investment, Revenue Fund</u>	<u>Interest Rates</u>	<u>Balance as of December 31, 2021</u>
Bond Anticipation Notes:		
Township of Franklin	5.27%	\$900,000.00
Township of Hamilton	5.20%	284,739.00
Township of Plumsted	3.73%	320,322.00
Township of Plumsted	3.71%	340,728.00
Total Bond Anticipation Notes		<u>1,845,789.00</u>
Total Investments		<u>\$1,845,789.00</u>

The following presents the components of investments held at December 31, 2020:

<u>Description of Investment, Revenue Fund</u>	<u>Interest Rates</u>	<u>Balance as of December 31, 2020</u>
Bond Anticipation Notes:		
Borough of Ocean Gate	1.50%	\$58,274.00
Township of Plumsted	0.65%	475,000.00
Total Bond Anticipation Notes		<u>533,274.00</u>
Total Investments		<u>\$533,274.00</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:

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.

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY**  
**(A Component Unit of the Township of Ocean)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2021 and 2020**

**2. Deposits and Investments - (Continued)**

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, 2021:

	<u>December 31, 2021</u>	<u>Investments at Fair Value as of December 31, 2021</u>	
		<u>Level 1</u>	<u>Level 2</u>
Held to maturity:			
Investments:			
Bond Anticipation Notes	<u>\$1,845,789</u>	<u>          </u>	<u>\$1,845,789</u>
Total Investments by fair value level	<u>\$1,845,789</u>	<u>\$0</u>	<u>\$1,845,789</u>
Cash equivalents (investments):			
Measured at net asset value	<u>\$1,912,132</u>		
Total cash equivalents measured at net asset value	<u>\$1,912,132</u>		

The following table sets forth by level, within the fair value hierarchy, the Authority's investments at fair value as of December 31, 2020:

	<u>December 31, 2020</u>	<u>Investments at Fair Value as of December 31, 2020</u>	
		<u>Level 1</u>	<u>Level 2</u>
Held to maturity:			
Investments:			
Bond Anticipation Notes	<u>\$533,274</u>	<u>          </u>	<u>\$533,274</u>
Total Investments by fair value level	<u>\$533,274</u>	<u>\$0</u>	<u>\$533,274</u>

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY**  
**(A Component Unit of the Township of Ocean)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2021 and 2020**

**3. Capital Assets**

The following schedule is a summarization of the changes in capital assets for the year ended December 31, 2021:

	Balance December, 31 <u>2020</u>	<u>Increase</u>	<u>Transfer</u>	Balance December, 31 <u>2021</u>
Capital assets, not depreciated:				
Construction in progress	\$9,289,719.88	\$2,241,448.78	(\$10,114,422.40)	\$1,416,746.26
Land	487,418.92			487,418.92
Total capital assets, not depreciated	<u>9,777,138.80</u>	<u>2,241,448.78</u>	<u>(10,114,422.40)</u>	<u>1,904,165.18</u>
Capital Assets, Depreciated:				
Plant and Collection System	60,671,306.15	238,895.22	10,114,422.40	\$71,024,623.77
Collection System (Contributed)	1,811,320.71			1,811,320.71
Plant (Contributed)	1,887,353.42			1,887,353.42
Machinery and Equipment	2,169,603.24			2,169,603.24
Total capital assets being depreciated	<u>66,539,583.52</u>	<u>238,895.22</u>	<u>10,114,422.40</u>	<u>76,892,901.14</u>
Accumulated Depreciation	<u>(25,250,029.42)</u>	<u>(1,702,149.23)</u>		<u>(26,952,178.65)</u>
	<u>\$51,066,692.90</u>	<u>\$778,194.77</u>	<u>\$ -</u>	<u>\$51,844,887.67</u>

The following schedule is a summarization of the changes in capital assets for the year ended December 31, 2020:

	Balance December, 31 <u>2019</u>	<u>Increase</u>	<u>Transfers</u>	Balance December, 31 <u>2020</u>
Capital assets, not depreciated:				
Construction in progress	\$15,475,287.00	\$1,987,080.00	(\$8,172,645.00)	\$9,289,722.00
Land	487,419.00			487,419.00
Total capital assets, not depreciated	<u>15,962,706.00</u>	<u>1,987,080.00</u>	<u>(8,172,645.00)</u>	<u>9,777,141.00</u>
Capital Assets, Depreciated:				
Plant and Collection System	52,034,469.00	464,194.00	8,172,645.00	60,671,308.00
Collection System (Contributed)	1,811,321.00			1,811,321.00
Plant (Contributed)	1,887,353.00			1,887,353.00
Machinery and Equipment	1,717,665.00	451,938.00		2,169,603.00
Total capital assets being depreciated	<u>57,450,808.00</u>	<u>916,132.00</u>	<u>8,172,645.00</u>	<u>66,539,585.00</u>
Accumulated Depreciation	<u>(23,743,564.00)</u>	<u>(1,506,465.00)</u>		<u>(25,250,029.00)</u>
	<u>\$49,669,950.00</u>	<u>\$1,396,747.00</u>	<u>\$ -</u>	<u>\$51,066,697.00</u>

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY**  
**(A Component Unit of the Township of Ocean)**  
**Notes to the Basic Financial Statements Years**  
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**4. Long-Term Liabilities**

During the year ended December 31, 2021, the following changes occurred in long-term liabilities:

	Balance December, 31 <u>2020</u>			Balance December, 31 <u>2021</u>		Current Portion
	<u>Increase</u>	<u>Decrease</u>				
Bonds Payable	\$19,163,319.19	\$5,636,928.00	(\$3,891,115.42)	\$20,909,131.77	\$1,222,316.59	
Unamortized premium	1,378,001.25	425,211.97	(86,188.09)	1,717,025.13	120,706.82	
Bonds payable, net	<u>20,541,320.44</u>	<u>6,062,139.97</u>	<u>(3,977,303.51)</u>	<u>22,626,156.90</u>	<u>1,343,023.41</u>	
Net pension liability	2,632,661.00		(751,632.00)	1,881,029.00	185,954.00	
Net OPEB liability	5,511,405.00	286,865.00		5,798,270.00	116,891.00	
Compensated absences	6,255.00	5,000.04		11,255.04	0.00	
Total capital assets being depreciated	<u>8,150,321.00</u>	<u>291,865.04</u>	<u>(751,632.00)</u>	<u>7,690,554.04</u>	<u>302,845.00</u>	
	<u>\$28,691,641.44</u>	<u>\$6,354,005.01</u>	<u>(\$4,728,935.51)</u>	<u>\$30,316,710.94</u>	<u>\$1,645,868.41</u>	

During the year ended December 31, 2020, the following changes occurred in long-term liabilities:

	Balance December, 31 <u>2019</u>			Balance December, 31 <u>2020</u>	
	<u>Increase</u>	<u>Decrease</u>			
Bonds Payable	\$20,929,697.00	\$296,592.00	(\$2,062,969.00)	\$19,163,320.00	
Unamortized premium	1,481,631.00	0.00	(103,631.00)	1,378,000.00	
Bonds payable, net	<u>22,411,328.00</u>	<u>296,592.00</u>	<u>(2,166,600.00)</u>	<u>20,541,320.00</u>	
Net pension liability	2,703,202.00		(70,541.00)	2,632,661.00	
Net OPEB liability	3,876,208.00	1,635,197.00		5,511,405.00	
Compensated absences	4,957.00	1,298.00		6,255.00	
Total capital assets being depreciated	<u>6,584,367.00</u>	<u>1,636,495.00</u>	<u>(70,541.00)</u>	<u>8,150,321.00</u>	
	<u>\$28,995,695.00</u>	<u>\$1,933,087.00</u>	<u>(\$2,237,141.00)</u>	<u>\$28,691,641.00</u>	
Current Portion				<u>\$2,051,044.00</u>	
				<u>\$2,125,405.00</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, 2021 through August 1, 2021 with semi-annual maturities ranging from \$4,782 to \$206,110. bonds were issued with an original issue premium of \$228,038.

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**4. Long-Term Liabilities (Continued)**

The Loan (State Funds) portion of the Bond Issue, \$3,905,000, matured on August 1, 2021 with the final maturity payment of \$295,312 and bears interest at rate of 4.75%.

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 therefunding. These bonds were fully discharged during 2021.

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 Environmental Infrastructure Trust. The Fund (Federal Funds) portion of the Bond Issue of \$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 \$101,608. The Bonds were issued with an original issue premium of \$127,178.

The Loan (State Funds) portion of the Bond Issue, \$1,630,000, matured on August 1, 2021 with the final maturity payment of \$134,673 and bears 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. These bonds were fully discharged during 2021.

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 August 1, 2021 at maturities ranging from \$655 to \$32,415. The Bonds were issued with an original issue premium of \$15,069.

