



**Comprehensive Annual
Financial Report
For the Years Ended
December 31, 2013 and 2012**

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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Manasquan River Regional Sewerage Authority

P.O. Box 646 • Farmingdale, New Jersey 07727

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Jerome A. Cevetello, Jr.
Executive Director

April 24, 2014

To the Board of Commissioners
Manasquan River Regional Sewerage Authority

The comprehensive annual financial report (CAFR) of the Manasquan River Regional Sewerage Authority (Authority) for the year ended December 31, 2013, is submitted herewith. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation including all disclosures, rests with Authority management. We believe that the data presented is accurate in all material respects; that the report is presented in a manner designed to fairly set forth the results of operations of the Authority as measured by the financial activity of its funds; that the report fairly presents the financial position of the Authority for the year then ended; and that all disclosures necessary to enable the reader to gain a maximum understanding of the Authority's financial activities have been included.

This CAFR is presented in three main sections:

1. **Introductory Section** provides information on the contents of the report, this transmittal letter and the Authority's organizational structure.
2. **Financial Section** includes the auditor's opinion, management discussion and analysis, basic financial statements and other supplemental information.
3. **Statistical Section** contains additional financial and general information generally presented on a multiyear basis.

Profile of the Government

The Manasquan River Regional Sewerage Authority was originally created in May of 1972 by parallel ordinances of five member municipalities, Farmingdale Borough, Freehold Borough, Freehold Township, Howell Township and Wall Township. The original purpose of the Authority was to provide for the treatment of wastewater in the Manasquan River Basin and a portion of the Metedeconk Basin. The total area of coverage for this Authority is approximately 103 square miles and presently consists of over 100,000 residences, plus numerous commercial and industrial establishments.

Subsequent to the original creation of this Authority, it was determined by federal and state officials that this Authority would become a collection and conveyance system only and transport its wastewater for treatment to the Ocean County Utilities Authority.

Organization of Structure

The Authority consists of ten commissioners, who act as its Board of Directors. Each member municipality appoints two of these commissioners to staggered five-year terms. The commissioners annually select four of its members to serve as chairperson, vice chairperson, secretary, and treasurer. The chairperson, or in his or her absence, the vice-chairperson presides over the meetings. The secretary is responsible for the execution, witnessing and certification of various Authority documents. (See Appendix A for current list of commissioners.)

The Authority commissioners are responsible for setting the policy of this Authority. The commissioners also appoint an executive director who acts as chief administrator to carry out the rules and policies enacted by the commissioners. The executive director is responsible for the day to day affairs of the Authority and is responsible to the commissioners for administering the policies established by them.

The commissioners are also responsible for annually appointing an Authority attorney, engineer and auditor, along with any other special counsels or consultants as deemed appropriate and necessary. These professionals report both to the commissioners and to the executive director. (See Appendix B for current list of professionals.)

Within the Authority, there are two divisions, the administrative and the operational division. The administrative division is responsible for the preparation of all necessary Authority paperwork and documents, along with the day to day finances of the Authority and its purchasing. Within the administrative division an executive secretary is also responsible for attending the Authority's meetings and recording the minutes. Also, there is a bookkeeper responsible for the preparation of Authority documents as they pertain to the processing and payment of bills, payroll and the receipt of monies due to the Authority and proper disposition. These individuals report directly to the executive director.

The operations division is responsible for the day to day operation and maintenance of the physical plant. The operations division is headed by the superintendent, who reports directly to the executive director. (Please refer to Addendum C Manasquan River Regional Sewerage Authority table of organization.)

Local Economy

The Authority's service area, which includes its five member municipalities, Farmingdale Borough, Freehold Borough, Freehold Township, Howell Township, and Wall Township, is the fastest growing area in Monmouth County, although the economic downturn over the last few years has hampered this growth.

Monmouth County is located in east central New Jersey. With a land area of 472 square miles, the county ranks as the sixth largest. Its population in 2000 was 615,301, placing it fourth among New Jersey counties. With its relatively level topography, and with its only significant physical

constraint the large areas covered by wetlands, the County was poised for rapid growth once the New York-Northern New Jersey “growth belt” expanded beyond Middlesex County.

The Authority service area primarily consists of residential housing with a major transportation spine, Route 9. Route 9 acts as corridor to a large commuter base that is predominately employed in the New York Metropolitan area. In addition to Route 9 being a transportation corridor it is also a Mecca for shopping. This includes a large number of national chain box stores, strip malls and a large regional mall.

Freehold Borough is the county seat. It is located in the heart of western Monmouth County and hosts many professional offices. Freehold Township hosts an expanding medical facility, Centra State Healthcare System and of its associated services. The service area also has major manufacturing such as Nestle USA and light industry in different pockets throughout. There is a regional airport (Monmouth Executive) in Wall Township.

Over the course of the next few years Wall Township is projected to host the greatest number of jobs at about 17,104, followed by Freehold Township at 16,000, Howell Township at 10,746, Freehold Borough at 10,026 and Farmingdale Borough at 250.

Table 1: At Place Employment, 1995-2020

	1985	2005	2020
Farmingdale Borough	225	250	250
Freehold Borough	9,030	10,026	11,401
Freehold Township	13,941	16,000	17,500
Howell Township	8,696	10,746	11,470
Wall Township	13,985	17,104	20,183
Service Area Total	45,877	54,126	60,804

The median household income in the Authority’s service area can be seen in the following table:

Table 2: Median Household Income, 1989 and 2000

	1989	2000
New Jersey	\$40,927	N/A
Monmouth County	\$45,912	\$73,263
Farmingdale Borough	\$40,469	\$62,086
Freehold Borough	\$40,327	\$61,568
Freehold Township	\$58,756	\$98,631
Howell Township	\$47,912	\$77,619
Wall Township	\$46,301	\$73,989

Source: 1989-US Census

2000 Income estimates – Monmouth County Planning Board

Retail prices in the greater New York area (which includes Monmouth County) as measured for the year ended December 2006 rose 3.1%*, while core inflation as measured by the “*All Items Less Food and Energy Index*” was up 3.3%*.

* Source United States Department of Labor, Bureau of Labor Statistics

MAJOR INITIATIVES

During 2013 the Authority funded and commenced a five-year \$7,000,000.00 Capital Plan that will seek to update key system components that are starting to outlive their useful life expectancies. These capital projects include the rehabilitation of the Route 9 Upper Force Main, improvements to the Upper Manasquan Pump Station Wet Well, upgrades to the Mingamahone Pump Station, replacement of force main air release valves on the lower system, upgrading chemical feed stations to bioxide and the elimination of hydrogen peroxide and liquid oxygen and an aggressive closed circuit television program of the Authority's gravity interceptor lines.

FINANCIAL INFORMATION

Internal Controls

In developing and evaluating the Authority's accounting system, an important consideration is the overall adequacy of internal controls. Internal controls are designed to provide Authority management with reasonable (but not absolute) assurance regarding (a) the safeguarding of assets against loss from unauthorized use or disposition; and (b) the overall reliability of the financial records for preparing financial statements and for maintaining accountability and control over the Authority's assets.

The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of cost and benefits requires estimates and judgement by management.

Budgetary Control

Annually, appropriations are established by the Board of Commissioners to record the current year's fiscal requirements of the Authority. Portions of these appropriations are encumbered as purchase orders and/or contracts are awarded. No commitment is authorized, nor any expenditure incurred, until it is determined that adequate appropriation balances exist for that purpose. To facilitate this determination, the Authority accounting records are delineated by function and specific activity.

Financial Operating Results

The management discussion and analysis that follows, summarizes and reviews the changes of the Authority's financial operations.

Cash and Investment Administration

The Authority's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. During 2013, the Authority continued to invest in the same type of investments as in prior years, which include New Jersey Cash Management Fund and Treasury and Agency Securities and higher yield money market accounts at Ocean First Bank. All investments are made in accordance with permitted investment vehicles as determined by the State of New Jersey.

RISK MANAGEMENT

The Authority continues to look to the New Jersey Utilities Authority Joint Insurance Fund (NJUAJIF) for its property and casualty insurance coverage. This fund has provided comprehensive and reliable coverage for many years. The relationship has also resulted in thousands of dollars in cost savings on premiums, plus many annual dividends being paid to the Authority.

