

Bayshore Regional Sewerage Authority

Audit Report

December 31, 2014 and 2013

Bart & Bart
Certified Public Accountants

TABLE OF CONTENTS

	<u>Pages</u>
Report of Independent Auditors	1-1(b)
Auditor's Report on Internal Accounting Control and Compliance	2-3
Management's Discussion & Analysis	4-8
<u>Financial Statements</u>	<u>Exhibit</u>
Comparative Statement of Net Position	A 9-10
Comparative Statement of Revenues, Expenses, and Changes in Net Position	B 11
Comparative Statement of Cash Flows	C 12
Notes to Financial Statements	13-19
<u>Supplementary Information</u>	<u>Schedule</u>
Schedule of Revenues, Expenses and Changes in Net Position - Reserved and Unreserved	1 20
Schedule of Cash Receipts, Cash Disbursements and Changes in Cash - Unrestricted Accounts	2 21
Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments - Restricted Accounts	3 22
Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget	4 23-24
<u>Roster of Officials</u>	25
<u>Single Audit Section</u>	
Report on Compliance in accordance with Federal & State OMB Circular	26-27
Schedule of Expenditures of Federal Awards and State Assistance	28
Notes to Schedule of Expenditures	29
Schedule of Findings & Questioned Costs	30
Summary Schedule of Prior Year's Audit	31
<u>General Comments and Recommendations</u>	32

BART & BART CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To Chairperson and Members
Bayshore Regional Sewerage Authority
Union Beach, New Jersey

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Bayshore Regional Sewerage Authority (the Authority), as of and for the years ended December 31, 2014 and 2013, and the related notes to the basic 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 U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in government auditing standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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 opinion.

To Chairperson and Members
Bayshore Regional Sewerage Authority

Page two

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bayshore Regional Sewerage Authority, as of December 31, 2014 and 2013, and the respective statements of revenue, expenses, and changes in net assets, and cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied 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 and Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Authority's basic financial statements. The supplemental information included on Schedules 1 through 4 are presented for purposes of additional analysis and are not a required part of the basic financial statements, but is presented as additional analytical data as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Schedules 1 through 4 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. These schedules have 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

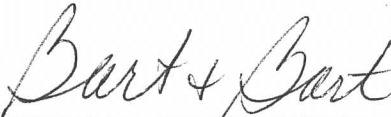
To Chairperson and Members
Bayshore Regional Sewerage Authority

Page three

The schedule of expenditures of state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards 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 March 27, 2015 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.


Bart & Bart, CPAs

March 27, 2015

BART & BART CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditors Report on Compliance and 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**

To The Chairperson and Members
Bayshore Regional Sewerage Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America; Audit requirements as prescribed by the Division of Local Government Services, State of New Jersey and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States, the financial statements and fund information of Bayshore Regional Sewerage Authority as of and for the year ended December 31, 2013, and the related notes to the financial statements, which comprise of the Authority's financial statements, and have issued our report thereon dated March 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

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

To The Chairperson and Members
Bayshore Regional Sewerage Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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.

Purpose of this Report

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

March 27, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section presents management's analysis of the Authority's financial condition and activities of the Authority for the calendar year ended on December 31, 2014 and 2013. 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.

Our Mission

The Bayshore Regional Sewerage Authority employees developed the mission of the Authority and consolidated the mission in the following statement in 2006; "*Dedicated to a Clean Environment for Today, Tomorrow, and Generations to Come*" the statement best describes who we are, what we do, and why we do it. The Authority staff believes that small continual improvement each year leads to major improvement over time. It is in this spirit that we strive for a minor improvement each year, and it is within this culture that we have achieved substantial results.

The Authority accomplishes this by maintaining a well operated, clean, safe facility at 100 Oak Street in Union Beach, NJ. The facility operates well within the limits set by State and Federal permits. Improvements are aimed at lowering the cost of business while prolonging function. Key indicators of performance include the trends in effluent quality of the wastewater being processed as well as operating, capital and debt service expenditures and net position.

Water quality

Since the year 2000 the quality of the water discharged from the treatment plant has improved gradually to the point where it exists today, which is nearing the maximum achievable results for the given technology. Figure 1 below illustrates this achievement.

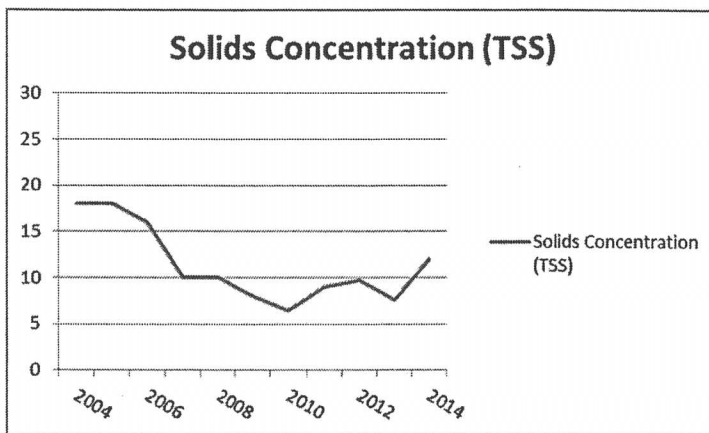


Fig. 1 Effluent total suspended solids (TSS) per liter of water discharged. State requires value to be 30 mg/l or better

