

**OLD BRIDGE  
MUNICIPAL UTILITIES AUTHORITY  
MIDDLESEX COUNTY  
NEW JERSEY  
(A Component Unit of Old Bridge Township)**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
MAY 31, 2013**

*Prepared by  
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MIDDLESEX COUNTY, NEW JERSEY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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## **INTRODUCTORY SECTION**

# Old Bridge Municipal Utilities Authority

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September 12, 2013

Members of the Old Bridge Municipal Utilities Authority  
Middlesex County, New Jersey

The Comprehensive Annual Financial Report of the Old Bridge Municipal Utilities Authority (the Authority) for the period ended May 31, 2013, is submitted herewith pursuant to the Service Agreement with the Township of Old Bridge, the Indenture of Trust on outstanding Revenue Bonds, and the provisions of Chapter 5A of Title 40A of the New Jersey Statutes Annotated, entitled "Local Authorities Fiscal Control Law". Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority. This Comprehensive Annual Financial Report was prepared by the staff of the Authority's Department of Finance. We believe the data, as presented, is accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Authority and that all disclosures necessary to enable the readers to gain the maximum understanding of the Authority's financial activity have been included.

The Authority's financial statements have been audited by Hodulik & Morrison, P.A., a firm of licensed certified public accountants and registered municipal accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the period ended May 31, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Authority's financial statements for the period ended May 31, 2013, are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the report of the independent auditors.

The Authority implemented the Government Accounting Standards Board (GASB) Statement 34, with the May 31, 2003 financial statements. GASB 34 is a dramatic change in governmental financial reporting. We believe this new presentation will provide better information to the users of the Comprehensive Annual Financial Report.

The Comprehensive Annual Financial Report is presented in five sections: introductory, financial, statistical, single audit and general comments and recommendations.

<b>Introductory Section</b>	This letter of transmittal and such other material as maybe useful in understanding the reporting entity.
<b>Financial Section</b>	The auditor's report and financial statements of the Authority which present fairly the financial position, results of operations, and cash flows. Also included are schedules of budget comparisons, including comparisons by line of service. revenue bonds payable, insurance coverage's, and state financial assistance, as well as the auditor's General Comments and Recommendations, which are required by regulations of the Local Finance Board, Department of Community Affairs, State of New Jersey.
<b>Statistical Section</b>	This unaudited section does contain substantial financial information, designed to assist the reader in understanding the Authority's service area and consumer base, and the Authority's historical growth and its future growth prospects. The tables presented in this section differ from the financial statements in that they may present certain nonaccounting data, cover more than two fiscal periods, and are designed to reflect demographic and economic trends as well as financial trends of the Authority.
<b>Single Audit Section</b>	Auditor's reports required by (Federal OMB Circular A-133 and State Single Audit New Jersey OMB Circular 04-04 Mandate) and the Schedule of Expenditures of Federal Awards and State Financial Assistance, including the Notes thereto.
<b>General Comments and Recommendations</b>	Additional auditor reporting on New Jersey statutory compliance as required by regulations of the Local Finance Board, Department of Community Affairs, State of New Jersey.

## **THE REPORTING UNIT**

### **CREATION, POWERS AND RESPONSIBILITIES**

The Authority was created on November 4, 1985, by an ordinance of the Township of Old Bridge. The Authority resulted from consolidation of The Old Bridge Township Sewerage Authority ("OBTSA") and the former Old Bridge Municipal Utilities Authority ("OBMUA"), which was responsible for wastewater treatment and collection and water treatment and distribution, respectively. The combining of these operations has resulted in improved efficiency and cost-effectiveness of their operations under the Act, specifically N.J.S.A. 40:14-20, The Authority has certain powers, including but not limited to the ability:

To sue and to be sued;

To acquire, rent, uses and dispose of its service charges and other revenues and other monies;

To acquire, rent, hold, lease as lessor, use and dispose of personal property for the purpose of the Authority;

To acquire by purchase, gift, condemnation or otherwise, or lease as lessee, real property and easements therein, necessary or useful and convenient for the purposes of the authority;

To produce, develop, purchase, accumulate, distribute and sell water and water services, facilities and products within or without the Authority service area, provided that no water shall be sold at retail in any municipality outside the service area unless the governing body of such municipality shall have adopted a resolution requesting the authority to sell water at retail in such municipality, and the State Board of Public Utilities shall have approved such resolutions as necessary and proper for the public convenience;

To provide for and secure the payment of any bonds and the rights of the holders thereof, and to purchase, hold and dispose of any bonds;

To make and enforce by-laws or rules and regulations for the management and regulation of its business and affairs; and

To do and perform any acts and things authorized by the Act under, through or by means of its own officers, agents and employees, or by contract with any person.