The NJUAJIF coverage includes Employment Practices Liability Coverage (EPL) and Public Officials Liability Coverage (POL). There has also been the inclusion of extended Environmental Coverage as a result of the NJUAJIF becoming a member of the New Jersey Environmental Joint Insurance Fund (NJEJIF).

A comprehensive listing of the Insurance Coverage can be found on file in the Authority's offices.

OTHER INFORMATION

Independent Audit

The Authority is required to have an annual audit of the books of account, financial records, and transactions conducted by independent certified public accountants selected by the Board of Commissioners. This requirement has been complied with. The independent auditors' report on the 2013 financial statements of the Authority has been included in the financial section of this report.

Acknowledgement

The preparation of this report on a timely basis was made possible with the assistance of the following people:

Sue Riis
Margaret Semblewski
James Roe
Sean Throckmorton
William E. Antonides, Jr., CPA, RMA
Peter E. Kocsik, PE

In closing, preparation of the report would not have been possible without the leadership and support of the Board of Commissioners.

Sincerely,



Jerome A. Cevetello, Jr.
Executive Director

JAC/ms

Appendix A

2013

MRRSA COMMISSIONERS, TERMS OF OFFICE

	FROM	EXPIRES	TERM
<u>FARMINGDALE:</u>			
Seymour Burke	2-01-11	2-01-16*	5
*Resigned 9-03-13			
John P. Morgan	2-01-12	2-01-17	5
James Daly	9-03-13	2-01-16	*
*Completion of Seymour Burke's term			
<u>FREEHOLD BOROUGH:</u>			
Michael Wilson	2-01-11	2-01-16	5
Richard J. Gartz	2-01-12	2-01-17	5
<u>FREEHOLD TOWNSHIP:</u>			
Eugene B. Golub	2-01-11	2-01-16	5
A. Richard Gatto	1-01-12	2-01-17	5
<u>HOWELL TOWNSHIP:</u>			
Thomas Savino	2-01-11	2-01-16	5
Jesse Tantillo	2-01-12	2-01-17	5
<u>WALL TOWNSHIP:</u>			
Olga McKenna	2-01-11	2-01-16	5
Mary DeSarno	2-01-12	2-01-17	5

Appendix B

2013

MANAGEMENT

Jerome A. Cevetello, Jr., Executive Director

James Roe, Superintendent

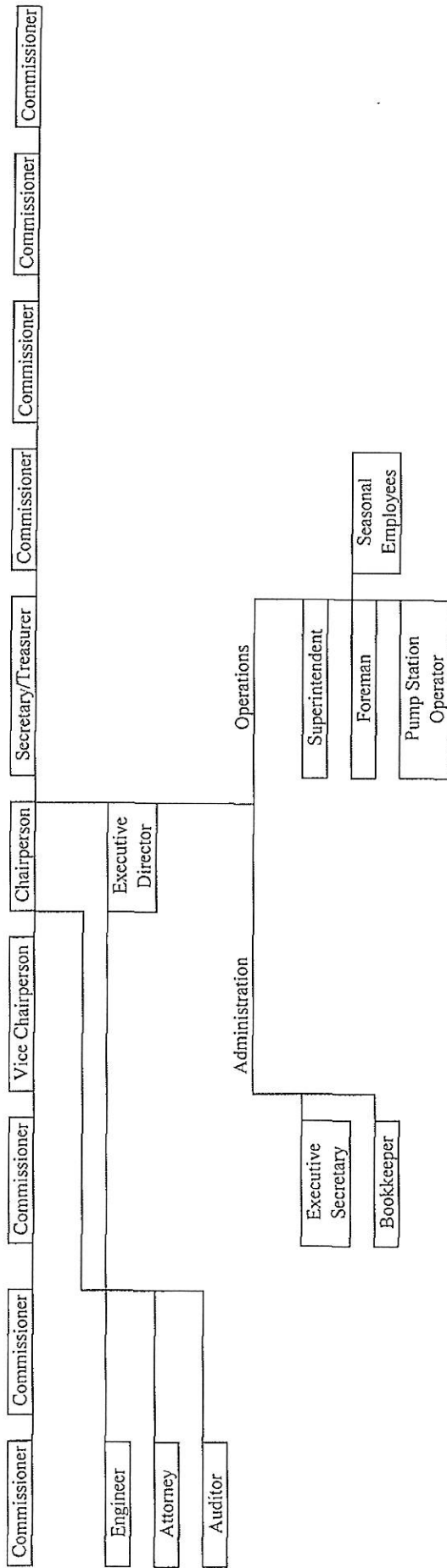
CONSULTANTS

Mehr, LaFrance & Williams	Attorney
Holman Frenia Allison, P.C.	Auditor
Cleary, Giacobbe, Alfieri, Jacobs, LLC	Special Counsel
Dilworth Paxon, LLP	Bond Counsel
Hatch Mott MacDonald	Engineer
John S. Truhan Consulting Engineers, Inc.	Conflict Engineer
Conner Strong Companies, Inc.	Risk Management Consultant
Accountant	William E. Antonides & Company

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

ORGANIZATIONAL CHART

Appendix C





HOLMAN | FRENIA
ALLISON, P.C.
Certified Public Accountants & Consultants

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners of
Manasquan River Regional Sewerage Authority

Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities of the Manasquan River Regional Sewerage Authority, County of Monmouth, State of New Jersey, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Manasquan River Regional Sewerage Authority as of December 31, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Manasquan River Regional Sewerage Authority as of December 31, 2012, were audited by other auditors whose report dated April 9, 2013, expressed an unmodified opinion on those statements

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 12-14 and 36-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Manasquan River Regional Sewerage Authority's basic financial statements. The introductory section and supplemental information on pages 1-8 and 40 and 41 are presented for purposes of additional analysis and are not a required part of the financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2014 on our consideration of the Manasquan River Regional Sewerage 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 Manasquan River Regional Sewerage Authority's internal control over financial reporting and compliance.


HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

April 24, 2014
Toms River, New Jersey



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

Board of Commissioners of the
Manasquan River Regional Sewerage Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Manasquan River Regional Sewerage Authority as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Manasquan River Regional Sewerage Authority's basic financial statements and have issued our report thereon dated April 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Manasquan River Regional Sewerage Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Manasquan River Regional Sewerage Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Manasquan River Regional Sewerage 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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


HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

April 24, 2014
Toms River, New Jersey

Management's Discussion and Analysis

The discussion and analysis is designed to provide an analysis of the Authority's financial condition and operating results and to also inform the reader on Authority financial issues and activities.

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the Transmittal Letter (beginning on page 1) and the Authority's basic financial statements (beginning on page 15).

USING THIS ANNUAL REPORT

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. As enterprise funds, the Authority's basic financial statements include:

- **Statement of net position** - reports the Authority's current financial resources (short-term spendable resources) with capital assets and long-term obligations. (Exhibit A)
- **Statement of revenues, expenses and changes in fund net position** - reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions. (Exhibit B)
- **Statement of cash flows** - reports the Authority's cash flows from operating activities, investing, capital and non-capital activities. (Exhibit C)

STATEMENT OF NET POSITION

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assets:			
Current Assets:			
Unrestricted	\$ 3,182,877	\$ 2,487,383	\$ 1,136,644
Restricted	6,379,116	447,500	438,334
Capital Assets, Net	<u>10,186,627</u>	<u>10,484,884</u>	<u>10,916,951</u>
Total Assets	<u>19,748,620</u>	<u>13,419,766</u>	<u>12,491,929</u>
Liabilities:			
Current Liabilities:			
Unrestricted	1,941,250	2,261,137	1,863,791
Restricted Assets:	419,695	445,728	436,677
Non-current Liabilities	<u>5,033,570</u>	<u>66,336</u>	<u>1,298,592</u>
Total Liabilities	<u>7,394,515</u>	<u>2,773,201</u>	<u>3,599,060</u>
Deferred Inflow of Resources	1,694,796	857,268	
Total Liabilities and Deferred Inflow of Resources	<u>9,089,311</u>	<u>3,630,469</u>	<u>3,599,060</u>
Net Position:			
Invested in Capital Fixed Assets, Net of			
Related Debt	10,913,253	10,152,814	9,250,570
Unrestricted	<u>(253,944)</u>	<u>(363,517)</u>	<u>(357,701)</u>
Total Net Position	<u>\$ 10,659,309</u>	<u>\$ 9,789,297</u>	<u>\$ 8,892,869</u>

The net position of the Authority increased to \$10,659,309 during 2013, a \$807,012 increase over 2012.