TSS is a measure of the concentration of total suspended solids in parts per million, or milligrams per liter of water. It is one of the most widely used measures of wastewater treatment performance in the United States. Low TSS values are associated with clean water. The State Department of Environmental Protection (NJDEP) requires the Authority to achieve a value of 30 mg/l as a monthly average. Anything lower than 30 mg/l is an improvement on this state required limit. The Authority has achieved a level as low as 12.0 mg/l as a yearly average for 2014. This value is higher than the overall yearly trend as a result of Hurricane Sandy related damage to treatment train no. 1 which rendered the train unusable for a part of the year. Effluent quality was impacted due to the reduction in treatment capacity yet remained well within State and Federal limits

Operating expenditures

The Authority budget is a combination of operating, capital and debt service expenses. In 2012 the Authority eliminated its debt, and therefore the 2014 budget consists of operating and capital expenses only. The Authority focused its 2014 Capital Budget towards the rebuilding of the plant processes damaged by Sandy flooding. As a result of the reserve cash, and connection revenue the Authority was able to respond to the unprecedented damages inflicted by Hurricane sandy without the need for emergency funding in 2013 or 2014. In 2014 expenditures increased as a result of the restart of the incineration system which increased line item expenditures for incinerator fuel, ash removal, service contracts and electrical/instrumentation repairs by a combined \$465,000. The chart in figure 3 illustrates the Authority effort to maintain a stable operating environment over the past six-(6) years.

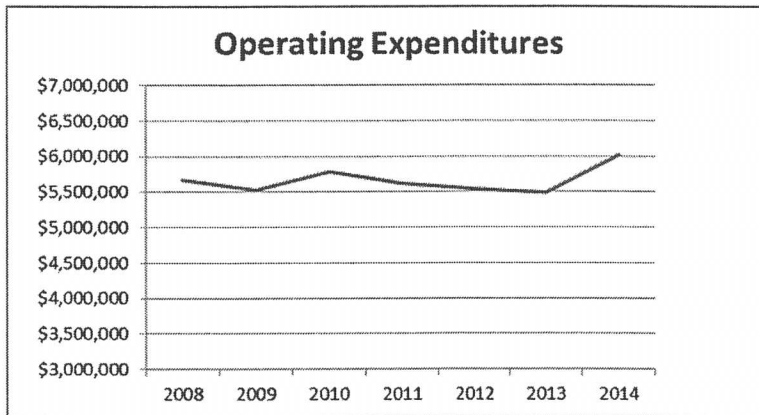


Figure 3 Graph of annual operating expenses 2008 to 2014

Net Position

The Authority's financial condition remained strong at year end, as depicted by the financial data which follows. In accordance with GASB Statement No. 63 the term net asset has been replaced with the term net position. *Net position* is defined as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. In the past this measure has been called net assets, fund balance and equity.

The net position of the Authority is an indication of overall financial health and is an indication of the accumulated results of all the individuals years of operating. For calendar year ending 2014 the net position of the Authority was \$69,673,369 and represents the cash and cash equivalents, claims receivable, and net plant, propoerty and equipment. The net position of the Authority at calendar year end 2013 was \$68,347,037. The change in net position for the Authority in 2014 was an increase of \$1,326,332.

Net Position of the Bayshore Regional Sewerage Authority for the calendar year ended 12/31

2014	2013	2012
\$69,673,369	\$68,347,037	\$63,804,942

Internal Controls

The Authority has instituted an internal control over spending that originates in a formal requisitioning system. All operational purchasing requests are authorized first by the Plant Superintendent and sent to the Executive Director for approval to purchase. All purchasing is handled by our State Qualified Purchasing Agent who follows NJ local public contract laws for procurement. Certifications are received from the claimant (vendor) as well as the requisitioning department upon receipt of goods or services. A completed voucher is submitted to the Executive Director for review and approval before being submitted to the Authority Treasurer for final authorization. Subsequent to the final authorization the claim for payment is presented to the entire Board of Commissioners at an open public meeting. A final resolution approving the claim is required before the authority releases payment to the vendor. The system reduces the risk of error, provides for full disclosure of all payments, involves the authority executive staff and provides payment to the vendor in a reasonable and acceptable time frame.

Procurement is in accordance with State and Federal Regulations

Overview of Financial Report

Comparative Statement of Net Position

“The Comparative Statement of Net Position” presents information on the Authority’s assets and liabilities. “Net Position” or fund equity is the difference between the Authority’s assets and liabilities and is and indicator of the Authority financial strength. Among other things the statement provides the value of the authority’s plant property and equipment from the creation of the authority to present. The Authority’s Net Position has increased in 2014 from \$68,347,037 to \$69,673,369 primarily due to the elimination of debt and reduction in obligations to customers

Comparative Statement of Revenues, Expenses and Changes in Net Position

The Comparative Statement of Revenues, Expenses and Changes in Net Position presents the results of the business activities over the past year including payroll and benefits, plant materials and supplies purchased, net income and changes in net position. The Authority’s net income decreased in 2014 from \$4,924,095 to \$1,708,672 primarily due to a reduction in treatment

charges, an increase in expenditures due to Superstorm Sandy and connection fees that did not match the uncommonly high revenue of the prior year (\$2,437,158)

Comparative Statement of Cash Flows

The Comparative Statement of Cash Flows presents the changes in cash and cash equivalents resulting from operational, financing and investing activities. The Net cash and cash equivalents for 2014 were \$ 11,838,444 which represents an increase over 2013 of \$3,468,588 which were recorded as \$8,369,856.