The Loan (State Funds) portion of the Bond Issue, \$495,000, matures on August 1, 2021 with the final maturity payment of \$43,192 and bears an interest rate of 4.125%. These bonds were fully discharged during 2021.

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**4. Long-Term Liabilities (Continued)**

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 August 1, 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 August 1, 2027 at remaining annual maturities ranging from \$162,000 to \$210,000 and bear interest rates ranging from 4.25% 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 in amounts ranging from \$24,000 to \$33,000 at interest rates ranging from 3.50% to 4.00% 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 \$8,197.79 to \$16,400.37, 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 \$47,000 to \$52,000 at interest rates of 4.00%, and Fund Loan Bonds of \$2,659,650 which mature semi-annually through February 1, 2022 at \$33,855.65 with no interest.

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**4. Long-Term Liabilities (Continued)**

2010 Traditional Revenue Bonds (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

These bonds were refunded by the 2021 MCIA Refunding Bonds.

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 \$330,000 to \$700,000 at an interest rate of 5.00%.

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

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 \$5,528,416 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 August 1, 2035 at maturities ranging from \$19,643.46 to \$140,963.25. On July 10, 2019, the Authority received notification that \$544,210 of these bonds were de-obligated.

The Loan (State Funds) portion of the Bond Issue, \$1,370,000 mature annually through August 1, 2037 at remaining annual maturities ranging from \$55,000 to \$95,000 and bear interest rates ranging from 2.13% to 5.00%.

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**4. Long-Term Liabilities (Continued)**

2019 Series Bonds-Monmouth County Improvement Authority (MCIA)

On December 23, 2019, the Authority issued \$685,000 in Revenue Bonds through the Monmouth County Improvement Authority. The bonds mature annually through December 1, 2039 at annual maturities ranging from \$25,000 to \$40,000. Interest rates on the bonds range from 4.00% to 5.00%.

2020 Series Bonds - New Jersey Environmental Infrastructure Trust (NJEIT)

On August 1, 2020, the Authority issued \$296,592 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust. The Fund (Federal Funds) portion of the Bond Issue, \$226,592 was issued with no interest rate. The Bonds mature semi-annually through August 1, 2035 at maturities ranging from \$5,962.94 to \$11,925.89.

The Loan (State Funds) portion of the Bond Issue, \$70,000 mature annually through August 1, 2032 at remaining annual maturities ranging from \$5,000 to \$10,000 and bear interest rates ranging from 2.13% to 5.00%.

2021 Series Bonds-Monmouth County Improvement Authority (MCIA)

On December 30, 2021, the Authority issued \$790,000 in Revenue Bonds through the Monmouth County Improvement Authority. The bonds mature annually through December 1, 2041 at annual maturities ranging from \$25,000 to \$50,000. Interest rates on the bonds range from 3.00% to 5.00%.

2021 (Series 2011) Refunding Bonds-Monmouth County Improvement Authority (MCIA)

On December 30, 2021, the Authority issued \$1,265,000 in Refunding Bonds through the Monmouth County Improvement Authority. The bonds mature annually through December 1, 2031 at annual maturities ranging from \$120,000 to \$165,000. Interest rates on the bonds range from 4.00% to 5.00%.

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**4. Long-Term Liabilities (Continued)**

Remaining principal and interest payments on all outstanding debt of the Authority at December 31, 2021 are presented below:

<u>Year</u>	<u>Bond Principal</u>	<u>Interest on Bonds</u>	<u>Total</u>
2022	\$1,222,311.59	\$641,342.64	\$1,863,654.23
2023	1,350,940.52	614,573.76	1,965,514.28
2024	1,396,035.57	556,515.01	1,952,550.58
2025	1,384,531.13	531,146.26	1,915,677.39
2026	1,371,675.88	488,351.26	1,860,027.14
2027-2031	5,985,829.93	1,790,203.77	7,776,033.70
2032-2036	5,242,729.31	808,681.26	6,051,410.57
2037-2041	1,790,381.10	100,850.00	1,891,231.10
2042-2046	640,381.10	29,400.00	669,781.10
2047-2051	524,315.64	9,000.00	533,315.64
Totals	<u>\$20,909,131.77</u>	<u>\$5,570,063.96</u>	<u>\$26,479,195.73</u>

**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 \$11,225.04 and \$6,255.00 at December 31, 2021 and 2020, respectively.

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY**  
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**6. Pension Plans**

**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.

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more of service credit before age 62, and tier 5 with 30 years or more of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

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

**Funding Policy**

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, the employee contribution rate for PERS was 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 noncontributory death benefits and post-retirement medical premiums.

The Authority's actuarially determined contributions to PERS for the years ended December 31, 2021, 2020 and 2019 were \$185,954, \$176,607 and \$146,826, respectively, equal to the required contributions for each year.

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

**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, 2021 and 2020, the Authority reported a liability of \$1,881,029 and \$2,632,661, respectively, for its proportionate share of the net pension liability. The December 31, 2021 net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation on July 1, 2020, which was rolled forward to June 30, 2021. 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, 2021, the Authority's proportion was 0.0158783557 percent, which was a decrease of 0.0002656244 from its proportion measured as of June 30, 2020.

For the years ended December 31, 2021, and 2020 the Authority recognized full accrual pension benefits of \$75,880 and \$75,880, respectively, in the financial statements.

At December 31, 2021 and 2020, respectively, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

<u>2021</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$9,796.00	\$669,659.00
Net difference between projected and actual earnings on pension plan investments		495,513.00
Changes in proportion	198,205.00	166,342.00
Difference between expected and actual experience	<u>29,666.00</u>	<u>13,466.00</u>
	<u>\$237,667.00</u>	<u>\$1,344,980.00</u>

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

<u>2020</u>	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Changes of assumptions	\$85,407.00	\$1,102,320.00
Net difference between projected and actual earnings on pension plan investments	89,986.00	
Changes in proportion	292,026.00	193,141.00
Difference between expected and actual experience	47,936.00	9,310.00
Authority contributions subsequent to the measurement date	<u>252,107.00</u>	
	<u>\$767,462.00</u>	<u>\$1,304,771.00</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	
2022	(\$452,080.00)
2023	(310,093.00)
2024	(180,606.00)
2025	(163,643.00)
2026	<u>(891.00)</u>
	<u>(\$1,107,313.00)</u>

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

*Actuarial Assumptions*

The collective total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. This actuarial valuation used the following actuarial assumptions applied to all periods in the measurement:

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary increases:	
Through 2026	2.00-6.00%
	based on years of service
Thereafter	3.00-7.00%
	based on years of service
Investment rate of return	7.00%

The collective total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions applied to all periods in the measurement:

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary increases:	
Through 2026	2.00-6.00%
	based on years of service
Thereafter	3.00-7.00%
	based on years of service
Investment rate of return	7.00%

*Mortality Rates*

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

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

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

*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, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Markets Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Estate	8.00%	9.15%
Real Assets	3.00%	7.40%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%

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

*Discount rate*

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 and the non-employer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. 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 3.50% as of June 30, 2020 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 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the District's proportionate share of the net pension liability as of June 30, 2021 calculated using the discount rate as disclosed above as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Township's Proportionate Share of the Net Pension Liability	\$ 3,250,533	\$ 1,881,029	\$ 2,015,063

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

The following presents the Authority's proportionate share of the net pension liability as of December 31, 2020 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	<u>1%</u> <u>Decrease</u> <u>(6.00%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.00%)</u>	<u>1%</u> <u>Increase</u> <u>(8.00%)</u>
Township's Proportionate Share of the Net Pension Liability	<u>\$ 3,314,081</u>	<u>\$ 2,632,661</u>	<u>\$ 2,054,457</u>

*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, 2021 are as follows:

Deferred outflows of resources	\$1,164,738,169
Deferred inflows of resources	\$1,606,617,948
Net pension liability	\$11,972,782,878
Authority's Proportion	0.0158783557

Collective balances of the Local Group at the end of the current measurement period, June 30, 2020 are as follows:

Deferred outflows of resources	\$2,347,583,337
Deferred inflows of resources	\$7,849,949,467
Net pension liability	\$16,435,616,426
Authority's Proportion	0.0161439801

Collective pension expense for the Local Group for the measurement periods ended June 30, 2021 and 2020, respectively, are \$1,599,674,464 and \$407,705,399. The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014 is 5.13, 5.16, 5.21, 5.63, 5.48, 5.57, 5.72, and 6.44 years, respectively.