REVIEW OF REVENUES

Years Ended December 31,	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Revenues:			
Service Charges	\$ 12,425,022	\$ 12,122,991	\$ 12,940,754
Connection Fees	550,742	303,459	385,908
Other		194,447	192,824
Total Operating Revenues	<u>12,975,764</u>	<u>12,620,897</u>	<u>13,519,486</u>
Non-Operating Revenues:			
Gain on Sale Leaseback	42,709	48,471	48,471
Interest Revenue	2,191	3,570	2,583
Casualty Loss Reimbursement			386,621
Other	185,650	76,106	106,322
Total Non-Operating Revenues	<u>230,550</u>	<u>128,147</u>	<u>543,997</u>
Total Revenues	<u>\$ 13,206,314</u>	<u>\$ 12,749,044</u>	<u>\$ 14,063,483</u>

In 2013, operating revenues increased by \$354,867 when compared to 2012. The increase was attributable to an increase of 2.5 in flows over the previous year.

REVIEW OF EXPENSES

Years Ended December 31,	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Expenses			
Personnel Services	\$ 1,926,641	\$ 1,886,152	\$ 1,876,312
Purchase of Services	9,158,295	8,923,407	9,959,932
Other Operating Expenses	572,528	523,567	771,014
Depreciation	449,292	213,436	215,292
Amortization of Leased Property			
Under Capital Lease		238,431	238,431
Total Operating Expenses	<u>12,106,756</u>	<u>11,784,993</u>	<u>13,060,981</u>
Non-Operating Expenses:			
Lease Obligation Interest Expense		62,838	138,267
Note Interest Expense	1,607	4,785	
Bond Issuance Costs	138,655		
Bond Interest Expense	89,284		
Total Non-Operating Expenses	<u>229,546</u>	<u>67,623</u>	<u>138,267</u>
Total Expenses	<u>\$ 12,336,302</u>	<u>\$ 11,852,616</u>	<u>\$ 13,199,248</u>

The Authority's operating expenses increased \$321,763 in 2013 when compared to 2012. The increase was mainly attributable to increase in flows and the related increase in costs to O.C.U.A.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets, net of depreciation

In 2013, capital assets had a net decrease (addition, deductions and depreciation) of \$298,257. The title to the capital assets, which were leased under a capital lease, reverted back to the Authority with the final lease payment in 2013.

Years Ended December 31,	<u>2013</u>	<u>2012</u>	<u>2011</u>
Leased Property Under Capital Lease	\$	\$ 6,538,528	\$ 6,776,959
Land	1,431,160		
Buildings	1,171,315	630,845	653,971
Equipment and Apparatus	46,558	227,141	242,700
Office Equipment	9,076	9,076	9,076
Vehicles	109,034	124,396	140,856
Conveyance System	7,248,649	2,935,098	3,093,388
Construction in Progress	<u>170,835</u>	<u>19,800</u>	
Total Capital Assets, Net	<u>\$ 10,186,627</u>	<u>\$ 10,484,884</u>	<u>\$ 10,916,950</u>

DEBT OUTSTANDING

The Authority's capital lease balance, which had the final lease payment in 2013, was \$332,069 and \$1,666,380 in 2012 and 2011, respectively. In 2013, the Authority issued \$5,230,000 in sewer revenue bonds with installment maturities from 2014 through 2028.

FINANCIAL CONTACT

The Authority's statements are designed to present users (sewer users, ratepayers and creditors) with a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have any questions about the report or need additional financial information, please contact the Finance Department, Manasquan River Regional Sewerage Authority, P.O. Box 646, Farmingdale, NJ 07727.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

STATEMENTS OF NET POSITION

Exhibit A

DECEMBER 31, 2013 AND 2012

Sheet 1 of 2

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current Assets:		
Unrestricted:		
Cash and Cash Equivalents	\$ 2,135,491.48	\$ 842,499.23
Intergovernmental Accounts Receivable	1,035,149.16	1,301,484.85
Prepaid Lease Payment		332,069.24
Inventory	12,236.52	11,329.65
Total Unrestricted Current Assets	<u>3,182,877.16</u>	<u>2,487,382.97</u>
Restricted Assets:		
Cash and Cash Equivalents	422,490.02	447,499.75
Funds Held by Trustee	5,956,625.81	
Total Restricted Current Assets	<u>6,379,115.83</u>	<u>447,499.75</u>
Total Current Assets	<u>9,561,992.99</u>	<u>2,934,882.72</u>
Capital Assets:		
Leased Capital Assets:		
Leased Property Under Capital Leases		14,230,712.00
Less: Accumulated Amortization		<u>7,692,183.69</u>
Total Leased Capital Assets		<u>6,538,528.31</u>
Owned Assets:		
Land	1,431,160.00	
Buildings	1,992,793.43	932,891.43
Equipment and Apparatus	1,749,269.35	566,071.35
Office Equipment	118,808.00	118,808.00
Vehicles	459,848.37	459,848.37
Conveyance System	15,509,710.21	4,953,258.21
Construction in Progress	170,835.85	19,800.00
	<u>21,432,425.21</u>	<u>7,050,677.36</u>
Less: Accumulated Depreciation	<u>11,245,798.18</u>	<u>3,104,322.07</u>
Total Owned Assets	<u>10,186,627.03</u>	<u>3,946,355.29</u>
Capital Assets, Net	<u>10,186,627.03</u>	<u>10,484,883.60</u>
Total Assets	<u>19,748,620.02</u>	<u>13,419,766.32</u>

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

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

STATEMENTS OF NET POSITION

Exhibit A

DECEMBER 31, 2013 AND 2012

Sheet 2 of 2

	<u>2013</u>	<u>2012</u>
<u>Liabilities</u>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	209,566.97	101,681.70
Accrued Expenses	15,939.98	
Accrued Interest Payable	124,219.62	
Revenue Note Payable		200,000.00
Overpayment of Service Charges	1,351,524.59	1,627,386.85
Sewer Revenue Bonds Payable	240,000.00	
Obligations Under Capital Lease		332,069.24
Total Current Liabilities Payable from Unrestricted Assets	<u>1,941,251.16</u>	<u>2,261,137.79</u>
Current Liabilities Payable from Restricted Assets::		
Escrow Accounts - Review Fees	419,694.54	445,727.67
Total Current Liabilities Payable from Restricted Assets	<u>419,694.54</u>	<u>445,727.67</u>
Non-Current Liabilities:		
Sewer Revenue Bonds Payable	4,990,000.00	
Compensated Absences Payable	43,569.91	66,336.10
Total Non-Current Liabilities	<u>5,033,569.91</u>	<u>66,336.10</u>
Total Liabilities	<u>7,394,515.61</u>	<u>2,773,201.56</u>
<u>Deferred Inflow of Resources</u>		
Unearned Profit on Sales - Leaseback	814,558.52	857,267.83
Unamortized Bond Premium	880,237.20	
Total Deferred Inflow of Resources	<u>1,694,795.72</u>	<u>857,267.83</u>
Total Liabilities and Deferred Inflow of Resources	<u>9,089,311.33</u>	<u>3,630,469.39</u>
<u>Net Position</u>		
Invested in Capital Fixed Assets, Net of Related Debt	10,913,252.84	10,152,814.36
Unrestricted	<u>(253,944.15)</u>	<u>(363,517.43)</u>
Total Net Position	<u>\$ 10,659,308.69</u>	<u>\$ 9,789,296.93</u>

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

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

STATEMENTS OF REVENUE, EXPENSES AND

Exhibit B

CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Operating Revenue:		
Service Charges	\$ 12,425,022.33	\$ 12,122,991.15
Connection Fees	550,741.91	303,458.73
Other		194,447.40
Total Operating Revenue	<u>12,975,764.24</u>	<u>12,620,897.28</u>
Operating Expenses:		
Personnel Services	1,926,640.79	1,886,152.01
Purchase of Services	9,158,294.60	8,923,406.57
Other Operating Expenses	572,528.48	523,567.18
Depreciation	449,292.42	213,436.11
Amortization of Leased Property Under Capital Lease		238,430.79
Total Operating Expenses	<u>12,106,756.29</u>	<u>11,784,992.66</u>
Operating Income/(Loss)	<u>869,007.95</u>	<u>835,904.62</u>
Non-Operating Revenue/(Expenses):		
Gain on Sale Leaseback	42,709.31	48,470.66
Interest Revenue	2,190.67	3,569.86
Lease Obligation Interest Expense		(62,838.23)
Note Interest Expense	(1,606.93)	(4,784.68)
Bond Issuance Costs	(138,655.02)	
Bond Interest Expense	(89,284.27)	
Other Non-Operating Revenues	185,650.05	76,105.79
Total Non-Operating Revenue/(Expenses)	<u>1,003.81</u>	<u>60,523.40</u>
Net Income/(Loss)	870,011.76	896,428.02
Net Position January 1	<u>9,789,296.93</u>	<u>8,892,868.91</u>
Net Position December 31	<u>\$ 10,659,308.69</u>	<u>\$ 9,789,296.93</u>