Schedule of revenue, expenses and changes in Net Position

The Schedule of revenue, expenses and changes in retained earnings presents the similar information as the Comparative Statement of Revenues, Expenses and Changes in Net Position with this schedule providing a breakdown by Authority fund. In 2014 the net position at December 31 were \$63,556,501 and compares to \$61,847,829 for December 31, 2013 and represents an increase of \$1,708,672.

Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments

The Schedule of cash receipts, cash disbursements and changes in cash and investments presents the allocation of all cash according to authority fund and account for the calendar year 2014. The Schedule indicates transfers made between all accounts and reconciles to the Comparative Statement of Cash Flows. Cash and Investments at December 31, 2014 were \$11,838,444 as compared to \$8,369,856 at December 31, 2013. The total Restricted Assets for December 31, 2014 were \$4,137,707 as compared to \$4,120,373 at December 31, 2013.

Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget

The Schedule of operating revenues and costs funded by operating revenues compared to budget reviews the authority line item budget to actual expenditures and compares to the same line item from the prior year. Total Costs funded by operating Revenues for 2014 were \$8,540,658 as compared to \$7,473,196 for 2013

Response to Superstorm Sandy

On October 29, 2012 Superstorm Sandy flooded the Borough of Union Beach, NJ where the Bayshore Regional Sewerage Authority is located. The Authority suffered significant damage to its processes. The authority has received funding from three separate insurance policies as well as the Federal Emergency Management Agency, FEMA. FEMA has obligated approximately \$30,000,000 towards the restoration and mitigation of the Authority processes. FEMA share of the funding to restore and mitigate damage has been established at 90% of cost, leaving 10% cost share for the Authority. The Authority has applied to the New Jersey Environmental Infrastructure Trust (NJEIT) for a short-term loan to cover the payment of restoration and mitigation costs until FEMA reimbursements have been made and to cover other Authority led projects as well as the 10% Authority share. Three major construction projects will be underway in 2015 to restore and mitigate the Authority buildings and processes against storms of greater magnitude and intensity. The restoration of the NIRO Incinerator Project was awarded at \$16,445,997. The Restoration and mitigation of the Authority Pump Stations will be awarded at \$3,000,000 and the Restoration and mitigation of the Various Authority Buildings project will be awarded at \$1,000,000.

AUTHORITY CONTACT INFORMATION

Questions concerning any of the information provided in this report or requests for additional information should be addressed to Robert C. Fischer, Executive Director, at the Bayshore Regional Sewerage Authority, 100 Oak Street, Union Beach, NJ 07735.

Bayshore Regional Sewerage Authority
Comparative Statement of Net Position
December 31, 2014 and 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 11,838,444	\$ 8,369,856
Inventory (Note 1.G.)	413,409	399,216
Prepaid Expenses	93,901	93,902
Insurance Claims Receivable	3,380,995	4,005,975
Other Receivables	9,800	-
Total Unrestricted Assets	<u>\$ 15,736,549</u>	<u>\$ 12,868,949</u>
Restricted Assets (Note 1.C.):		
Construction Fund	1,357,265	1,357,130
Customer Escrow Deposits:		
Rent Reserve	2,780,464	2,763,244
Due from NJEIT	1,498,294	1,498,294
Total Restricted Assets	<u>5,636,023</u>	<u>5,618,668</u>
Plant, Property and Equipment (Note 1.I.)	121,654,497	121,084,488
Less: Accumulated Depreciation	<u>69,939,232</u>	<u>68,037,304</u>
Net Plant, Property and Equipment	<u>51,715,265</u>	<u>53,047,184</u>
TOTAL ASSETS	<u>\$ 73,087,837</u>	<u>\$ 71,534,801</u>

See accompanying notes.

Bayshore Regional Sewerage Authority
Comparative Statement of Net Position

December 31, 2014 and 2013

<u>LIABILITIES AND NET POSITION</u>	<u>2014</u>	<u>2013</u>
Current Liabilities -		
Payable from Unrestricted Assets:		
Accounts Payable - Operating	\$ 388,092	\$ 207,067
Accounts Payable - Retainage	107,084	98,681
Payroll Deductions Payable	19,173	18,787
Obligation to Customers	8,316	8,316
Accrual for Unused Leave and Vacation Time	<u>111,339</u>	<u>91,669</u>
Total Current Liabilities Payable from Unrestricted Assets	<u>634,004</u>	<u>424,520</u>
Current Liabilities -		
Payable from Restricted Assets:		
Escrow Deposits Payable	<u>2,780,464</u>	<u>2,763,244</u>
Total Current Liabilities Payable from Restricted Assets	<u>2,780,464</u>	<u>2,763,244</u>
 TOTAL LIABILITIES	 <u>3,414,468</u>	 <u>3,187,764</u>
 <u>NET POSITION</u>		
Restricted for:		
Contributed capital, net	6,116,868	6,499,208
Construction	1,357,265	1,357,129
Operations	-	-
Future debt service	-	-
	<u>7,474,133</u>	<u>7,856,337</u>
Unrestricted	<u>62,199,236</u>	<u>60,490,700</u>
Total Net Position	<u>69,673,369</u>	<u>68,347,037</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$73,087,837</u>	 <u>\$71,534,801</u>

See accompanying notes.