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY**  
**(A Component Unit of the Township of Ocean)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2021 and 2020**

**7. Postemployment Benefits Other Than Pensions (OPEB)**

*Plan description and benefits provided*

The Authority participates in the State Health Benefit Local Government Retired Employees Plan (Plan), a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the State of New Jersey Division of Pension and Benefits. The Plan covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan provides medical and prescription drug coverage to retirees and their covered dependents. Rules governing the operation and administration of the program are found in Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999. Additional information about the Plan is available from the State of New Jersey, Division of Pensions and Benefits Comprehensive Annual Financial Report, which can be found at <https://www.state.nj.us/treasury/pensions/financial-report.sshhtml>.

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

At December 31, 2021 and 2020, the Authority reported a liability of \$5,798,270 and \$5,511,405 respectively for its proportionate share of the net OPEB liability. The net OPEB liability as of December 31, 2021 was determined by an actuarial valuation as of June 30, 2020 which was rolled forward to June 30, 2021. The net OPEB liability as of December 31, 2020 was determined by an actuarial valuation as of July 1, 2020 which was rolled forward to June 30, 2021. The Authority's proportion of the net OPEB liability was based on a projection of the Authority's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating local governments, actuarially determined. At December 31, 2021 and 2020, the Authority's proportion was 0.0322130000 percent and 0.030710000 percent, respectively.

For the year ended December 31, 2021, the Authority recognized a Net OPEB Liability of \$5,798,270. At December 31, 2021 the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>2021</u>	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Changes of assumptions	\$834,098	\$1,024,912
Net difference between projected and actual earnings on OPEB plan investments	2,772	
Changes in proportion	681,381	124,340
Difference between expected and actual experience	<u>130,106</u>	<u>1,213,084</u>
	<u>\$1,648,357</u>	<u>\$2,362,336</u>

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY**  
**(A Component Unit of the Township of Ocean)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2021 and 2020**

**7. Postemployment Benefits Other Than Pensions (OPEB)- (Continued)**

For the year ended December 31, 2020, the Authority recognized a Net OPEB Liability of \$5,511,405. At December 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>2020</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$824,333	\$1,225,651
Net difference between projected and actual earnings on OPEB plan investments	3,500	
Changes in proportion	461,320	158,628
Difference between expected and actual experience	<u>145,166</u>	<u>1,026,326</u>
	<u>\$1,434,319</u>	<u>\$2,410,605</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended December 31:</u>	
2022	(\$252,884)
2023	(252,884)
2024	(252,884)
2025	(142,226)
2026	35,922
2027-2028	<u>150,977</u>
	<u>(\$713,979)</u>

The discount rate for June 30, 2021 was 2.16%. This represents the municipal bond return rate as chosen by the State. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY**  
**(A Component Unit of the Township of Ocean)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2021 and 2020**

**7. Postemployment Benefits Other Than Pensions (OPEB)- (Continued)**

*Mortality Rates*

Mortality rates for June 30, 2021 for Pre-retirement and Post retirement healthy retirees is based on the Pub-2010 Healthy “General” classification headcount-weighted mortality table with fully generational mortality improvement projects from the central year using Scale MP-2021. Disability mortality is based on the Pub-2010 Disabled “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of actual experience studies for the period July 1, 2014 through June 30, 2018 for PERS.

*The following represents sensitivity of the Authority’s proportionate share of the net OPEB liability associated with the Authority to changes in the discount rate and healthcare cost trend rate.*

The following presents the Authority’s proportionate share of the net OPEB liability associated with the Authority as of June 30, 2021 calculated using a discount rate that is 1-percentage-point lower (1.16%) or 1-percentage-point higher (3.16%) than the current discount rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Township's Proportionate Share of the Net OPEB Liability	\$ 6,823,452	\$ 5,798,270	\$ 4,985,792

The following presents the Authority’s proportionate share of the net OPEB liability associated with the Authority as of June 30, 2020 calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Township's Proportionate Share of the Net OPEB Liability	\$ 6,515,645	\$ 5,511,405	\$ 4,716,458

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY**  
**(A Component Unit of the Township of Ocean)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2021 and 2020**

**7. Postemployment Benefits Other Than Pensions (OPEB) - (Continued)**

The following presents the Authority's proportionate share of the net OPEB liability associated with the Authority as of June 30, 2021 calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease	At Current Healthcare Cost Trend	1% Increase
Township's Proportionate Share of the Net OPEB Liability	\$ 6,823,452	\$ 5,798,270	\$ 4,985,792

The following presents the Authority's proportionate share of the net OPEB liability associated with the Authority as of June 30, 2020 calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease	At Current Healthcare Cost Trend	1% Increase
Township's Proportionate Share of the Net OPEB Liability	\$ 4,560,693	\$ 5,511,405	\$ 6,756,375

*Actuarial assumptions and other inputs*

The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary increases:	
Through 2026	2.00-6.00%
	based on years of service
Thereafter	3.00-7.00%

Actuarial assumptions used in the July 1, 2020 valuation were based on the results of PERS experience studies prepared for July 1, 2014 to June 30, 2018.

The average service lives of all plan members is 7.82, 7.87, 8.05, 8.14 and 8.04 years for 2021, 2020, 2019, 2018 and 2017, respectively.

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY**  
**(A Component Unit of the Township of Ocean)**  
**Notes to the Basic Financial Statements**  
**Years Ended December 31, 2021 and 2020**

**8. Defined Contribution Retirement Program**

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

**9. 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.

**10. Risk Management**

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

**Property and Liability Insurance**

The Authority maintains commercial insurance coverage through the New Jersey Utility Authorities Joint Insurance Fund for property, liability and surety bonds and does not retain risk of loss. A complete schedule of insurance coverage can be found in the 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, 2021 and 2020**

**11. 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.

**12. Restrictions on Net Position**

Certain portions of net position have been restricted. Restrictions include net position restricted for future debt service of \$568,588 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 Authority's Proportinate Share of the Net Pension Liability  
Public Employee's Retirement System  
Required Supplementary Information and Notes to Supplementary Information  
Last Ten Fiscal Years  
Years Ended December 31,

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Authority's proportion of the net pension liability - Local Group	N/A	N/A	0.0159647383%	0.0155241436%	0.0160049849%	0.0165114554%	0.0146783300%	0.0150023835%	0.0161439801%	0.0158783557%
Authority's proportionate share of the net pension liability	N/A	N/A	\$2,989,036	\$3,484,859	\$4,740,217	\$3,843,603	\$2,890,091	\$2,703,202	\$2,632,661	\$1,881,029
Authority's covered - employee payroll	\$1,215,651	\$1,127,938	\$1,083,535	\$1,060,160	\$1,082,336	\$1,112,629	\$1,110,734	\$1,039,826	\$1,127,078	\$1,203,782
Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll	N/A	N/A	275.86%	328.71%	437.96%	345.45%	260.20%	259.97%	233.58%	156.26%
Plan fiduciary net position as a percentage of the total pension liability - Local Group	N/A	N/A	48.72%	47.93%	40.14%	48.10%	53.60%	56.27%	58.32%	70.33%

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

Notes to Required Supplementary Information

Benefit Changes

There were no changes in 2021

Changes of Assumptions

For 2021, the Scale MP-2021 was used for mortality improvement; for 2020, the Scale MP-2020

Township of Ocean Sewerage Authority  
Schedule of Authority's Pension Contributions  
Public Employee's Retirement System  
Required Supplementary Information  
Last Ten Fiscal Years  
Years Ended December 31,

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contribution	\$143,918	\$134,058	\$125,304	\$131,611	\$133,466	\$142,186	\$155,763	\$146,823	\$176,607	\$185,954
Contributions in relation to the contractually required contribution	(143,918)	(134,058)	(125,304)	(131,611)	(133,466)	(142,186)	(155,763)	(146,823)	(176,607)	(185,954)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Authority's covered-employee payroll	\$1,127,938	\$1,083,535	\$1,060,160	\$1,082,336	\$1,112,629	\$1,110,734	\$1,039,826	\$1,127,078	\$1,149,509	\$1,203,782
Contributions as a percentage of covered employee payroll	12.76%	12.37%	11.82%	12.16%	12.00%	12.80%	14.98%	13.03%	15.36%	15.45%

Township of Ocean Sewerage Authority  
Schedule of Authority's Proportinate Share of the Net OPEB Liability  
State Health Benefits Local Government Retired Employees Plan  
Required Supplementary Information and Notes to Supplementary Information  
Last Ten Fiscal Years  
Years Ended December 31,

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Authority's proportion of the net OPEB liability - Local Group	N/A	N/A	N/A	N/A	0.0294930000%	0.0285940000%	0.0289680000%	0.0285940000%	0.0307100000%	0.0322130000%
Authority's proportionate share of the net OPEB liability	N/A	N/A	N/A	N/A	\$6,405,132	\$5,837,691	\$4,538,306	\$3,876,208	\$5,511,405	\$5,798,270
Authority's covered - employee payroll	\$1,215,651	\$1,127,938	\$1,215,651	\$1,127,938	\$1,082,336	\$1,112,629	\$1,110,734	\$1,039,826	\$1,127,078	\$1,203,782
Authority's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	N/A	N/A	N/A	N/A	591.79%	524.68%	408.59%	372.77%	489.00%	481.67%
Plan fiduciary net position as a percentage of the total OPEB liability - Local Group	N/A	N/A	N/A	N/A	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 - Informantion not available

Notes to Required Supplementary Information

Benefit Changes

There were no changes in 2021.