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

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

STATEMENTS OF CASH FLOWS

Exhibit C

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

Sheet 1 of 2

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Cash Received from Service Charges	\$ 12,122,991.15	\$ 13,491,033.66
Cash Received from Service Surcharges	80,976.41	57,815.08
Cash Received from Connection Fees	550,741.91	303,458.73
Cash Received from Miscellaneous	185,650.05	76,105.79
Cash Received from OCUA Supplemental Agreement	48,611.85	194,041.44
Cash Received from OCUA Prior Year Overpayment	230,202.60	108,247.50
Cash Received from BTMUA Prior Year Overpayment	5,736.83	13,466.04
Cash Received from Casualty Loss Reimbursement		386,620.71
Cash Received/Payments from/to Escrows	(26,033.13)	9,051.25
Cash Payments for Goods and Services	(9,789,185.09)	(10,858,777.33)
Cash Payments to Employees	(1,932,683.02)	(1,879,904.96)
Net Cash Flows from Operating Activities	<u>1,477,009.56</u>	<u>1,901,157.91</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from Revenue Note		200,000.00
Revenue Note Liquidated	(200,000.00)	
Interest Paid	(1,606.93)	(4,784.68)
Net Cash Flows from Noncapital Financing Activities	<u>(201,606.93)</u>	<u>195,215.32</u>
Cash Flows from Capital and Related Financing Activities:		
Payments for Capital Acquisitions	(59,502.50)	(19,800.00)
Bond Sale Proceeds	6,145,172.55	
Bond Issuance Costs	(138,655.02)	
Lease Payments		(1,344,122.65)
Interest Paid		(62,838.23)
Net Cash Flows from Capital and Related Financing Activities	<u>5,947,015.03</u>	<u>(1,426,760.88)</u>
Cash Flows from Investing Activities:		
Receipts of Interest	2,190.67	3,569.86
Net Cash Flows from Investing Activities	<u>2,190.67</u>	<u>3,569.86</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	7,224,608.33	673,182.21
Cash and Cash Equivalents January 1	<u>1,289,998.98</u>	<u>616,816.77</u>
Cash and Cash Equivalents December 31	<u>\$ 8,514,607.31</u>	<u>\$ 1,289,998.98</u>

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

STATEMENTS OF CASH FLOWS

Exhibit C

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

Sheet 2 of 2

	<u>2013</u>	<u>2012</u>
Reconciliation of Operating Income to Net Cash Provided		
by Operating Activities:		
Operating Income/(Loss)	\$ 869,007.95	\$ 835,904.62
Adjustments to Reconcile Operating Income		
to Net Cash Provided by Operating Activities:		
Depreciation Expense	449,292.42	213,436.11
Amortization of Capital Lease		238,430.79
Escrow Accounts - Review Fees (From)/To	(26,033.13)	9,051.25
Non-Operating Miscellaneous Revenue	185,650.05	76,105.79
(Increase)/Decrease in Intergovernmental Receivables	266,335.69	
(Increase)/Decrease in Service Charges Receivable		53,233.14
(Increase)/Decrease in Service Surcharges Receivable		(27,718.14)
(Increase)/Decrease in OCUA Excess Service Charges		(1,092,455.10)
(Increase)/Decrease in BTMUA Excess Service Charges		7,729.21
(Increase)/Decrease in OCUA Supplemental Agreement		
Receivable		(405.96)
(Increase)/Decrease in Casualty Loss Reimbursement		386,620.71
(Increase)/Decrease in Inventory	(906.87)	(3,915.12)
Increase/(Decrease) in Accounts Payable	16,351.92	(115,220.84)
Increase/(Decrease) in Accrued Expenses	15,939.98	
Increase/(Decrease) in Overpayment of User Fees	(275,862.26)	1,314,809.37
Increase/(Decrease) in Compensated Absences Payable	(22,766.19)	5,552.08
Total Adjustments	<u>608,001.61</u>	<u>1,065,253.29</u>
Net Cash Provided by Operating Activities	<u>\$ 1,477,009.56</u>	<u>\$ 1,901,157.91</u>

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

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Manasquan River Regional Sewerage Authority (the "Authority") was created in 1972 by virtue of parallel ordinances adopted by the Boroughs of Farmingdale and Freehold and the Townships of Freehold, Howell and Wall, and is a public body politic and corporate of the State of New Jersey organized and existing pursuant to the Sewerage Authorities Law, constituting Chapter 138 of the Laws of 1946, of the State of New Jersey, as amended and supplemented. The municipalities would be required to provide for deficits resulting from failure of the Authority to derive adequate revenues from the operation of the system.

The Authority operates and maintains a network of interceptors, collectors, pump stations and trunk lines to accept wastewater flow from the sewerage systems serving the territorial limits of the Boroughs of Farmingdale and Freehold, the Township of Howell, and portions of the Townships of Freehold and Wall. Treatment and disposal is handled by facilities of the Ocean County Utilities Authority.

B. Basis of Presentation and Accounting

The Authority's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board ("GASB") and other entities that promulgate accounting principles.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are: (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) for providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net assets (*i.e., total assets net of total liabilities*) are segregated into "invested in capital assets, net of related bonds payable;" "restricted for capital improvement, for future debt service, for renewal and replacement;" and "unrestricted" components. Sewer revenues are recognized based on usage, and connection fees are recognized upon issuance of permits. Expenses are recorded when incurred.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation and Accounting (Continued)

of financial position and related disclosures. The statement of net assets was renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Whereas the provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011, the Authority has implemented this Statement for the year ended December 31, 2012.

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. GASB Statement No. 65 reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

C. Inventory

Inventory consists of chemicals used for odor control and fuel oil used for heating and is stated at cost (determined on a first-in, first-out basis). The value of inventory at December 31, 2013 and 2012 is \$12,237 and \$11,330, respectively.

D. Property, Plant and Equipment

The Authority records its property and equipment at cost. Contributed fixed assets are valued at their estimated fair value on the date donated. Maintenance and repairs are charged to current period operating expense, whereas additions and improvement are capitalized. Upon retirement or other disposition of property and equipment, the costs and related accumulated depreciation are removed from the respective accounts and any gains or losses are included in operations. Interest costs relating to construction are capitalized. Certain applicable labor and legal costs are also capitalized. The Authority's capitalization level is \$5,000 for capital assets.

Property, plant and equipment under capital leases is recorded at the present value of the minimum lease payments as of the lease origination of March 17, 1988 adjusted for the effects of the June 1, 1991 and January 1, 1994 refunding bond issues.

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

Conveyance system	7 to 50 years
Pump stations and apparatus	40 years
Equipment - pumping stations	7 to 15 years
Buildings and improvements	40 years
Vehicles	7 years
Equipment - office	7 to 20 years

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Unearned Profit on Sale-Leaseback

The unearned profit on the sale-leaseback will be amortized in proportion to the depreciable life of the asset.

F. Budgets

Budgets which are required by state statute, are adopted in accordance with regulations promulgated by the Bureau of Authority Regulation (the "Bureau"). An annual appropriated budget is adopted for the operations of the Authority, subject to approval by the Bureau. A capital program adopted by the Authority is management's six-year plan for financing the estimated cost of addition or replacement of major fixed assets used in the Authority's operation.

Budgets are adopted on a basis consistent with GAAP with the following exceptions:

- Principal retired is budgeted as nonoperating expenses.
- Depreciation is not budgeted.
- Capital expenses are treated as nonoperating expenses.

G. Estimates

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

H. Compensated Absences Payable

The Authority allows employees to earn vacation time based on the employee's length of service and time worked during the preceding year. Unused vacation days may be carried forward, but must be taken in the subsequent year.