Bayshore Regional Sewerage Authority

Comparative Statement of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues:		
Treatment Charges	\$ 9,479,332	\$ 9,515,249
Operating Expenses:		
Payroll and Employee Benefits	3,415,195	3,348,824
Plant Materials and Supplies	2,017,360	1,692,528
Administrative and General	581,512	438,229
Depreciation	1,901,937	1,932,467
Total Operating Expenses	<u>7,916,004</u>	<u>7,412,048</u>
Operating Income	<u>1,563,328</u>	<u>2,103,201</u>
Nonoperating Revenue (Expenses):		
Interest Income on Investments - Operating	14,182	1,736
Miscellaneous Income - Applications and Sundry	248,052	2,437,158
Superstorm Sandy Expense - Net	(499,230)	-
	<u>(236,996)</u>	<u>2,438,894</u>
Net Income (Before Transfer of Depreciation of Assets Purchased with Contributed Capital)	1,326,332	4,542,095
Transfer of Depreciation to Contributed Capital	<u>382,340</u>	<u>382,340</u>
Net Income	1,708,672	4,924,435
Net Position, January 1 st	<u>61,847,829</u>	<u>56,923,394</u>
Net Position, December 31 st	<u>63,556,501</u>	<u>61,847,829</u>
Contributed Capital - Net, January 1 st	6,499,208	6,881,548
Transfer of Depreciation from Operations	<u>(382,340)</u>	<u>(382,340)</u>
Contributed Capital - Net, December 31 st	<u>6,116,868</u>	<u>6,499,208</u>
Net Positon, End of Year	<u>\$ 69,673,369</u>	<u>\$ 68,347,037</u>

Bayshore Regional Sewerage Authority
Comparative Statement of Cash Flows
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Provided by (Used for) Operations:		
Net Income	\$ 1,326,332	\$ 4,542,095
Adjustments to Reconcile Net Income to Net Cash:		
Depreciation	1,901,937	1,932,467
Customer Accounts Receivable	-	38,849
Prepaid Expenses	-	(53,705)
Inventory	(14,193)	(18,785)
Other Receivables	615,180	(2,472,813)
Current Liabilities Payable from Unrestricted Assets	209,484	(1,855,181)
Current Liabilities Payable from Restricted Assets	17,220	(1,410,024)
Net Cash Provided by Operations	<u>4,055,960</u>	<u>702,903</u>
Cash Flows Provided by (Used for) Investing Activities:		
Restricted Assets	(17,355)	1,409,888
Plant, Property and Equipment	<u>(570,017)</u>	<u>(193,804)</u>
Net Cash Provided by Investing Activities	<u>(587,372)</u>	<u>1,216,084</u>
Net Increase in Cash and Cash Equivalents	3,468,588	1,918,987
Cash and Cash Equivalents:		
Beginning of Period	<u>8,369,856</u>	<u>6,450,869</u>
End of Period	<u>\$ 11,838,444</u>	<u>\$ 8,369,856</u>

See accompanying notes.

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2014 and 2013

1. Summary of Significant Accounting Policies

A. General

The Bayshore Regional Sewerage Authority (Authority) is a public body politic and corporate constituting a political subdivision of the State of New Jersey created under Chapter 138 of the Sewerage Authority Law of New Jersey of 1946, as amended, pursuant to the action of the governing bodies of Hazlet Township, Holmdel Township and the Borough of Union Beach in 1968.

The Authority is authorized and empowered to acquire, construct, maintain, operate or improve works for the collection, treatment, and disposal of sewage or other wastes in return for the participants agreeing to pay all charges necessary to cover debt service requirements and all obligations of the Authority through sewer charges for usage. The present participants are Hazlet Township, Holmdel Township, Borough of Union Beach, Borough of Keyport, Keansburg Municipal Utilities Authority, Borough of Matawan, Western Monmouth Utilities Authority, and the Township of Aberdeen. All participants have entered into service contracts with the Authority.

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

B. Basis of Financial Statements

The financial statements of the Authority have been prepared on an accrual basis in accordance with generally accepted accounting principles applicable to enterprise funds of state and local governments.

Cash, Cash Equivalents and Investments

New Jersey Authorities are required by N. J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey Authorities. The Authority is required to deposit 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 governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

Public funds are defined as the funds of any government unit. Public depositories include banks (both state and national banks), savings and loan institutions and savings banks, the deposits of which are federally insured. All public depositories pledge collateral, having a market value of 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 in the collateral pool, is available to pay the full amount of their deposits to the governmental units.

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2014 and 2013

1. Summary of Significant Accounting Policies (continued)

C. Accounts Receivable - Customers

Accounts receivable due from customers are shown net of increases or decreases in charges to participants calculated on actual flows.

D. Due from State of New Jersey Environmental Infrastructure Trust ("NJEIT")

The Authority in 2012 participated in a financing program for improvements to the treatment plant and the construction of a Wind Turbine located in Union Beach, New Jersey. The funds borrowed are held in trust by the NJEIT for the Authority and are remitted on a reimbursement basis.