Changes of Assumptions

The discount rate changed from 2.21% as of June 30, 2020 to 2.16% as of June 30, 2021.

The discount rate changed from 3.50% as of June 30, 2019 to 2.21% as of June 30, 2020.

For 2021, the Scale MP-2021 was used for mortality improvement; for 2020, the Scale MP-2020

Township of Ocean Sewerage Authority  
 Schedule of Authority's OPEB Contributions  
 State Health Benefits Local Government Retired Employees Plan  
 Required Supplementary Information  
 Last Ten Fiscal Years  
 Years Ended December 31,

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contribution	0	0	0	0	0	0	0	0	0	0
Contributions in relation to the contractually required contribution	0	0	0	0	0	0	0	0	0	0
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Authority's covered-employee payroll	\$1,127,938	\$1,083,535	\$1,060,160	\$1,082,336	\$1,112,629	\$1,110,734	\$1,039,826	\$1,127,078	\$1,149,509	\$1,203,782
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**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, 2021**

	<u>Revenue Account</u>	<u>Authority Reserve Account</u>	<u>Totals</u>
Cash and Cash Equivalents and Investments:			
December 31, 2020	\$6,536,561.00	\$1,199,086.30	\$7,735,647.30
Cash Receipts			
Transfer from construction account	1,771,403.16		1,771,403.16
Interest received	18,381.58	2,020.67	20,402.25
User charges	7,099,464.99		7,099,464.99
Connection fees	124,034.50		124,034.50
Miscellaneous fees and charges	120,423.63		120,423.63
Interest on delinquent account	45,782.51		45,782.51
Other		21,637.35	21,637.35
	<hr/>	<hr/>	<hr/>
Total Cash and Cash Equivalents Available	15,716,051.37	1,222,744.32	16,938,795.69
	<hr/>	<hr/>	<hr/>
Cash Disbursed:			
Accounts Payable	53,527.62		53,527.62
Budgetary expenses and payments to contractors	4,899,695.70	71,535.99	4,971,231.69
Transfer to Escrow Fund	1,736,425.00		1,736,425.00
Transfer to Debt Service	2,563,234.96		2,563,234.96
	<hr/>	<hr/>	<hr/>
	9,252,883.28	71,535.99	9,324,419.27
	<hr/>	<hr/>	<hr/>
December 31, 2021	\$6,463,168.09	\$1,151,208.33	\$7,614,376.42
	<hr/>	<hr/>	<hr/>
Balance Comprised of:			
Petty Cash	\$50.00		\$50.00
Cash - Checking	4,617,329.09	\$1,151,208.33	5,768,537.42
Money Market Funds	1,845,789.00		1,845,789.00
	<hr/>	<hr/>	<hr/>
	\$6,463,168.09	\$1,151,208.33	\$7,614,376.42
	<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 AND INVESTMENTS  
RESTRICTED ACCOUNTS  
YEAR ENDED DECEMBER 31, 2021**

	<u>Debt Service Account</u>	<u>Debt Service Reserve Account</u>	<u>Construction Account</u>	<u>Developer's Escrow</u>	<u>Totals</u>
Cash and Cash Equivalents:					
December 31, 2020	\$176,816.29	\$593,366.21	\$3,919,315.23	\$23,190.35	\$4,712,688.08
Cash Receipts					
Interest received	17.38	73.22	1,434.92	43.15	1,568.67
Transfer from revenue fund:					
Budget for debt service	2,563,233.63				2,563,233.63
Other	1.33		680,055.91		680,057.24
NJEIT proceeds			569,537.69		569,537.69
MCIA Bond proceeds		31,500.00	2,657,493.86		2,688,993.86
Developer's Escrow Deposits				152,386.84	152,386.84
Total Cash and Cash Equivalents Available	<u>2,740,068.63</u>	<u>624,939.43</u>	<u>7,827,837.61</u>	<u>175,620.34</u>	<u>11,368,466.01</u>
Cash Disbursed:					
Payment of bond principal	1,905,292.66				1,905,292.66
Payment of Interest on bonds	584,850.13				584,850.13
Payment of NJEIT administrative fees	70,015.84				70,015.84
Payment of project costs			2,960,045.44		2,960,045.44
Reserve for developers escrow				9,109.75	9,109.75
Transfer to Other	0.61		1,771,403.16		1,771,403.77
Transfer to Escrow Fund	179,651.65	38,044.77			217,696.42
Transfer to Renewal and Replacement		21,637.35			21,637.35
	<u>2,739,810.89</u>	<u>59,682.12</u>	<u>4,731,448.60</u>	<u>9,109.75</u>	<u>7,540,051.36</u>
December 31, 2021	<u>\$257.74</u>	<u>\$565,257.31</u>	<u>\$3,096,389.01</u>	<u>\$166,510.59</u>	<u>\$3,828,414.65</u>
Balance Comprised of:					
Cash - Checking		\$91,000.00	\$1,658,772.26	\$166,510.59	\$1,916,282.85
Blackrock US Treasury Obligations Money Market Fund	\$257.64	474,257.26	1,437,616.75		1,912,131.65
Goldman US Treasury Obligations Money Market Fund	0.10	0.05			0.15
	<u>\$257.74</u>	<u>\$565,257.31</u>	<u>\$3,096,389.01</u>	<u>\$166,510.59</u>	<u>\$3,828,414.65</u>

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSE  
COMPARED TO BUDGET  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021				2020			
	Original Budget	Final Budget	Actual	Excess/ (Deficit)	Original Budget	Final Budget	Actual	Excess/ (Deficit)
Revenues								
Operating Revenues:								
Service Charges	\$ 7,253,588.00	\$ 7,253,588.00	\$ 7,032,899.53	\$ (220,688.47)	\$ 7,175,688.00	\$ 7,175,688.00	\$ 7,254,263.00	\$ 78,575
Connection Fees	98,752.00	98,752.00	124,034.50	25,282.50		427,225.00	434,263.00	7,038
Total Operating Revenues	<u>7,352,340.00</u>	<u>7,352,340.00</u>	<u>7,156,934.03</u>	<u>(195,405.97)</u>	<u>7,175,688.00</u>	<u>7,602,913.00</u>	<u>7,688,526.00</u>	<u>85,613</u>
Non-Operating Revenues:								
Interest on Delinquent Accounts	34,913.00	34,913.00	45,782.51	10,869.51		45,000.00	65,958.00	20,958
Interest Income	20,000.00	20,000.00	20,560.18	560.18		75,000.00	70,236.00	(4,764)
Miscellaneous	25,000.00	25,000.00	120,423.63	95,423.63			81,838.00	81,838
Total Non-Operating Revenues	<u>79,913.00</u>	<u>79,913.00</u>	<u>186,766.32</u>	<u>106,853.32</u>	<u>-</u>	<u>120,000.00</u>	<u>218,032.00</u>	<u>98,032</u>
Total Revenues	<u>7,432,253.00</u>	<u>7,432,253.00</u>	<u>7,343,700.35</u>	<u>(88,552.65)</u>	<u>7,175,688.00</u>	<u>7,722,913.00</u>	<u>7,906,558.00</u>	<u>183,645</u>
Administrative:								
Salary & wages	241,371.00	230,971.00	235,388.46	-4,417.46	149,754.00	165,799.00	159,298.00	6,501.00
Fringe Benefits	762,595.00	772,995.00	767,143.61	5,851.39	752,474.00	953,968.00	654,905.00	299,063.00
Telephone	12,000.00	12,000.00	10,282.64	1,717.36	10,000.00	11,061.00	10,547.00	514.00
Postage	3,000.00	3,000.00	1,577.56	1,422.44	3,000.00	3,090.00	1,433.00	1,657.00
Office Supplies	4,000.00	4,000.00	3,155.86	844.14	3,000.00	3,298.00	2,820.00	478.00
Travel Expense	1,500.00	1,500.00	73.04	1,426.96	3,000.00	3,700.00	283.00	3,417.00
Natural Gas	3,500.00	3,575.00	3,551.38	23.62	2,500.00	4,500.00	3,146.00	1,354.00
Equipment Maintenance Contracts	7,000.00	12,000.00	11,372.15	627.85	8,000.00	8,725.00	8,723.00	2.00
Office Equipment	2,000.00	2,000.00	1,920.00	80.00	2,500.00	3,630.00	3,625.00	5.00
Conventions & Seminars	4,000.00	4,000.00	851.00	3,149.00	4,000.00	4,000.00	155.00	3,845.00
Education & Training Courses	4,500.00	4,500.00	4,458.00	42.00	5,000.00	5,000.00	2,500.00	2,500.00
Advertising	2,000.00	2,000.00	798.09	1,201.91	2,000.00	2,000.00	807.00	1,193.00
Dues & Subscriptions	7,000.00	7,000.00	6,558.00	442.00	7,000.00	7,026.00	6,062.00	964.00
Trustee & Paying Agent	80,840.00	80,840.00	60,748.84	20,091.16	77,330.00	77,330.00	72,556.00	4,774.00
Engineering	25,000.00	17,000.00	11,520.64	5,479.36	50,000.00	52,375.00	25,204.00	27,171.00
Legal	20,000.00	20,000.00	17,834.72	2,165.28	18,000.00	18,000.00	5,449.00	12,551.00
Accounting	37,500.00	40,750.00	40,502.00	248.00	40,000.00	42,900.00	42,802.00	98.00
General Insurance	135,000.00	128,675.00	128,653.00	22.00	140,000.00	140,000.00	130,450.00	9,550.00
Safety Equipment	20,000.00	20,000.00	19,601.33	398.67	18,000.00	30,240.00	3,781.00	26,459.00
Office OE	15,000.00	15,000.00	12,392.57	2,607.43	18,000.00	19,000.00	18,982.00	18.00
Reserve for Sick & Vacation	5,000.00	5,000.00	5,000.00		5,000.00	5,000.00	2,198.00	2,802.00
Ocean Township Interlocal	331,500.00	331,500.00	331,500.00		300,000.00	325,000.00	325,000.00	
Total administrative	<u>1,724,306.00</u>	<u>1,718,306.00</u>	<u>1,674,882.89</u>	<u>43,423.11</u>	<u>1,618,558.00</u>	<u>1,885,642.00</u>	<u>1,480,726.00</u>	<u>404,916.00</u>