Unused sick leave may be carried forward into subsequent calendar years. Upon resignation or retirement, accumulated sick leave may be converted to a cash payment at a rate of not more than 50% of the employee's current hourly salary up to a maximum of \$10,000.

It is estimated that the cost of unpaid sick time as of December 31, 2013 is \$43,570, and as of December 31, 2012 was \$66,336. These amounts are reflected as an expenditure and liability on the financial statements.

I. Funds Held by Trustee

The net proceeds from the Sewer Revenue Bonds (Series 2013) were placed with the U.S. Bank. These funds are being held by the trustee and are being released to the Authority upon requisitions for the payment of expenditures on the projects for which the loans were authorized.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Developer Contributions

Developer contributions received are recorded in the period received. Developer financed construction is recorded in the period in which applicable costs are incurred. Donated assets are recorded at fair market value at the time of the contribution.

K. Bond Premium

Bond premium is amortized on a straight-line method as principal payments are made. Bond premium as of December 31, 2013 and 2012, was \$880,237 and \$-0-, respectively.

L. Budgets

Budgets, which are required by State statute, are adopted in accordance with regulations promulgated by the Department of Community Affairs (“DCA”). An annual appropriated budget is adopted for the operations of the Authority, subject to approval by the DCA. A capital program adopted by the Authority is management’s six year plan for financing the estimated cost of additions or replacement of major fixed assets used in the Authority’s operations.

M. Restricted Assets

Restricted assets represent cash and cash equivalents, and interest receivable maintained in accordance with bond resolutions, loan agreements and other resolutions and formal actions of the Authority or by agreement for the purpose of funding certain debt service payments, depreciation and contingency activities, and improvements and extensions the utility systems.

N. Net Position

Net Position is distributed into the following two categories:

Restricted – represents earnings that are set aside as required by the Authority’s Bond Resolution. Reserved net assets include amounts set aside for renewals and replacements, debt service reserve, future debt service, operating reserve and future arbitrage payments.

Unrestricted – represents cumulative earnings that are currently available and may be appropriated for any lawful purpose.

O. Subsequent Events

Manasquan River Regional Sewerage Authority has evaluated subsequent events occurring after December 31, 2013 through the date of April 24, 2014, which is the date the financial statements were available to be issued.

NOTE 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost. U.S Treasury and agency obligations and certificates of deposit with maturities of 90 days or less when purchased are stated at cost. All of the investments are stated at fair value.

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (“FDIC”), or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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

The market value of the collateral must equal five percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

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

B. Cash Management Plan

In accordance with N.J.S. 40A:5-14, every authority shall adopt a cash management plan and shall deposit and invest its funds pursuant to that plan. The plan shall be approved annually by majority vote of the members and may be modified from time to time in order to reflect changes in federal or state law or regulations. The chief financial officer shall be charged with administering the plan.

When an investment in bonds maturing in more than one year is authorized, the maturity of those bonds shall approximate the prospective use of the funds invested.

The plan also requires a monthly report to the commissioners summarizing all investments made or redeemed since the previous report and shall include, at a minimum, the specific detailed information as set forth in the statute.

C. Restricted Cash

The restricted cash at December 31 2013 and 2012 of \$6,379,116 and \$447,500, respectively, consists of escrow deposits for review and inspection of developers’ projects within the Authority’s service region.

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

D. Custodial Credit Risks

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure; however, investments are matched with anticipated cash flows to minimize interest rate.

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Authority's limits its credit risk by investing in direct obligations of the United States government, its agencies or instrumentalities secured by the full faith and credit of the government of the United States. U.S. government securities carry an underlying rating of AAA by Standard and Poor's and Aaa by Moody's Investors Service. The Authority has no policy on credit risk however, investments are limited to securities guaranteed by the U.S. Government.

Concentration of Credit Risk

The Authority places no limit on the amount that may be invested in any one issuer. 100% of the Authority's investments are in obligations of the United States or its agencies or instrumentalities.

At December 31, 2013 and 2012 the carrying amount of the Authority's deposits were \$2,557,782 and \$1,289,999, respectively. The bank balance amount was \$5,183,566 and \$3,814,718 at December 31, 2013 and 2012. Of this amount \$500,000 was covered by federal depository insurance at December 31, 2013 and 2012. A collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered \$4,263,884 and \$2,862,205 as of December 31, 2013 and 2012, respectively. An amount of \$422,490 and \$447,500 was on deposit in the name of various developers for escrow and is either insured by federal depository insurance or uninsured depending on the deposits of the individual developer in the escrow depository at December 31, 2013 and 2012. \$17 was on deposit with the New Jersey Cash Management Fund as of December 31, 2013 and 2012.

NOTE 3. ACCOUNTS RECEIVABLE

Receivables at December 31, 2013 and 2012 are summarized by major classification as follows:

	<u>2013</u>	<u>2012</u>
OCUA Excess Service Charges	\$ 970,500	\$ 1,200,702
BTMUA Excess Service Charges		5,737
OCUA Supplemental Agreement		48,612
Service Surcharges	38,480	
Service Charges	<u>26,169</u>	<u>46,434</u>
	\$ <u>1,035,149</u>	\$ <u>1,301,485</u>

NOTE 4. LONG-TERM DEBT

A. Capital Lease

The Authority entered into a sale-leaseback agreement, signed February 1, 1988, with the Monmouth County Improvement Authority (“MCIA”) for the sale and subsequent capital lease of the Authority’s land, buildings and wastewater conveyance system as a means to permanently finance construction costs. The final lease payment was due on January 1, 2013 and title of the leased assets has reverted to the Authority.

The following is a schedule by years of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of December 31, 2012:

	<u>2012</u>
Year Ending December 31: 2013	\$ <u>351,750</u>
Total minimum lease payments	351,750
Less: Imputed interest	<u>19,681</u>
Present value of net minimum lease payments	<u>332,069</u>
Less: Current maturities of capital lease obligations	<u>332,069</u>
Long-term capital lease obligations	\$ <u>332,069</u>
Asset Value	\$ <u>14,230,712</u>
Accumulated Amortization	\$ <u>7,692,184</u>

B. Revenue Bonds

The Authority has issued a revenue bond to provide funds for the construction of capital facilities.

Revenue bonds currently outstanding are as follows:

	<u>2013</u>	<u>2012</u>
Series 2013 Revenue Bonds - authorized and issued \$5,230,000, dated June 5, 2013, for the purpose of construction of capital facilities, interest rates range from 2% to 5%, maturities August 1, 2014 to 2028	\$ 5,230,000	\$ -0-
Less: Current Portion	<u>240,000</u>	<u>-0-</u>
Long-Term Debt	\$ <u>4,990,000</u>	\$ <u>-0-</u>

NOTE 4. LONG-TERM DEBT (CONTINUED)

B. Revenue Bonds (Continued)

A summary of maximum annual debt service for principal and interest for bonded debt issued and outstanding at December 31, 2013 is provided below:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 240,000	\$ 252,489	\$ 492,489
2015	280,000	213,700	493,700
2016	285,000	208,100	493,100
2017	295,000	199,550	494,550
2018	305,000	190,700	495,700
2019-2023	1,690,000	774,850	2,464,850
2024-2028	<u>2,135,000</u>	<u>331,000</u>	<u>2,466,000</u>
	<u>\$ 5,230,000</u>	<u>\$ 2,170,389</u>	<u>\$ 7,400,389</u>

C. Debt Summary

A summary of the activity in the Authority's principal portion of its debt is as follows:

	<u>Balance</u> <u>Jan. 1, 2013</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>Dec. 31, 2013</u>	<u>Due Within</u> <u>One Year</u>
Lease Purchase	\$ 332,069	\$	\$ 332,069	\$	\$
Sewer Revenue Bonds (Series 2013)		5,230,000		5,230,000	240,000
Unamortized Bond Premium		<u>915,172</u>	<u>34,935</u>	<u>880,237</u>	<u>61,012</u>
	<u>\$ 332,069</u>	<u>\$ 6,145,172</u>	<u>\$ 367,004</u>	<u>\$ 6,110,237</u>	<u>\$ 301,012</u>
	<u>Balance</u> <u>Jan. 1, 2012</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Due Within</u> <u>One Year</u>
Lease Purchase	\$ 1,666,380	\$	\$ 1,334,311	\$ 332,069	\$ 332,069
Sewer Revenue Bonds					
	<u>1,666,380</u>	<u>\$</u>	<u>\$ 1,334,311</u>	<u>\$ 332,069</u>	<u>\$ 332,069</u>

NOTE 5. REVENUE NOTE

The Authority borrowed \$200,000 at 3.25% to ensure sufficient cash flow for emergency repairs necessitated by Hurricane Irene in 2011. The note proceeds were received by the Authority on March 26, 2012. The note was paid in full on February 20, 2013.