E. Unemployment Insurance

The Authority is insured under the rules and regulations of the State of New Jersey Unemployment Compensation Law, whereby it pays into the state fund a percentage of payroll costs to cover benefits to be paid to former employees of the Authority.

F. Inventory

Inventory consists principally of machinery replacement parts and supplies. The inventory is stated at cost determined on a first-in, first-out basis. An adjustment was made to the December 31, 2013 inventory dollar amount due to an increase in amounts of inventory and cost thereof.

G. Grants-In-Aid

Federal and state grants-in-aid of construction are recorded in the period received. Grants received by the Authority are restricted by the grantor to the design and construction of plant facilities and are recorded as contributed capital.

Bayshore Regional Sewerage Authority

Notes to Financial Statements

December 31, 2014 and 2013

1. Summary of Significant Accounting Policies (continued)

H. Plant, Property and Equipment

Plant, property and equipment are stated at cost, which includes direct construction costs and other expenditures related to construction. Construction costs are charged to construction in progress until such time as given segments of the project are completed and put into service.

Depreciation is determined on a straight-line basis for all plant and equipment. Depreciation on assets acquired with Grants-in-Aid is recorded as a reduction of contributed capital. Depreciation is provided over the following estimated useful lives:

	<u>Cost</u>	<u>Useful Life</u>
Furniture, Equipment & Computers	\$ 914,169	5 - 10 Years
Vehicles	259,871	5 Years
Lines	14,476,792	50 Years
Pump Stations	5,287,720	40 Years
Plant Buildings and Piping	60,882,916	50 Years
Plant Equipment	27,040,279	15 Years
Incinerator	4,244,006	20 Years
Administration Building	213,283	40 Years
Land and Right of Ways	1,009,479	-
Construction in process	<u>7,325,982</u>	-
Total	<u>\$121,654,497</u>	

I. Statements of Cash Flows

For purposes of the statement of cash flows, the Authority considers unrestricted investments with maturities of three months or less to be cash equivalents.

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2014 and 2013

NOTE 2. INSURANCE CLAIMS RECEIVABLE/FINANCING OF SUPERSTORM SANDY COSTS

On October 29, 2012, Super Storm Sandy made landfall along the Southern Atlantic Coast of New Jersey. The resulting storm surge and winds caused catastrophic damage to the community of Union Beach, where the Authority is located.

The Authority sustained significant damage to its plant and infrastructure, including its sludge incinerators and its blower building. As of December 31, 2014, the Authority has expended \$11,076,555 in repairs, equipment replacement and alternative treatment methods in order to continue to service its customer base. The full extent and cost of the damage caused by this extraordinary event has yet to be finalized and measured.

Certain of the expenses incurred by the Authority and discussed above will be eligible for a combination of insurance coverage and financial assistance from the Federal Emergency Management Agency (FEMA). The Authority anticipates that many of these expenses will be reimbursable at 90%. Certain of these expenses will mitigate future storm damage, and as such, will be capital in nature and will be financed over the useful life of the repaired asset. The amount shown as Insurance Claims receivable on the balance sheet is shown net of a \$2,556,511 reimbursement from the Authority's various insurance carriers and \$4,638,536 from FEMA.

On March 3, 2014, the Authority applied to the New Jersey Environmental Infrastructure Trust (NJEIT) for a three year Note in the amount of \$40,752,500 to cover the payment of restoration and mitigation costs until FEMA reimbursements have been made and to cover other Authority led projects, as well as the 10% Authority share not reimbursed by FEMA.

On August 12, 2014, the Authority received permission from the State of New Jersey, Division of local Government Services, Local Finance Board to issue a three year Note in an amount not to exceed \$45,000,000 to the NJEIT. The proceeds of the note will be used to fund repair, replacement, and mitigation of future flood damage to those assets damaged by Super Storm Sandy. Upon maturity, the Authority expects to issue bonds to the NJEIT which will permanently finance the costs of the project not paid for by FEMA. It is anticipated that the issuance of the three year Notes will occur in May of 2015.

NOTE 3. EMPLOYEE RETIREMENT SYSTEM

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement system ("retirement system") covering those Authority employees who are eligible for pension coverage.

Public Employees' Retirement System (PERS) - established in January 1955, under the provisions of N.J.S.A. 43.15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement healthcare coverage.

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2014 and 2013

NOTE 3. EMPLOYEE RETIREMENT SYSTEM (Continued)

According to state law, all obligations of the PERS retirement system will be assumed by the State of New Jersey should the retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. 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 08625-00295.

BASIS OF ACCOUNTING

The financial statements of the PERS pension fund are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the fund. Benefits or refunds are recognized when due and payable in accordance with the terms of the fund.

INVESTMENT VALUATION

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

CONTRIBUTION REQUIREMENT

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The PERS pension fund provides for employee contributions based on 5.5% of the employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS. In the PERS, the employer contribution includes funding for post-retirement medical premiums for participating local governments.

For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997.