## **COMPONENT UNIT STATUS**

The Authority is considered to be a “Component Unit” of the Township of Old Bridge under GAAP, based upon the oversight responsibilities of the Township, which include:

- Appointment of the Members of the Authority
- Approval of projects requiring the issuance of debt by the Authority, and
- Service Agreement provisions, which require the Township to finance any deficits of the Authority, effectively providing a guarantee of the Authority’s debt service requirements.

The Township of Old Bridge follows a regulatory basis of accounting for financial statement preparation, which differs, significantly from GAAP. Of particular interest is the absence of reporting on component units based upon the separate legal status of these units. As such, the Township does not include the Authority as a component unit in its financial statements.

## **THE SYSTEM**

### **The Water System Overview**

The Authority is the only purveyor of water in the Township and provides, as of June 28, 2013, approximately 27,442 equivalent domestic consumer units in the Township with water service representing approximately 98% of users in the Township. The remainder of the residents of the Township obtains water from private wells. The Authority’s water facilities (collectively, the “Water System”) were principally constructed during the years 1955 through 1965 and 1983 through 2013. The overall condition of the facilities may be classified as good, and the Authority has an ongoing capital program for those of its facilities that are currently in need of rehabilitation.

Although the Authority has jurisdiction for supply of potable water to the residents of the Township, on June 17, 1988, the Authority also entered into an agreement with the Township of Aberdeen to sell that municipality up to 3.0 million gallons per day (“mgd”) of finished water. The agreement provides for a minimum purchase of 0.8 mgd on a take-or-pay basis.



### **Water System Facilities**

The Authority's present Water System facilities consist of eight wells, two water treatment plants (Browntown and Old Bridge), eight available storage tanks and three pressure booster stations. All water supply service areas, which cover approximately three-quarters of the area available for development in the Township, are interconnected via an extensive distribution system consisting primarily of six inch to twenty-inch water mains.

The rated capacities of the Authority's two water treatment plants are 5.0 mgd for the Browntown plant and 3.0 mgd for the Old Bridge plant. However, due to backwashing requirements, the maximum usable production from the two plants is approximately 7.5 mgd. On November 17, 1986, the Authority entered into an agreement with the Middlesex Water Company ("MWC") for the purchase of up to 9.0 mgd of finished water. Additionally, the Authority has emergency interconnections with Perth Amboy, Monroe, Aberdeen and the Marlboro Municipal Utilities. On June 17, 1988, the Authority entered into an agreement with the Township of Aberdeen to purchase finished water from time to time through the interconnection.

The treatment plants treat raw water withdrawn from the Authority's eight wells. The Authority's New Jersey Department of Environmental Protection ("NJDEP") permit allows it to withdraw up to 1,542.06 million gallons ("mg") per year, which corresponds to an average rate of 4.22 mgd. The maximum monthly allocation is limited to 222.5 mg, or an average rate of 7.3 mgd. In addition, the Authority currently purchases between 2.0 and 8.0 mgd from MWC.

Peak demands are met by the utilization of storage facilities. The Authority has 20.75 mg of storage capacity in eight elevated and/or ground storage tanks.

Water consumption in 2012 was 2.433 billion gallons, or an average of 6.67 mgd. Maximum water use occurs during the summer months as a result of increased demand for lawn watering, filling pools and other outdoor uses. The maximum daily use in 2012 was 10.925 mgd on July 13, 2012 with the monthly average being 9.366 mgd. Withdrawals from storage are required during periods of maximum use.

In 2001 the Authority commenced installation of a radio read meter reading system to replace the time consuming practice of physically reading consumer water meters. Since the inception of this program to completion, the Authority connected all customer accounts to radio read meters using Authority force account employees. This completes our meter installation program where all 27,442 EDCU's are now radio reads.