NOTE 6. SERVICE CHARGES RECEIVABLE

The Authority issues to participants, its certificate stating the estimated amount of the annual charge. The annual charge is based upon estimated flows and an approved bulk rate. The Authority sends this certificate to participants in December of the year preceding the fiscal year for which the charges are levied. The Authority sends participants quarterly reminders. A deficiency charge or credit is issued at the beginning of the following year when actual annual flows have been verified. Bills are payable within 30 days.

NOTE 7. SERVICE AGREEMENT WITH OCEAN COUNTY UTILITIES AUTHORITY (“OCUA”)

A service agreement was executed with Ocean County Utilities Authority (“OCUA”) during 1981 providing for sewage and other wastes originating within the regional district to be treated and disposed of by the County Authority.

A supplemental service agreement was executed which provides for reimbursement to the Authority of an amount equal to the OCUA share of amortized principal and interest on any and all project bonds issued by Monmouth County Improvement Authority (“MCIA”) under its 1988 financing agreement with the Authority and interest on temporary financing from 1985 to the date of the 1988 agreement. The OCUA's payment of its reimbursement to the Authority will be in the form of a credit to the Authority on the quarterly treatment charge payments due under the 1981 Service Contract. Credits are currently applied quarterly in accordance with terms of the agreement.

NOTE 8. THREE PARTY SERVICE AGREEMENT RE: SOUTHWESTERN WALL TOWNSHIP

Wall Township, in anticipation of developing facilities in the Metedeconk basin of the Authority service area, where Ocean County Utilities Authority (“OCUA”) has no facilities to provide direct service, entered into an agreement with Brick Township Municipal Utilities Authority (“BTMUA”), the Authority and OCUA for service to be provided to this portion of Wall Township through facilities of BTMUA.

The agreement setting forth the responsibilities of each authority was dated April 10, 1991. Billing for usage is submitted to the Authority and in turn passed through to Wall Township.

NOTE 9. RATE SCHEDULE

2013 Rate - A 2013 rate of \$5,261 per million gallons was adopted by the Authority on December 12, 2012, based on the 2013 budget requirements.

Subsequent Event

2014 Rate - A 2014 rate of \$5,261 per million gallons was adopted by the Authority on December 11, 2013, based on the 2014 budget requirements.

NOTE 10. CONSTRUCTION COMMITMENTS

The Authority has active construction projects at December 31, 2013. The projects include construction improvements to waste water treatment and delivery systems.

<u>Project</u>	<u>Completed to Date</u>	<u>Remaining Commitment</u>
Cutter Cartridge Replacement	\$	\$ 66,833
Route 9 Force Main Replacement	24,641	160,558
Upper Manasquan Elevator Replacement	7,375	327,125
Upper Manasquan Pump Station Wet Well Improvement	<u>27,486</u>	<u>221,704</u>
	\$ <u>59,502</u>	\$ <u>776,220</u>

NOTE 11. CONNECTION FEES

An October 1989 revision to the previously adopted sewer extension application fee, connection fee and review deposit resolution provided for the connection fee portion of the charge to be deferred at the option of the developer until actual connection date at the then current rate. The Authority has requested the cooperation of member municipal construction officials to require proof of payment of the Authority charges before a certificate of occupancy is issued for individual units. The connection fees for 2013 were \$1,681 per unit, through July 17, 2013, and \$1,974 per unit, effective July 18, 2013 until further amended.

NOTE 12. PENSION PLANS

The Authority contributes to a cost-sharing multiple-employer defined benefit pension plan, the Public Employees' Retirement System ("PERS"), which is administered by the New Jersey Division of Pensions and Benefits. This plan provides retirement, disability, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. The plan has a Board of Trustees that implements benefit provisions which are established and amended by State statute. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The PERS was established in 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was increased to 6.5% plus an additional 1.0% phased-in over seven years beginning in the first year. The phase-in of the additional incremental member contribution amount will take place in July of each subsequent year. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

NOTE 12. PENSION PLANS (CONTINUED)

The Authority is billed annually for its normal contribution plus any accrued liability. These contributions, equal to the required contributions are detailed below.

	<u>2013</u>	<u>2012</u>	<u>20101</u>
Normal Contribution	\$ 34,691	\$ 30,647	\$ 41,764
Accrued Liability	69,381	73,278	66,549
Non-Contributory Group*	6,631	6,185	8,226
Accrued Liability ERI 1	<u>392</u>	<u>414</u>	<u>377</u>
	<u>\$ 111,095</u>	<u>\$ 110,524</u>	<u>\$ 116,916</u>

*Life Insurance

NOTE 13. CAPITAL ASSETS

Activity in the capital assets for the Authority for the year ended December 31, 2013 and 2012 was as follows:

	<u>2012</u>			<u>2013</u>		
	<u>Balance Dec. 31, 2011</u>	<u>Increased by Current Year Additions</u>	<u>Balance Dec. 31, 2012</u>	<u>Increased by Current Year Additions</u>	<u>Transfers</u>	<u>Balance Dec. 31, 2013</u>
<u>Leased Property</u>						
Non-depreciable Assets:						
Land	\$ 1,431,160		\$ 1,431,160		\$ (1,431,160)	\$
Depreciable Assets:						
Buildings	1,059,902		1,059,902		(1,059,902)	
Equipment and Apparatus	1,183,198		1,183,198		(1,183,198)	
Pump Station and Chambers	2,240,255		2,240,255		(2,240,255)	
Conveyance System	8,316,197		8,316,197		(8,316,197)	
Total Historical Cost	<u>14,230,712</u>		<u>14,230,712</u>		<u>(14,230,712)</u>	
Less Accumulated Amortization:						
Buildings	461,672	17,557	479,229		(479,229)	
Equipment and Apparatus	1,293,880	55,341	1,349,221		(1,349,221)	
Pump Station and Chambers	1,354,806		1,354,806		(1,354,806)	
Conveyance System	4,343,395	165,533	4,508,928		(4,508,928)	
Total Accumulated Amortization:	<u>7,453,753</u>	<u>238,431</u>	<u>7,692,184</u>		<u>(7,692,184)</u>	
Total Capital Assets, Net	<u>\$ 6,776,959</u>	<u>\$ (238,431)</u>	<u>\$ 6,538,528</u>	<u>\$</u>	<u>\$ (6,538,528)</u>	<u>\$</u>
<u>Owned Property</u>						
Non-depreciable Assets:						
Land	\$		\$		\$ 1,431,160	\$ 1,431,160
Depreciable Assets:						
Buildings	932,891		932,891		1,059,902	1,992,793
Equipment and Apparatus	566,071		566,071		1,183,198	1,749,269
Office Equipment	118,808		118,808			118,808
Vehicles	459,849		459,849			459,849
Conveyance System	4,953,258		4,953,258		10,556,452	15,509,710
Construction in Progress		19,800	19,800	151,036		170,836
Total Historical Cost	<u>7,030,877</u>	<u>19,800</u>	<u>7,050,677</u>	<u>151,036</u>	<u>14,230,712</u>	<u>21,432,425</u>
Less Accumulated Depreciation:						
Buildings	278,920	23,126	302,046	40,204	479,229	821,479
Equipment and Apparatus	323,371	15,559	338,930	14,560	1,349,221	1,702,711
Office Equipment	109,732		109,732			109,732
Vehicles	318,993	16,460	335,453	15,362		350,815
Conveyance System	1,859,870	158,291	2,018,161	379,166	5,863,734	8,261,061
Total Accumulated Depreciation:	<u>2,890,886</u>	<u>213,436</u>	<u>3,104,322</u>	<u>449,292</u>	<u>7,692,184</u>	<u>11,245,798</u>
Total Capital Assets, Net	<u>\$ 4,139,991</u>	<u>\$ (193,636)</u>	<u>\$ 3,946,355</u>	<u>\$ (298,256)</u>	<u>\$ 6,538,528</u>	<u>\$ 10,186,627</u>
Total Leased and Owned	<u>\$ 10,916,950</u>	<u>\$ (432,067)</u>	<u>\$ 10,484,883</u>	<u>\$ (298,256)</u>	<u>\$ -</u>	<u>\$ 10,186,627</u>

NOTE 14. NET POSITION

The basic financial statements utilize a net position presentation. New position is categorized as Invested in Capital Assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets (net of related debt) is intended to reflect the portion of net position that is associated with non-liquid, capital assets, less outstanding capital asset related debt. Restricted net position is liquid assets generated from revenues that have third-party (statutory or bond covenant) limitation on their use. The Authority typically uses restricted position first, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project or major repair. Unrestricted net position represent unrestricted liquid assets.