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2014 and 2013

During the years ended December 31, 2012, 2011, and 2010, the Authority was required to contribute for normal cost pension contributions the following amounts which equaled the required contributions for each year:

<u>Year Ended</u> <u>December 31</u>	<u>PERS</u>
2012	\$ 217,300
2013	211,347
2014	207,995

NOTE 4. POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for participating government agencies including the Authority. The Plans are cost-sharing multiple employer-defined benefit plans.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS are combined and reported as Pension and Other employee Benefit Trust funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM are combined and reported as a fund (Health Benefits Program Fund - State). The SHBP-Local, PDP-Local, and the PRM are combined and reported as a separate fund (Health Benefits Program Fund -Local) in the State's CAFR. The health benefit programs had a total of 454 state and local participating employers and contributing entities for Fiscal Year 2008.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above trusts. 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.

BASIS OF ACCOUNTING

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

INVESTMENT VALUATION

Investments are reported at fair value. Securities traded on a national or international exchange is valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

Bayshore Regional Sewerage Authority
Notes to Financial Statements
December 31, 2014 and 2013

NOTE 4. POST-RETIREMENT MEDICAL BENEFITS (Continued)

The State of New Jersey, Department of Treasury, Division of Investment, issues publicly available financial reports. The financial reports maybe obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 2909, Trenton, New Jersey 08625-0290.

FUNDING POLICY

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2008, there were 80,181 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the State and participating local governments in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

P.L. 1977, c. 136 provides for the State and participating local governments to pay health benefits on a pay-as-you-go basis for all enrolled retired employees, regardless of retirement date, under two provisions. The first is for employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired employees who are eligible for a disability retirement regardless of years of service.

PERS retirees are excluded from the provisions set forth in P.L. 1977, c. 136 since their health benefits coverage is funded through each of their respective pension fund systems via an annual appropriation.

The State annually sets the employer contribution rate based on the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over 'a period not to exceed thirty years. The Authority had no required contributions to the State Health Benefits Program Fund for post-retirement benefits for the year's ended December 31, 2013, 2012 or 2011.

NOTE 5. SUBSEQUENT EVENTS

On March 16, 2015, the Authority awarded a contract for the restoration of the Niro Incinerator for an amount not to exceed \$16,445,997.

In Management's opinion, there were no other transactions or events which would require recognition or disclosure in the Financial Statements from January 1, 2015 through March 27, 2015, the date in which these Financial Statements became available to the public.

Bayshore Regional Sewerage Authority

Schedule of Revenue, Expenses and Changes in Net Position

Reserved and Unreserved

Year Ended December 31, 2014

	Totals		
	Unreserved	Construction	2014
Operating Revenues:			
Treatment Charges	\$ 9,479,332	\$ -	\$ 9,479,332
Operating Expenses:			
Payroll & Employee Benefits	3,415,195	-	3,415,195
Plant Materials and Supplies	2,017,360	-	2,017,360
Administrative and General	581,512	-	581,512
Depreciation	1,901,937	-	1,901,937
Total Operating Expenses	7,916,004	-	7,916,004
Operating Income	1,563,328	-	1,563,328
Nonoperating Revenues (Expenses):			
Interest Income on Investments	14,068	-	14,068
- Operating	-	114	114
- Construction	-	-	-
Miscellaneous Income	248,052	-	248,052
Superstorm Sandy Expenses-net	(499,230)	-	(499,230)
Net Income Before Transfers	(237,110)	114	(236,996)
Transfers:			
Depreciation on Assets Purchased with Contributed Capital	1,326,218	114	1,326,332
Increase (Decrease) in Retained Earnings	382,340	-	382,340
Net Position, January 1st	1,708,558	114	1,708,672
Net Position, December 31st	60,490,700	1,357,129	61,847,829
	\$62,199,258	\$1,357,243	\$ 63,556,501
			\$61,847,829

Bayshore Regional Sewerage Authority

Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments

Unrestricted Accounts

Year Ended December 31, 2014

	Revenue	Regular Account	Payroll Account	Petty Cash	General Fund	Bond Service	Reserve Account	Revenue	Total
Cash and Investments - December 31, 2012	\$ -	\$ 108,127	\$ 89,058	\$ 300	\$ 871,791	\$ 817	-	\$ 7,299,763	\$ 8,369,856
Cash Receipts:									
Service Charges	9,471,730	-	-	-	-	-	-	-	9,471,730
Outfall Charges	937,767	-	-	-	-	-	-	-	937,767
Insurance and Reimbursements	853,903	2,989,398	-	-	-	-	-	-	3,483,301
Transfers from other funds	-	6,068,831	2,631,569	-	-	-	17,696,299	840,440	27,237,139
Interest Received	-	233	107	-	15	-	6,193	-	6,548
Miscellaneous Income	145,037	-	-	-	-	-	-	-	145,037
Total Cash Available	11,408,437	9,166,589	2,720,734	300	871,806	817	17,702,492	8,140,203	50,011,378
Transfer to Other Funds	11,210,937	-	-	-	871,806	817	6,330,590	8,140,203	26,554,353
Net Payroll & Payroll Taxes Operations	-	9,006,056	-	-	-	-	-	-	9,006,056
Total Cash Disbursements	11,210,937	9,006,056	2,612,525	-	871,806	817	6,330,590	8,140,203	38,172,934
Cash and Investments - December 31, 2014	197,500	160,533	108,209	300	-	-	11,371,902	-	11,838,444
Balance Comprised of:									
- Cash	197,500	160,533	108,209	300	-	-	11,371,902	-	11,838,444
- U.S. Treasury	-	-	-	-	-	-	-	-	-
	\$ 197,500	\$ 160,533	\$ 108,209	\$ 300	\$ -	\$ -	\$ 11,371,902	\$ -	\$ 11,838,444