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSE  
COMPARED TO BUDGET  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021				2020			
	Original Budget	Final Budget	Actual	Excess/ (Deficit)	Original Budget	Final Budget	Actual	Excess/ (Deficit)
Expenses								
Operating expenses:								
Cost of providing services:								
Salary & Wages	\$1,158,331.00	\$1,089,256.00	\$1,057,062.95	\$32,193.05	\$1,051,300.00	\$1,136,852.00	\$1,112,286.00	\$24,566.00
Treatment Plant:								
Plant Repairs and Supplies								
Uniforms and Lockers	12,000.00	12,000.00	5,190.42	6,809.58	12,000.00	12,000.00	5,509.00	6,491.00
Pumps	35,000.00	26,000.00	3,020.31	22,979.69	30,000.00	38,100.00	35,458.00	2,642.00
General Repairs & Supplies	40,000.00	40,000.00	18,282.58	21,717.42	55,000.00	56,132.00	46,706.00	9,426.00
Process Chemicals								
Liquid Oxygen	25,000.00	29,200.00	29,171.97	28.03	20,000.00	31,041.00	24,483.00	6,558.00
Sodium Hypochlorite	65,000.00	55,000.00	54,592.02	407.98	61,781.00	61,781.00	48,060.00	13,721.00
Polymer	50,000.00	51,600.00	46,134.09	5,465.91	45,000.00	56,300.00	52,409.00	3,891.00
Other Chemicals	3,500.00	3,500.00		3,500.00	3,500.00	3,500.00	1,980.00	1,520.00
Bioxide/VX456					15,000.00	3,000.00	1,828.00	1,172.00
Contractor Repairs	35,000.00	35,000.00	22,618.78	12,381.22	45,000.00	226,900.00	51,211.00	175,689.00
Electrical Repairs and Supplies	20,000.00	10,300.00	6,336.94	3,963.06				
Maintenance Chemicals	5,000.00	5,000.00	2,698.50	2,301.50	5,000.00	5,000.00	3,598.00	1,402.00
Electric (JCP&L)	353,076.00	328,063.19	324,357.19	3,706.00	336,263.00	303,663.00	297,126.00	6,537.00
Natural Gas	11,000.00	11,012.81	8,909.90	2,102.91	12,000.00	12,000.00	8,081.00	3,919.00
Water	20,000.00	35,575.00	35,500.45	74.55	30,000.00	30,000.00	22,849.00	7,151.00
Diesel	3,000.00	3,000.00	261.42	2,738.58	3,500.00	3,500.00	285.00	3,215.00
Sludge Disposal	670,000.00	735,000.00	734,748.69	251.31	630,000.00	642,000.00	641,984.00	16.00
Permit Fees	52,000.00	52,000.00	50,464.33	1,535.67	50,000.00	44,400.00	43,567.00	833.00
Maintenance								
Unox	45,000.00	45,000.00	20,420.85	24,579.15	40,000.00	49,784.00	44,994.00	4,790.00
Generators	7,500.00	7,500.00	2,287.49	5,212.51	15,000.00	15,494.00	2,627.00	12,867.00
Equipment and Materials	12,000.00	12,000.00	11,156.03	843.97	14,000.00	14,765.00	14,339.00	426.00
Meters and Miscellaneous	3,000.00	3,000.00	2,313.59	686.41				
Grit Removal	28,000.00	28,000.00	20,980.00	7,020.00	25,000.00	31,260.00	21,905.00	9,355.00
Odor Control Chemicals	10,000.00							
Truck Expenses								
Gasoline	3,500.00	3,500.00	3,393.39	106.61	7,000.00	7,000.00	2,210.00	4,790.00
Truck Repairs	3,000.00	3,000.00	120.50	2,879.50	10,500.00	10,500.00	4,117.00	6,383.00
Dump Truck Repairs	1,000.00	1,000.00		1,000.00				
Other for Trucks	1,500.00	1,500.00	509.42	990.58	1,500.00	1,500.00	840.00	660.00
Laboratory								
Supplies	7,000.00	7,000.00	2,543.39	4,456.61	7,000.00	3,300.00	1,383.00	1,917.00
Lab Equipment	5,000.00	5,000.00	2,408.86	2,591.14	5,000.00	5,218.00	5,194.00	24.00
Lab Testing	16,000.00	19,900.00	19,870.20	29.80	14,000.00	17,700.00	16,441.00	1,259.00

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSE  
COMPARED TO BUDGET  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021				2020			
	Original Budget	Final Budget	Actual	Excess/ (Deficit)	Original Budget	Final Budget	Actual	Excess/ (Deficit)
Collection System								
Collection System Repairs & Supplies								
Pumps	\$40,000.00	\$41,200.00	\$5,589.34	\$35,610.66	\$60,000.00	\$60,388.00	\$4,285.00	\$56,103.00
Controls	8,000.00	8,000.00	3,252.96	4,747.04	10,000.00	10,000.00	990.00	9,010.00
Other Expenses	10,000.00	13,100.00	10,171.62	2,928.38	10,000.00	10,263.00	7,458.00	2,805.00
Contractor Repairs	60,000.00	66,750.00	66,703.51	46.49	70,000.00	88,451.00	47,217.00	41,234.00
Generator Repairs	25,000.00	25,000.00	5,755.49	19,244.51	30,000.00	30,075.00	12,308.00	17,767.00
Electric (JCP&L)	38,573.00	57,573.00	57,483.43	89.57	47,236.00	47,236.00	42,676.00	4,560.00
Natural Gas	3,000.00	3,000.00	858.37	2,141.63	3,000.00	3,000.00	1,012.00	1,988.00
Water	4,000.00	4,000.00	829.83	3,170.17	3,500.00	3,622.00	3,264.00	358.00
One Call Service	6,000.00	6,000.00	4,276.87	1,723.13	6,000.00	6,000.00	4,413.00	1,587.00
Truck Expenses								
Gasoline	6,000.00	6,000.00	5,548.51	451.49	12,000.00	12,000.00	3,315.00	8,685.00
Truck Repairs	1,500.00	1,500.00	849.04	650.96	3,000.00	3,000.00	2,190.00	810.00
Other Expenses	2,000.00	2,575.00	2,566.85	8.15	2,000.00	2,085.00	89.00	1,996.00
Jet Truck	22,500.00	10,875.00	7,257.30	3,617.70	20,000.00	20,773.00	6,358.00	14,415.00
TV Truck	6,000.00	4,000.00		4,000.00	5,000.00	5,000.00	227.00	4,773.00
Diesel	5,750.00	5,750.00	2,903.08	2,846.92	6,750.00	6,750.00	2,297.00	4,453.00
Manhole Maintenance	25,000.00	11,500.00	7,236.82	4,263.18	25,000.00	25,000.00	16,871.00	8,129.00
Maintenance Chemicals								
Bioxide/VX456	60,000.00	50,000.00	47,941.20	2,058.80	65,000.00	65,000.00	49,729.00	15,271.00
Other Maintenance Chemicals	15,000.00	5,000.00		5,000.00	15,000.00	15,000.00		15,000.00
Total cost of providing services	<u>3,038,730.00</u>	<u>2,979,730.00</u>	<u>2,714,578.48</u>	<u>265,151.52</u>	<u>2,937,830.00</u>	<u>3,236,333.00</u>	<u>2,716,169.00</u>	<u>520,164.00</u>
Debt service:								
Principal	2,102,514.00	2,131,514.00	2,131,122.47	391.53	2,031,044.00	2,013,044.00	2,012,970.00	74.00
Interest	566,703.00	602,703.00	667,780.66	(65,077.66)	592,678.00	574,678.00	556,213.00	18,465.00
Total debt service	<u>2,669,217.00</u>	<u>2,734,217.00</u>	<u>2,798,903.13</u>	<u>(64,686.13)</u>	<u>2,623,722.00</u>	<u>2,587,722.00</u>	<u>2,569,183.00</u>	<u>18,539.00</u>
Non-operating expenses:								
Capital outlays			238,895.22	(238,895.22)	171,278.00	172,976.00	171,279.00	1,697.00
Total non-operating expenses			<u>238,895.22</u>	<u>(238,895.22)</u>	<u>171,278.00</u>	<u>172,976.00</u>	<u>171,279.00</u>	<u>1,697.00</u>
Total expenses	<u>\$7,432,253.00</u>	<u>\$7,432,253.00</u>	<u>\$7,427,259.72</u>	<u>4,993.28</u>	<u>\$7,351,388.00</u>	<u>\$7,882,673.00</u>	<u>\$6,937,357.00</u>	<u>\$945,316.00</u>
Excess/(deficit) of revenues over/(under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (83,559.37)</u>	<u>\$ (83,559.37)</u>	<u>(175,700.00)</u>	<u>(159,760.00)</u>	<u>969,201.00</u>	<u>(761,671.00)</u>