NOTE 15. 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. The Authority is a member of the New Jersey Utilities Joint Insurance Fund. The joint insurance pool is both an insured and self-administered group of authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The Joint Insurance Fund will be self-sustaining through member premiums.

NOTE 16. CONTINGENT LIABILITIES

Pending Litigation

There are actions which have been instituted against the Authority which are either in the discovery stage or whose final outcome cannot be determined at the present time. In the opinion of the administration, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Authority.

It is the opinion of the Authority officials that there is no litigation threatened or pending that would materially affect the financial position of the Authority or adversely affect the Authority's ability to levy, collect and enforce the collection of revenue for the payment of its obligations.

The Authority officials believe that negligence and other types of liability suits, of which the Authority is aware, appear to be within the stated policy limits and would be deferred by the respective carriers.

NOTE 17. DEFERRED COMPENSATION

The Authority has instituted a Deferred Compensation Plan ("Plan") pursuant to Section 457 of the Internal Revenue Code and P.L. 1977, C. 381; P.L. 1978, C. 39; P.L. 1980, C. 78; and P.L. 1997, C. 116 of the Statutes of New Jersey.

The Plan is an arrangement whereby a public employer may establish a Plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more of the types of investments permitted under the governing regulations.

The Authority has engaged a private contractor to administer the Plan.

NOTE 18. DEFICIT IN UNRESTRICTED NET POSITION

The unrestricted net position reflects a deficit of \$253,944 and \$363,517 at December 31, 2013 and 2012, respectively.

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF REVENUES AND APPROPRIATIONS

Schedule 1

COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2013

Sheet 1 of 4

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2012

(NON-GAAP BUDGETARY BASIS)

	<u>2013 Budget</u>	<u>2013 Actual</u>	<u>2012 Actual</u>
<u>Anticipated Revenues</u>			
Operating Revenues:			
Service Fees	\$ 13,750,465.00	\$ 12,425,022.33	\$ 12,122,991.15
Connection Fees	325,000.00	550,741.91	303,458.73
Other Operating Revenues	45,000.00		194,447.40
Total Operating Revenues	<u>14,120,465.00</u>	<u>12,975,764.24</u>	<u>12,620,897.28</u>
Non-Operating Revenues:			
Interest on Investments	3,000.00	2,190.67	3,569.86
Other Non-Operating Revenues		330,822.60	462,726.50
Total Non-Operating Revenues	<u>3,000.00</u>	<u>333,013.27</u>	<u>466,296.36</u>
Total Anticipated Revenues	<u>\$ 14,123,465.00</u>	<u>\$ 13,308,777.51</u>	<u>\$ 13,087,193.64</u>
<u>Budget Appropriations</u>			
Operating Appropriations:			
Administration:			
Salaries and Wages	\$ 402,875.00	\$ 404,364.62	\$ 392,933.06
Fringe Benefits	341,350.00	314,686.69	304,244.63
Other Expenses	258,550.00	216,998.10	218,337.97
Total Administration	<u>1,002,775.00</u>	<u>936,049.41</u>	<u>915,515.66</u>
Cost of Providing Service:			
Salaries and Wages	699,220.00	645,486.99	654,043.81
Fringe Benefits	592,450.00	546,162.51	534,930.51
Other Expenses	10,708,200.00	9,501,824.46	9,257,643.78
Total Cost of Providing Service	<u>11,999,870.00</u>	<u>10,693,473.96</u>	<u>10,446,618.10</u>
Capital Outlay	<u>0.00</u>	<u>0.00</u>	<u>13,372.52</u>
Total Principal Payments on Debt Service in Lieu of Depreciation	335,000.00	332,069.24	1,334,311.22
Total Operating Appropriations	<u>13,337,645.00</u>	<u>11,961,592.61</u>	<u>12,709,817.50</u>
Non-Operating Appropriations:			
Total Interest Payments		1,606.93	67,622.91
Total Non-Operating Appropriations	<u>0.00</u>	<u>1,606.93</u>	<u>67,622.91</u>
Total Operating and Non-Operating Appropriations	13,337,645.00	11,963,199.54	12,777,440.41
Unreserved Retained Earnings to Balance Budget		<u>0.00</u>	<u>42,000.00</u>
Total Appropriations - Unreserved Retained Earnings	<u>\$ 13,337,645.00</u>	<u>11,963,199.54</u>	<u>12,735,440.41</u>
Excess/(Deficit) of Revenues over Appropriations		<u>\$ 1,345,577.97</u>	<u>\$ 351,753.23</u>

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF REVENUES AND APPROPRIATIONS

Schedule 1

COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2013

Sheet 2 of 4

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2012

(NON-GAAP BUDGETARY BASIS)

	<u>2013 Budget</u>	<u>2013 Actual</u>	<u>2012 Actual</u>
<u>Administration</u>			
Salaries and Wages:			
Commissioner's Salaries	\$ 36,100.00	\$ 35,366.54	\$ 35,155.08
Administrators Salaries	355,000.00	357,042.08	357,777.98
Longevity Bonus	11,775.00	11,956.00	
Total Salaries and Wages	<u>402,875.00</u>	<u>404,364.62</u>	<u>392,933.06</u>
Fringe Benefits:			
Social Security	31,072.00	28,486.19	28,224.98
Public Employees' Retirement System	44,122.00	40,402.47	40,277.71
Health Benefits	235,234.00	224,448.20	211,720.22
Unemployment	1,462.00	1,106.98	1,076.57
Disability	219.00	158.13	153.80
Vision	1,097.00	750.11	599.60
457 Plan	19,009.00	19,334.61	22,191.75
Accumulated Sick Leave	9,135.00	0.00	0.00
Total Fringe Benefits	<u>341,350.00</u>	<u>314,686.69</u>	<u>304,244.63</u>
Other Expenses:			
Office Supplies	4,500.00	5,270.41	2,982.45
Postage	1,800.00	1,168.43	1,127.64
Legal Advertising	2,100.00	1,119.48	860.28
Telephone	13,000.00	14,343.47	13,497.36
Conference, Travel and Dues	9,000.00	7,570.25	6,059.89
Operation and Maintenance of Vehicles	900.00	5.00	327.60
Insurance	64,000.00	60,720.42	58,194.48
Office Equipment Maintenance	10,000.00	7,217.58	6,966.82
Bank Fees	400.00	559.26	638.95
Miscellaneous	1,000.00	316.71	968.97
Employee Assistance Service	350.00	210.00	210.00
Permits and Fees	2,500.00	1,714.33	1,885.82
General Counsel	10,000.00	4,860.00	4,367.50
Special Counsel	3,000.00	0.00	0.00
Bonding Costs	26,000.00	0.00	0.00
Auditor	50,000.00	19,615.00	19,237.50
Engineer	60,000.00	92,307.76	98,012.71
Trustee Fees			3,000.00
Total Other Expenses	<u>258,550.00</u>	<u>216,998.10</u>	<u>218,337.97</u>
Total Administration	<u>\$ 1,002,775.00</u>	<u>\$ 936,049.41</u>	<u>\$ 915,515.66</u>

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF REVENUES AND APPROPRIATIONS

Schedule 1

COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2013

Sheet 3 of 4

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2012

(NON-GAAP BUDGETARY BASIS)