Bayshore Regional Sewerage Authority

Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments

Restricted Accounts

Year Ended December 31, 2014

	Escrow Deposits	Construction Fund	Total
Cash and Investments - December 31, 2013	\$ 2,763,244	\$ 1,357,129	\$ 4,120,373
Cash Receipts:			
Interest Received	5,290	114	5,404
Received from Customers	11,930	-	11,930
Total Cash and Investments Available	<u>2,780,464</u>	<u>1,357,243</u>	<u>4,137,707</u>
Cash Disbursements:			
Total Cash Disbursements	-	-	-
Cash and Investments - December 31, 2014	<u>\$ 2,780,464</u>	<u>\$ 1,357,243</u>	<u>\$ 4,137,707</u>
Balance Comprised of:			
Investments - Cash	\$ 2,780,464	-	\$ 2,780,464
- U.S. Treasury Obligations	-	1,357,243	1,357,129
	<u>\$ 2,780,464</u>	<u>\$ 1,357,243</u>	<u>\$ 4,137,707</u>

Bayshore Regional Sewerage AuthoritySchedule of Operating Revenues and Costs FundedBy Operating Revenues Compared to BudgetFor the Year Ended December 31, 2014With Comparative Actual Amounts for the Year Ended December 31, 2013

	<u>2014</u> <u>Budget</u>	<u>2014</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>
Revenues:			
Treatment Charges	\$ 9,471,630	\$ 9,479,332	\$ 9,515,249
Interest on Investments	5,000	14,182	1,736
Permits and Applications	100,000	194,661	2,437,158
Sundry	15,000	53,391	-
	<u>\$ 9,591,300</u>	<u>\$ 9,741,566</u>	<u>\$ 11,954,143</u>
Total Operating Revenues			
Expenses:			
Salaries - Superintendents	477,640	400,101	453,154
- Plant Operations	1,606,108	1,593,164	1,541,206
- Commissioners and Project Managers	152,000	156,636	148,058
- Office Staff	104,000	112,415	82,172
Pension	231,605	207,995	211,349
Social Security Tax	179,000	169,618	170,085
Unemployment Compensation Insurance	8,000	7,257	6,338
Health Insurance	778,878	761,620	730,270
Life Insurance	6,000	5,445	6,188
Uniform and Safety Shoes	8,845	9,506	8,288
Memberships	16,668	18,642	3,650
Training and Seminars	25,000	10,251	10,298
Sick-Vacation-Holiday Pay	10,000	19,669	35,725
Electric Plant	890,000	639,489	833,050
Incineration Fuel	581,000	251,382	-
Natural Gas	85,000	53,885	54,578
Plant Telephone	6,000	5,358	2,904
Water	46,930	54,943	42,544
Gasoline	15,000	11,884	13,661
Machinery Repairs	130,000	97,994	89,929
Computer Maintenance	14,000	6,088	10,742
Service Contracts	61,000	77,780	48,237
Major Projects/Repairs	50,000	19,490	27,662
Electrical/Instrument Repairs	47,000	47,348	34,083
Chemicals	286,006	235,506	216,566
Operating Supplies	15,000	12,986	17,053
Grounds Maintenance	15,000	11,227	12,713
Fire and Safety Equipment	22,600	14,145	24,886
Incinerator Sand	6,000	6,020	2,537
Major Projects	8,500	8,422	6,800
Scavengers	19,456	17,433	7,694
Ash Removal	150,000	171,634	-

Bayshore Regional Sewerage Authority

Schedule of Operating Revenues and Costs Funded

By Operating Revenues Compared to Budget

For the Year Ended December 31, 2014

With Comparative Actual Amounts for the Year Ended December 31, 2013

	<u>2014</u> <u>Budget</u>	<u>2014</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>
Expenses (continued):			
Lab Chemicals and Supplies	\$ 27,600	\$ 27,448	\$ 26,429
Lab Calibrations	10,000	4,423	7,692
Electric Pump Stations	72,000	44,626	45,954
Telephone - Alarm System	6,000	6,300	5,574
Line Maintenance, Parts, and Supplies	16,000	20,815	23,140
Truck Expense	4,500	8,332	5,154
Water - Pump Stations	18,000	19,609	20,066
Line Rehabilitation	12,000	831	10,071
TV Inspection/Cleanings	20,000	1,145	1,654
Sludge Testing	103,000	34,936	16,385
Fees and Permits	40,000	22,893	23,998
Municipal Host Benefit	12,300	11,202	-
Professional Fees - Legal	65,000	51,927	45,164
- Accounting	41,000	40,789	25,591
- Engineering	50,000	246,444	100,251
- Trustee Fees	20,000	3,500	-
- Consultants; Other	23,000	6,472	3,747
Office Expense - Office Maintenance	5,000	5,466	4,186
- Insurance	250,000	205,771	225,824
- Advertisements	6,000	2,503	2,438
- Telephone	2,300	2,448	2,092
- Office Supplies	8,000	10,139	10,841
- Printing and Postage	3,000	1,404	1,918
- Office Equip. Rental	2,200	1,200	1,800
- Promotions	4,000	-	7,428
Other Costs Funded By Operating Revenues:			
Principal Maturities	-	-	-
Capital Outlays	2,575,000	124,462	61,167
Superstorm Sandy Expenses	-	499,230	-
Depreciation	-	1,901,937	1,932,467
Total Costs Funded by Operating Revenues	9,591,630	8,539,696	7,473,196
Excess (Deficit)	-	1,201,870	4,480,947
	\$ 9,591,300	\$ 9,741,566	\$11,954,143