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY  
RECONCILIATION OF BUDGET TO CHANGE IN NET POSITION  
COMPARED TO BUDGET  
FOR THE YEARS ENDED DECEMBER 31, 2021**

Budgeted Excess of Expenditures over Revenues	\$ (83,559.37)
Differences Between the Actual Budgeted Results and the 2021 Statement of Changes in Net Position	
Bond Principal	2,131,122.47
Capital Outlay	238,895.22
OPEB Accruals	(24,558.00)
PERS Accruals	181,628.00
Depreciaion	(1,702,149.23)
Amortization of Bond Premium	86,188.09
Loss on Bond Issuance	(31,424.75)
Contribution to the Township	<u>(343,277.50)</u>
2021 Change in Net Position	<u><u>\$ 452,864.93</u></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, 2021**

Purpose	Date of Issue	Maturities		Interest Rate	Balance December 31, 2020	Issued	Paid or Deobligated	Balance December 31, 2021
		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							
2001 Trust Series Sub-Total					\$295,311.44		\$295,311.44	\$ -
\$3,935,900 (Series 2001 NJEIT) Fund Loan - To provide funds for the 2001 Treatment Plant and Collection System Capital Project.	11/9/2001							
2001 Fund Loan Series Sub-Total					210,892.47		210,892.47	-
\$1,630,000 (Series 2004A NJEIT) Trust Loan	11/4/2004							
2004 Trust Loan Series Sub-Total					134,673.73		134,673.73	-
\$1,720,000 (Series 2004B NJEIT) Fund Loan	11/4/2004							
2004 Fund Loan Series Sub-Total					104,087.07		104,087.07	-
\$495,000 (Series 2006 NJEIT) Trust Loan	11/9/2006							
2006 Trust Loan Series Sub-Total					43,192.10		43,192.10	-
\$487,000 (Series 2006 NJEIT) Fund Loan	11/9/2006							
2006 Fund Loan Series Sub-Total					33,069.27		33,069.27	-
\$3,070,000 (Series 2007 NJEIT) Trust Loan	11/8/2007	8/1/2022	\$162,000.00	5.00%				
		8/1/2023	170,000.00	4.25%				
		8/1/2024	180,000.00	4.50%				
		8/1/2025	190,000.00	4.50%				
		8/1/2026	200,000.00	4.50%				
		8/1/2027	210,000.00	4.25%				
2007 Trust Loan Series Sub-Total					1,269,000.00		157,000.00	1,112,000.00
\$2,960,500 (Series 2007 NJEIT) Fund Loan	11/8/2007	2/1/2022	18,080.27	0.00%				
		8/1/2022	136,377.37	0.00%				
		2/1/2023	15,122.84	0.00%				
		8/1/2023	139,814.38	0.00%				
		2/1/2024	12,473.15	0.00%				
		8/1/2024	143,559.12	0.00%				
		2/1/2025	9,523.71	0.00%				
		8/1/2025	147,004.12	0.00%				
		2/1/2026	6,430.40	0.00%				
		8/1/2026	102,242.75	0.00%				
2007 Trust Loan Series Sub-Total					887,643.51		157,015.40	730,628.11
\$475,000 (Series 2010A NJEIT) ARRA Trust	3/10/2010	8/1/2022	24,000.00	4.00%				
		8/1/2023	29,000.00	4.00%				
		8/1/2024	28,000.00	4.00%				
		8/1/2025	28,000.00	4.00%				
		8/1/2026	28,000.00	3.50%				
		8/1/2027	29,000.00	4.00%				
		8/1/2028	33,000.00	4.00%				
		8/1/2029	33,000.00	4.00%				
2010A ARRA Trust Series Sub-Total					256,000.00		24,000.00	232,000.00

**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, 2021**

Purpose	Date of Issue	Maturities		Interest Rate	Balance December 31, 2020	Issued	Paid or Deobligated	Balance December 31, 2021
		Date	Amount					
\$483,670 (Series 2010 NJEIT) ARRA Fund	3/10/2010	2/1/2022	\$8,197.79	0.00%				
		8/1/2022	16,395.59	0.00%				
		2/1/2023	8,197.79	0.00%				
		8/1/2023	16,395.59	0.00%				
		2/1/2024	8,197.79	0.00%				
		8/1/2024	16,395.59	0.00%				
		2/1/2025	8,197.79	0.00%				
		8/1/2025	16,395.59	0.00%				
		2/1/2026	8,197.79	0.00%				
		8/1/2026	16,395.59	0.00%				
		2/1/2027	8,197.79	0.00%				
		8/1/2027	16,395.59	0.00%				
		2/1/2028	8,197.79	0.00%				
		8/1/2028	16,395.59	0.00%				
		2/1/2029	8,197.79	0.00%				
		8/1/2029	16,400.37	0.00%				
		2010 ARRA Fund Series Sub-Total					\$221,345.20	
\$865,000 (Series 2010A NJEIT) Traditional Trust	3/10/2021	8/1/2022	48,000.00	4.00%				
		8/1/2023	47,000.00	4.00%				
		8/1/2024	52,000.00	4.00%				
2010A ARRA Traditional Trust Series Sub-Total					189,000.00		42,000.00	147,000.00
\$2,659,650 (Series 2010 NJEIT) Traditional Trust	3/10/2021	2/1/2022	33,855.65	0.00%				
2010A ARRA Traditional Trust Series Sub-Total					169,087.70		135,232.05	33,855.65
\$2,970,000 (Series 2011 Capital Projects) Proceeds utilized to finance the 2011 Capital Projects.	9/22/2011							
2011 Capital Projects Bonds Series Sub-Total					1,845,000.00		1,845,000.00	-
9,095,000 2017 MCIA Bonds Proceeds utilized to finance the 2017 Capital Projects	2/23/2017	2/15/2022	330,000.00	5.00%				
		2/15/2023	350,000.00	5.00%				
		2/15/2024	365,000.00	5.00%				
		2/15/2025	385,000.00	5.00%				
		2/15/2026	405,000.00	5.00%				
		2/15/2027	425,000.00	5.00%				
		2/15/2028	445,000.00	5.00%				
		2/15/2029	470,000.00	5.00%				
		2/15/2030	495,000.00	5.00%				
		2/15/2031	520,000.00	5.00%				
		2/15/2032	545,000.00	5.00%				
		2/15/2033	575,000.00	5.00%				
		2/15/2034	605,000.00	5.00%				
		2/15/2035	635,000.00	5.00%				
		2/15/2036	670,000.00	5.00%				
2/15/2037	700,000.00	5.00%						
2017 MCIA Bonds Series Sub-Total					8,235,000.00		315,000.00	7,920,000.00