	<u>2013 Budget</u>	<u>2013 Actual</u>	<u>2012 Actual</u>
<u>Cost of Providing Service</u>			
Salaries and Wages:			
Operator' Salaries	\$ 642,000.00	\$ 600,372.57	\$ 605,655.85
Longevity Bonus	15,220.00	16,764.40	3,165.28
Overtime	42,000.00	28,350.02	45,222.68
Total Salaries and Wages	<u>699,220.00</u>	<u>645,486.99</u>	<u>654,043.81</u>
Fringe Benefits:			
Social Security	53,928.00	49,439.94	49,625.86
Public Employees' Retirement System	76,578.00	70,121.53	70,817.29
Health Benefits	408,266.00	389,546.80	372,251.78
Vision	2,538.00	1,921.25	1,892.86
Unemployment	381.00	274.45	270.41
Disability	1,903.00	1,301.87	1,054.22
457 Plan	32,991.00	33,556.67	39,018.09
Accumulated Sick Leave	15,865.00	0.00	0.00
Total Fringe Benefits	<u>592,450.00</u>	<u>546,162.51</u>	<u>534,930.51</u>
Other Expenses:			
NJ One Call	5,000.00	4,189.84	4,273.02
Electricity	250,000.00	173,867.91	171,708.20
Fuel Oil	20,000.00	9,275.62	12,077.10
Chemicals	55,000.00	45,353.36	43,845.59
Gasoline	25,000.00	22,775.75	26,380.95
Maintenance Materials	5,000.00	1,665.61	1,703.32
Operation of Vehicles	9,000.00	3,365.35	8,306.49
Site Maintenance	6,000.00	5,039.02	2,404.75
Training and Seminars	4,000.00	1,301.14	1,195.72
Contracts - Repair and Maintenance	12,500.00	11,873.40	11,442.83
Liquid Oxygen Tank Rentals	4,500.00	4,980.00	4,740.00
Repair of Equipment	25,000.00	15,871.02	11,808.57
Safety Equipment	5,000.00	9,073.65	5,104.04
Tools and Equipment	3,500.00	1,453.60	929.98
Uniform Service	6,000.00	3,433.74	3,823.81
Miscellaneous	1,000.00	163.20	1,023.60
Water	3,500.00	1,682.39	1,393.07
Instrumentation Replacement	10,000.00	3,759.44	4,953.94
Manhole Maintenance	20,000.00	236.00	7,914.23
Emergency Repairs	100,000.00	24,169.82	9,208.00

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF REVENUES AND APPROPRIATIONS

Schedule 1

COMPARED TO BUDGET - YEAR ENDED DECEMBER 31, 2013

Sheet 4 of 4

WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2012

(NON-GAAP BUDGETARY BASIS)

	<u>2013 Budget</u>	<u>2013 Actual</u>	<u>2012 Actual</u>
<u>Cost of Providing Service (Continued)</u>			
Other Expenses (Continued):			
Service Charges:			
OCUA	\$ 10,093,200.00	\$ 9,122,700.00	\$ 8,892,497.40
BTMUA	45,000.00	35,594.60	30,909.17
Total Other Expenses	<u>10,708,200.00</u>	<u>9,501,824.46</u>	<u>9,257,643.78</u>
 Total Cost of Providing Service	 <u>\$ 11,999,870.00</u>	 <u>\$ 10,693,473.96</u>	 <u>\$ 10,446,618.10</u>
 Capital Outlay:			
System Equipment	\$	\$	\$ 12,292.52
Support Equipment			1,080.00
 Total Capital Outlay	 <u>\$ 0.00</u>	 <u>\$ 0.00</u>	 <u>\$ 13,372.52</u>
 <u>Reconciliation of Net Income</u>			
Reconciliation to Net Income:			
Excess/(Deficit) from Above - Budgetary Basis		\$ 1,345,577.97	\$ 351,753.23
Adjustments to Budgetary Basis:			
Depreciation Expense		(449,292.42)	(213,436.11)
Amortization of Leased Property			(238,430.79)
Bond Sale Premium not Realized as Revenue		(145,172.55)	
Bond Issuance Costs		(138,655.02)	
Accrued Bond Interest (net of Bond Sale Premium)		(89,284.27)	
Unearned Profit on Sales - Leaseback		42,709.31	48,470.66
Purchases to Capital Assets		8,580.00	19,800.00
Casualty Loss Reimbursement Receivable			(386,620.71)
Retained Earnings Appropriated			(42,000.00)
Reserve for Encumbrances (net)		(20,580.52)	22,580.52
Accrued Expenses		(15,939.98)	
Debt Service Principal		<u>332,069.24</u>	<u>1,334,311.22</u>
 Net Income Exhibit B		 <u>\$ 870,011.76</u>	 <u>\$ 896,428.02</u>

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

ANALYSIS OF ACCOUNTS RECEIVABLE - SERVICE FEES

Schedule 2

YEAR ENDED DECEMBER 31, 2013

	Balance Dec. 31, 2012	Increased by 2013 Service Fees	Decreased by Collected in 2013	Balance Dec. 31, 2013
Farmingdale Borough	\$ (26,305.00)	\$ 319,500.53	\$ 289,355.00	\$ 3,840.53
Freehold Borough	(449,431.45)	2,451,983.75	2,549,338.55	(546,786.25)
Freehold Township	(891,155.53)	4,672,851.77	4,369,844.47	(588,148.23)
Howell Township	(254,016.86)	4,702,444.89	4,665,018.14	(216,590.11)
Wall Township	(6,478.01)	278,241.39	249,434.99	22,328.39
	<u>\$ (1,627,386.85)</u>	<u>\$ 12,425,022.33</u>	<u>\$ 12,122,991.15</u>	<u>\$ (1,325,355.67)</u>

ANALYSIS OF ACCOUNTS RECEIVABLE - INDUSTRIAL SURCHARGES

YEAR ENDED DECEMBER 31, 2013

Schedule 3

	Balance Dec. 31, 2012	Increased by 2013 Service Fees	Decreased by Collected in 2013	Balance Dec. 31, 2013
Freehold Borough	\$ 1,252.27	\$	\$ 1,252.27	\$ 0.00
Freehold Township	45,181.30	73,023.08	79,724.14	38,480.24
	<u>\$ 46,433.57</u>	<u>\$ 73,023.08</u>	<u>\$ 80,976.41</u>	<u>\$ 38,480.24</u>

MANASQUAN RIVER REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF SEWER REVENUE BONDS

YEAR ENDED DECEMBER 31, 2013

Schedule 4

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities Outstanding December 31, 2013</u>	<u>Interest Rates</u>	<u>Issued 2013</u>	<u>Balance Dec. 31, 2013</u>
Sewer Revenue Bonds (Series A)	2013	\$ 1,415,263.00	\$ 240,000.00	2.00%		
			8/01/2014	2.00%		
			8/01/2015	2.00%		
			8/01/2016	3.00%		
			8/01/2017	3.00%		
			8/01/2018	3.00%		
			8/01/2019	4.00%		
			8/01/2020	4.00%		
			8/01/2021	4.00%		
			8/01/2022	5.00%		
			8/01/2023	5.00%		
			8/01/2024	5.00%		
			8/01/2025	5.00%		
			8/01/2026	5.00%		
			8/01/2027	5.00%		
			8/01/2028	5.00%		
					\$ 5,230,000.00	\$ 5,230,000.00



To the Board of Commissioners
Manasquan River Regional Sewerage Authority

We have audited the financial accounts and transactions of the Manasquan River Regional Sewerage Authority for the year ended December 31, 2013. In accordance with requirements prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS

Contracts and Agreements Required to be advertised by (N.J.S.A.40A:11-4)

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500 except by contract or agreement.

It is pointed out that the Members of the Authority have the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

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

Upper Manasquan Pump Station wet well improvements (phase I), comminutor cutter cartridge for Upper Manasquan Pump Station and hydrogen peroxide.

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

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

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$5,400 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (N.J.S.A.40A:11-6.1).

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Fund

The examination of the payroll account included the detailed computation of various deductions or other credits from the payroll of the Authority employees and ascertained that the accumulated withholdings were disbursed to the proper agencies.

Property, Plant & Equipment

The property, plant and equipment subsidiary ledger was maintained properly and reconciliation between the physical and perpetual inventory records was performed at year-end.

General Ledger

The general ledger was complete with the required journal entries.

Acknowledgment

We received the complete cooperation of all the Authority Officials and employees and we greatly appreciate the courtesies extended to the members of the audit team.

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

Should you have any questions concerning our comments or recommendations, or should you desire any assistance in implementing our recommendations, please call us.


HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

April 24, 2014
Toms River, New Jersey