ROSTER OF OFFICIALS

<u>Authority Members</u>	<u>Position</u>	<u>Amount of Surety Bond</u>
Adam Khachaturian	Chairperson	-
Bart Sutton	Vice Chairperson	-
Walter Vella	Treasurer	\$50,000
Louis Pisano	Assistant Treasurer	-
Marcy McMullen	Secretary	-
Charles Steiner	Assistant Secretary	-

Other Officials

Robert C. Fischer	Executive Director	50,000
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All Other

Office Staff	-	50,000
Plant Employees	-	50,000

Surety Company

NJ Utility Authorities Joint Insurance Fund
Westchester Surplus Lines Ins.

SINGLE AUDIT SECTION

BART & BART CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR AND STATE OF NEW JERSEY OMB CIRCULAR 04-04

To the Board of Commissioners
Bayshore Regional Sewerage Authority
Union Beach, New Jersey

Report on Compliance for Each Major Federal Program

We have audited Bayshore Regional Sewerage Authority (the "Authority") with the types of compliance requirements described in the OMB Circular 04-04 that could have a direct and material effect on each of the Authority's major state programs for the year ended December 31, 2014. Bayshore Regional Sewerage Authority's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Bayshore Regional Sewerage Authority's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, OMB Circular A-133, Audits of States, Local Governments, Non-Profit Organizations, and New Jersey OMB Circular 04-04. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Bayshore Regional Sewerage Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, Bayshore Regional Sewerage Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2014.

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(732) 634-5680

-26-

26 MAIN STREET
KEYPORT, NJ 07735
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR AND STATE OF NEW JERSEY OMB CIRCULAR 04-04

To the Board of Commissioners
Bayshore Regional Sewerage Authority
Union Beach, New Jersey

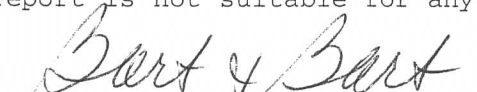
Report on Internal Control Over Compliance

Management of Bayshore Regional Sewerage Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Bayshore Regional Sewerage Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bayshore Regional Sewerage Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.


Bart & Bart, CPAs

Bayshore Regional Sewerage Authority

County of Monmouth, New Jersey

Schedule of Expenditures of Federal Awards and State Assistance

For the Year Ended December 31, 2014

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Agency Pass-through Number</u>	<u>Award Amount</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>
U.S. Federal Emergency Management Agency	97.036	66 1200 100	2,989,398	\$ 2,989,398	\$ 4,638,536
				<u>\$ 2,989,398</u>	<u>\$ 4,638,536</u>

BAYSHORE REGIONAL SEWERAGE AUTHORITY
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2014

1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Bayshore Regional Sewerage Authority ("Authority"). The Authority is defined in Note 1 (A) to the Authority's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other governmental agencies is included on the schedules or expenditures of federal awards and state financial assistance.

2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the accrual basis of accounting. These bases of accounting are described in Note 1 to the Authority's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations and NJ OMB Circular 04-04. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

5. FEDERAL AND STATE LOANS OUTSTANDING

The Authority has no loans outstanding payable to federal or state entities at December 31, 2014.

THE BAYSHORE REGIONAL SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

MAJOR FEDERAL AWARD PROGRAMS

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified dated <u>March 27, 2015</u>
Internal control over financial reporting:	
1. Material weakness(es) identified?	___ yes <u>X</u> no
2. Significant deficiencies identified that are not considered to be material weaknesses?	___ yes <u>X</u> no
Noncompliance material to general-purpose financials Statements noted?	___ yes <u>X</u> no

State Financial Assistance

Internal control over major programs:	
1. Material weakness(es) identified?	___ yes <u>X</u> no
2. Reportable condition(s) identified that are not considered to be material weaknesses?	___ yes <u>X</u> no

Type of auditor's report issued on compliance for Major programs:	Unqualified dated <u>March 27, 2015</u>
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Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133?	___ yes <u>X</u> no
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Identification of major programs:

<u>Federal Grant Number:</u>	<u>Name of Program or Cluster</u>
97.036	Emergency Management

Dollar threshold used to distinguish between Type A and Type B Programs:
\$300,000.00.

Auditee qualified as low-risk auditee?	<u>X</u> yes ___ no
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THE BAYSHORE REGIONAL SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2013

FOR THE YEAR ENDED DECEMBER 31, 2013:

There were no findings for the year ended December 31, 2013.

Bayshore Regional Sewerage Authority
General Comments and Recommendations
For the Year Ended December 31, 2014

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified Opinion issued on Financial Statements - presented standards generally accepted in the United States of America" dated March 27, 2015.

Internal control over financial reporting:

- 1) Material Weakness identified? NO
- 2) Significant deficiencies identified that are not considered to be a Material Weakness? NO

Non-Compliance material to Financial Statements noted? NO

II. FINDINGS RELATING TO THE FIANCNIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS.

NONE