**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, 2021**

Purpose	Date of Issue	Maturities		Interest Rate	Balance December 31, 2020	Issued	Paid or Deobligated	Balance December 31, 2021
		Date	Amount					
1,370,000 (Series 2017 NJEIT)	11/21/2017	8/1/2022	\$55,000.00	5.00%				
Traditional Trust		8/1/2023	60,000.00	5.00%				
Proceeds utilized to finance the 2017 Capital Projects		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					\$1,270,000.00		\$55,000.00	\$1,215,000.00
\$4,158,416 (Series 2017 NJEIT)	11/21/2017	2/1/2022	70,481.62	0.00%				
Traditional Fund		8/1/2022	140,963.25	0.00%				
Proceeds utilized to finance the 2017 Capital Projects		2/1/2023	70,481.62	0.00%				
		8/1/2023	140,963.25	0.00%				
		2/1/2024	70,481.62	0.00%				
		8/1/2024	140,963.25	0.00%				
		2/1/2025	70,481.62	0.00%				
		8/1/2025	140,963.25	0.00%				
		2/1/2026	70,481.62	0.00%				
		8/1/2026	140,963.25	0.00%				
		2/1/2027	70,481.62	0.00%				
		8/1/2027	140,963.25	0.00%				
		2/1/2028	70,481.62	0.00%				
		8/1/2028	140,963.25	0.00%				
		2/1/2029	70,481.62	0.00%				
		8/1/2029	140,963.25	0.00%				
		2/1/2030	70,481.62	0.00%				
		8/1/2030	140,963.25	0.00%				
		2/1/2031	70,481.62	0.00%				
		8/1/2031	140,963.25	0.00%				
		2/1/2032	70,481.62	0.00%				
		8/1/2032	140,963.25	0.00%				
		2/1/2033	70,481.62	0.00%				
		8/1/2033	140,963.25	0.00%				
		2/1/2034	70,481.62	0.00%				
		8/1/2034	140,963.25	0.00%				
		2/1/2035	70,481.62	0.00%				
		8/1/2035	19,643.46	0.00%				
2017 Traditional Fund Series Sub-Total					3,050,353.26		211,444.87	2,838,908.39
\$685,000 (Series 2019 MCIA)	12/23/2019	12/1/2022	25,000.00	5.00%				
Proceeds utilized to finance the 2019 Capital Projects		12/1/2023	25,000.00	5.00%				
		12/1/2024	30,000.00	5.00%				
		12/1/2025	30,000.00	5.00%				
		12/1/2026	30,000.00	5.00%				
		12/1/2027	35,000.00	5.00%				
		12/1/2028	35,000.00	5.00%				
		12/1/2029	35,000.00	5.00%				
		12/1/2030	40,000.00	5.00%				
		12/1/2031	40,000.00	5.00%				
		12/1/2032	40,000.00	5.00%				
		12/1/2033	40,000.00	4.00%				
		12/1/2034	40,000.00	4.00%				
		12/1/2035	40,000.00	4.00%				
		12/1/2036	40,000.00	4.00%				
		12/1/2037	40,000.00	4.00%				
		12/1/2038	40,000.00	4.00%				
		12/1/2039	40,000.00	4.00%				
2019 MCIA Bonds Series Sub-Total					665,000.00		20,000.00	645,000.00

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, 2021

Purpose	Date of Issue	Maturities		Interest Rate	Balance December 31, 2020	Issued	Paid or Deobligated	Balance December 31, 2021		
		Date	Amount							
\$70,000 (Series 2020 NJEIT) Traditional Fund	8/1/2020	8/1/2022	\$5,000.00	5.00%						
		8/1/2023	5,000.00	5.00%						
		8/1/2024	5,000.00	5.00%						
		8/1/2025	5,000.00	5.00%						
		8/1/2026	5,000.00	5.00%						
		8/1/2027	5,000.00	2.13%						
		8/1/2028	5,000.00	2.38%						
		8/1/2029	5,000.00	2.50%						
		8/1/2030	5,000.00	2.63%						
		8/1/2031	10,000.00	2.75%						
		8/1/2032	10,000.00	2.75%						
		2020 Traditional Fund Series Sub-Total					\$70,000.00		\$5,000.00	\$65,000.00
		\$226,592 (Series 2020 NJEIT) Traditional Fund	8/1/2020	2/1/2022	5,962.94	0.00%				
8/1/2022	11,925.89			0.00%						
2/1/2023	5,962.94			0.00%						
8/1/2023	11,925.89			0.00%						
2/1/2024	5,962.94			0.00%						
8/1/2024	11,925.89			0.00%						
2/1/2025	5,962.94			0.00%						
8/1/2025	11,925.89			0.00%						
2/1/2026	5,962.94			0.00%						
8/1/2026	11,925.89			0.00%						
2/1/2027	5,962.94			0.00%						
8/1/2027	11,925.89			0.00%						
2/1/2028	5,962.94			0.00%						
8/1/2028	11,925.89			0.00%						
2/1/2029	5,962.94			0.00%						
8/1/2029	11,925.89			0.00%						
2/1/2030	5,962.94			0.00%						
8/1/2030	11,925.89			0.00%						
2/1/2031	5,962.94			0.00%						
8/1/2031	11,925.89			0.00%						
2/1/2032	5,962.94	0.00%								
8/1/2032	11,926.04	0.00%								
2020 Traditional Fund Series Sub-Total					214,666.11		17,888.83	196,777.28		

**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, 2021**

Purpose	Date of Issue	Maturities		Interest Rate	Balance December 31, 2020	Issued	Paid or Deobligated	Balance December 31, 2021
		Date	Amount					
\$2,701,928 (Series 2021 NJEIT) Fund Loan	6/9/2021	2/1/2022	\$30,358.74	0.00%				
		8/1/2022	60,717.48	0.00%				
		2/1/2023	30,358.74	0.00%				
		8/1/2023	60,717.48	0.00%				
		2/1/2024	30,358.74	0.00%				
		8/1/2024	60,717.48	0.00%				
		2/1/2025	30,358.74	0.00%				
		8/1/2025	60,717.48	0.00%				
		2/1/2026	30,358.74	0.00%				
		8/1/2026	60,717.48	0.00%				
		2/1/2027	30,358.74	0.00%				
		8/1/2027	60,717.48	0.00%				
		2/1/2028	30,358.74	0.00%				
		8/1/2028	60,717.48	0.00%				
		2/1/2029	30,358.74	0.00%				
		8/1/2029	60,717.48	0.00%				
		2/1/2030	30,358.74	0.00%				
		8/1/2030	60,717.48	0.00%				
		2/1/2031	30,358.74	0.00%				
		8/1/2031	60,717.48	0.00%				
		2/1/2032	30,358.74	0.00%				
		8/1/2032	60,717.48	0.00%				
		2/1/2033	30,358.74	0.00%				
		8/1/2033	60,717.48	0.00%				
		2/1/2034	30,358.74	0.00%				
		8/1/2034	60,717.48	0.00%				
		2/1/2035	30,358.74	0.00%				
		8/1/2035	60,717.48	0.00%				
		2/1/2036	30,358.74	0.00%				
		8/1/2036	60,717.48	0.00%				
		2/1/2037	30,358.74	0.00%				
		8/1/2037	60,717.48	0.00%				
		2/1/2038	30,358.74	0.00%				
		8/1/2038	60,717.48	0.00%				
		2/1/2039	30,358.74	0.00%				
		8/1/2039	60,717.48	0.00%				
		2/1/2040	30,358.74	0.00%				
		8/1/2040	60,717.48	0.00%				
		2/1/2041	30,358.74	0.00%				
		8/1/2041	60,717.48	0.00%				
		2/1/2042	30,358.74	0.00%				
		8/1/2042	60,717.48	0.00%				
		2/1/2043	30,358.74	0.00%				
		8/1/2043	60,717.48	0.00%				
		2/1/2044	30,358.74	0.00%				
		8/1/2044	60,717.48	0.00%				
		2/1/2045	30,358.74	0.00%				
		8/1/2045	60,717.48	0.00%				
2/1/2046	30,358.74	0.00%						
8/1/2046	60,717.48	0.00%						
2/1/2047	30,358.74	0.00%						
8/1/2047	60,717.48	0.00%						
2/1/2048	30,358.74	0.00%						
8/1/2048	60,717.48	0.00%						
2/1/2049	30,358.74	0.00%						
8/1/2049	60,717.48	0.00%						
2/1/2050	30,358.74	0.00%						
8/1/2050	60,717.62	0.00%						
2021 Traditional Fund Series Sub-Total						\$2,701,928.00	\$60,717.48	\$2,641,210.52

**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, 2021**

Purpose	Date of Issue	Maturities		Interest Rate	Balance December 31, 2020	Issued	Paid or Deobligated	Balance December 31, 2021
		Date	Amount					
880,000 (Series 2021 NJEIT)	6/9/2021	8/1/2022	\$15,000.00	5.00%				
Traditional Trust		8/1/2023	20,000.00	5.00%				
Proceeds utilized to finance the 2017 capital projects		8/1/2024	20,000.00	5.00%				
		8/1/2025	20,000.00	5.00%				
		8/1/2026	20,000.00	5.00%				
		8/1/2027	20,000.00	5.00%				
		8/1/2028	25,000.00	5.00%				
		8/1/2029	25,000.00	5.00%				
		8/1/2030	25,000.00	4.00%				
		8/1/2031	25,000.00	3.00%				
		8/1/2032	30,000.00	3.00%				
		8/1/2033	30,000.00	3.00%				
		8/1/2034	30,000.00	3.00%				
		8/1/2035	30,000.00	3.00%				
		8/1/2036	30,000.00	2.00%				
		8/1/2037	30,000.00	3.00%				
		8/1/2038	35,000.00	3.00%				
		8/1/2039	35,000.00	2.00%				
		8/1/2040	35,000.00	2.00%				
		8/1/2041	35,000.00	2.00%				
		8/1/2042	35,000.00	2.00%				
		8/1/2043	35,000.00	2.00%				
		8/1/2044	35,000.00	2.00%				
		8/1/2045	40,000.00	2.00%				
		8/1/2046	40,000.00	2.00%				
		8/1/2047	40,000.00	2.25%				
		8/1/2048	40,000.00	2.25%				
		8/1/2049	40,000.00	2.25%				
		8/1/2050	40,000.00	2.25%				
2021 Trust Series Sub-Total						\$880,000.00		\$880,000.00
\$790,000 (Series 2021 MCIA)	12/30/2021	12/1/2022	25,000.00	4.00%				
Proceeds utilized to finance unfunded Capital Projects		12/1/2023	25,000.00	4.00%				
		12/1/2024	30,000.00	4.00%				
		12/1/2025	30,000.00	4.00%				
		12/1/2026	30,000.00	5.00%				
		12/1/2027	30,000.00	5.00%				
		12/1/2028	35,000.00	5.00%				
		12/1/2029	35,000.00	5.00%				
		12/1/2030	35,000.00	5.00%				
		12/1/2031	40,000.00	5.00%				
		12/1/2032	40,000.00	5.00%				
		12/1/2033	45,000.00	5.00%				
		12/1/2034	45,000.00	4.00%				
		12/1/2035	45,000.00	4.00%				
		12/1/2036	50,000.00	4.00%				
		12/1/2037	50,000.00	4.00%				
		12/1/2038	50,000.00	3.00%				
		12/1/2039	50,000.00	3.00%				
		12/1/2040	50,000.00	3.00%				
		12/1/2041	50,000.00	3.00%				
2019 MCIA Bonds Series Sub-Total						790,000.00		790,000.00
\$1,265,000 (Series 2011 Refunding MCIA)	12/30/2021	12/1/2023	120,000.00	4.00%				
Proceeds utilized to Refinance 2011 Issue		12/1/2024	125,000.00	4.00%				
		12/1/2025	130,000.00	4.00%				
		12/1/2026	130,000.00	5.00%				
		12/1/2027	140,000.00	5.00%				
		12/1/2028	145,000.00	5.00%				
		12/1/2029	150,000.00	5.00%				
		12/1/2030	160,000.00	5.00%				
		12/1/2031	165,000.00	5.00%				
2021 MCIA Bonds Series Sub-Total						1,265,000.00		1,265,000.00
Total					\$19,163,321.86	\$5,636,928.00	\$3,891,118.09	\$20,909,131.77
Detail:								
Current portion								\$1,222,316.59
Long-term portion								19,686,815.18
								<u>\$20,909,131.77</u>

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

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey ("Division"), the basic financial statements of the Township of Ocean Sewerage Authority, in the County of Monmouth, New Jersey ("Authority"), a component unit of the Township of Ocean as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 19, 2023.

**Report on 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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a material weakness.

## Report on Compliance and Other Matters

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

## 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.

*Charles J. Fallon CPA RMA*

Charles J. Fallon  
Certified Public Accountant  
Registered Municipal Accountant #506

*Fallon & Company LLP*

Fallon & Company LLP

January 19, 2023  
Hazlet, NJ

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY  
 (A Component Unit of the Township of Ocean)  
 SUMMARY SCHEDULE OF FINDINGS AND RESPONSES  
 FOR THE YEAR ENDED DECEMBER 31, 2021**

**Section I - Summary of Auditor's Results**

**Financial Statements Section**

Type of auditor's report issued on whether the Financial Statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

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

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY  
(A Component Unit of the Township of Ocean)  
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**Section II – Financial Statement Findings**

**Finding 2021-001:**

**Material Weakness**

**Condition:** At the time of audit the general ledger was incomplete and did not agree to subsidiary ledger we consider these along with other deficiencies to be a material weakness.

**Criteria:** New Jersey regulations require that a complete set of accounting records be maintained including a general ledger and subsidiary ledgers. A complete and accurate set of financial records are crucial in order for management and the governing body to be able to rely upon information provided by the accounting system.

**Cause:** There are a number of deficiencies that when considered together are the cause of the material weakness, they include; the general ledger was not reconciled to the prior year audit in a timely manner, material journal entries were not posted to the general ledger in a timely manner, the accounting software is not being optimally utilized, subsidiary ledgers are either incomplete or not reconciled to the general ledger in a timely manner, physical inventories for capital assets and inventories of supplies are not happening in a timely manner.

**Recommendation:** The authority should reconsider the desired outcome of the financial reporting system and whether the current policies and procedures are sufficient to meet the requirements of the authority. Management should then design, implement, monitor and assess internal controls that will reasonably assure the policies and procedures are carried out as intended by the authority.

**Authority Response:**

**Structural Remedies:** The Authority proposes to engage an outside accounting firm to assist with year end closing and reconciliation to prior year audits by March 31, 2023. The Authority already engages with an accounting firm to assist with review of monthly reconciliations.

Relative to subsidiary ledgers, the Authority intends to hire a budgeted position in 2023, a part-time office assistant, to perform duties such as data entry into the financial ledgers including cash receipts, expenditure receipts and general ledger entries. These will be reviewed and checked by the Executive Director for accuracy and completeness.

The Authority will establish an Operations Committee consisting of Operations Manager, Executive Director and one Board Member to review the status of compliance issues.

The Executive Director will meet monthly with the Township Billing/Collecting to reconcile billing to cash receipts.

**Specific tasks:** The Authority will update the fixed assets report through December 31, 2022 by March 1, 2023.

The Authority will update inventory of supplies in Edmunds by July 1, 2023, and year end inventory by January 1, 2024.

**TOWNSHIP OF OCEAN SEWERAGE AUTHORITY  
(A Component Unit of the Township of Ocean)  
SUMMARY SCHEDULE OF PRIOR YEAR'S FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**Finding 2020-001:**

The authority was not always able to provide documentation that a purchase order was signed prior to services being provided.

This condition has been corrected.

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY  
 ROSTER OF OFFICIALS  
 YEAR ENDED DECEMBER 31, 2021

<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
Charles Theodora	Commissioner	A
John Villapiano	Assistant Secretary/ Assistant Treasurer	A
Natalie Chesko	Acting Executive Director	A
William E. Schmeling	Finance Director	A
John Bonello	General Counsel	
Keith Chiaravallo	Authority Engineer	
Charles Fallon	Authority Auditor	

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 deductible and coinsurance.

TOWNSHIP OF OCEAN SEWERAGE AUTHORITY  
INSURANCE COVERAGE  
YEAR ENDED DECEMBER 31, 2021

A blanket policy issued by the New Jersey Utility Authorities Joint Insurance Fund for a one- year period expiring on January 1, 2022, payable semi-annually was in force during the period under audit. The following coverages were provided:

	<u>Special Multi Peril Policy Coverage</u>	<u>Expiration Date</u>
Property:		
Buildings and contents	\$150,000,000	1/1/2022
Contractor's equipment	5,000,000	
Employee blanket dishonesty	50,000	
Valuable papers	10,000,000	
Depositor's forgery	50,000	
Theft, disappearance and destruction:		
Inside	50,000	
Miscellaneous tools and equipment	5,000,000	
Boiler and machinery	150,000,000	
	<u>Property Damage Coverage</u>	<u>Bodily Injury Coverage</u>
Liability:		
General liability, property and bodily damage (combined single limit)	\$10,000,000	1/1/2022
Auto Fleet:		
Liability (combined single limit)	\$300,000	1/1/2022
Uninsured motorist	16,000/30,000/5,000	1/1/2022
Public officials liability	2,000,000	1/1/2022
Ocean outfall	5,000,000	1/1/2022
Flood	20,000,000	1/1/2022
Workman's Compensation	Statutory	1/1/2022

All 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.