A comparison of water use during calendar years, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011 and 2012 is presented below:

<u>Year</u>	<u>Yearly Average Flow, mgd</u>	<u>Maximum Monthly Flow, mgd</u>
2003	6.45	July (8.93)
2004	6.47	July (8.22)
2005	7.04	Aug (9.50)
2006	6.91	Aug (9.42)
2007	7.13	July (9.02)
2008	6.91	July (9.75)
2009	6.35	Aug (8.64)
2010	7.29	July (10.06)
2011	6.63	July (11.85)
2012	6.67	July (10.93)

#### **Browntown Water Treatment Plant**

The Browntown Water Treatment Plant is located at the intersection of Route 9 South and Throckmorton Lane. The plant has a rated capacity of 5.0 mgd. The plant is serviced by four wells, which pump groundwater to the two forced draft aerators. The aerators are used for iron conversion and hydrogen sulfide removal. Flow from the aerators enters a 78-foot diameter clarifier rated at 5.0-mgd capacity. Coagulating chemicals are added to the clarifier for removal of iron and turbidity via settling of the treated water. After clarification, the water is pumped to five pressure filters, which remove turbidity and small floc containing residual iron. A backwash holding tank is used to recover backwash water from the filters and also to remove the solids from the recycled backwash water. Iron sludge from the clarifier and backwash detention tank is discharged into the Authority's sanitary sewer system.

Five service pumps are used to distribute water to the distribution system. Prior to the filtration, the treated water is disinfected with chlorine and pumped to either the 0.5 million gallon clear well or directly to the distribution system.

#### **Old Bridge Water Treatment Plant**

The Old Bridge Water Treatment Plant has a rated capacity of 3.0 mgd and is served by four wells. The original plant pumped the water from the filters directly to the distribution system. In April 1996 the plant configuration was changed to encompass Oak Street Station as part of the Old Bridge Plant. The filters now pump the water to the two million-gallon tank on Oak Street, which water is then pumped out through the Oak Street Booster Station. A 2.5-mgd pump was also added to the Oak Street Station to give the station a total capacity of 6.0 mgd.

The reason for the plant improvement was to prevent the pressure from the pumps at the Old Bridge Plant from working against the pressures from the pumps in the Oak Street Station, and also to maintain a more consistent pressure in the South Old Bridge area.

Raw water is treated via forced draft aeration, clarification, filtration and disinfection prior to entering the 2.0 million-gallon tank on Oak Street. Two pressurized filters, each rated at 1.5 mgd, are installed at the plant.

### **Pressure Booster Stations**

The Oak Street Booster Station contains four pumps, two each rated at 1,800 gallons per minute ("gpm"), one at 1,500 gpm and one at 900 gpm. The station is used in conjunction with the Oak Street Water Storage Tank to pump water into the Water System during periods of low pressure.

The Cheesequake Booster Station has four pumps that are capable of pumping 3,500 gpm to the Cheesequake area of the Township. Three pressure reducing valves, installed in early 1986, are used in conjunction with the Booster Station to provide adequate water pressure to the Cheesequake Section of the Township.

The Perrine Road Booster Station contains five pumps rated at 1,800 gpm, 1,600 gpm, 1,600 gpm, 1,500 gpm and 1,200 gpm. The station is used in conjunction with the Perrine Road Water Tank and the Sayrewoods Elevated Water Storage Tank to supply water into the system to supplement the Authority's groundwater supplies.

### **Water Tanks**

The Authority has eight available water tanks with a total capacity of 20.75 mg.

<b><u>Location</u></b>	<b><u>Capacity, (million gallons)</u></b>	<b><u>Type</u></b>
Perrine Road	10.00	Ground
Higgins Road	3.00	Ground
Oak Street	2.00	Ground
Browntown Plant	0.50	Ground
Route 516	2.00	Ground
Sayrewoods	1.00	Elevated
Marlboro Road	2.00	Elevated
Route 35 (Laurence Harbor)	0.25	Elevated

### **Interconnection with Middlesex Water Company**

In accordance with the conditions of the Authority's Water Supply Allocation Permit No. 5340 dated November 26, 2001, and the authority granted to NJDEP under the Water Supply Management Act of 1981 (N.J.S.A. 58:1A-1 et seq.), the Authority is under ongoing regulatory mandate to reduce its dependence on groundwater supplies.

The Old Bridge wells are in the State's Critical Area No. 1 and as such, must reduce withdrawals of groundwater by 40-50 percent based on actual use in 1983. In order to accomplish these groundwater supply reductions, the Authority entered into an agreement (the "MWC Agreement") for a term of twenty years with the MWC to supply up to 9.0 mgd of surface water. The MWC Agreement was signed on November 17, 1986, and the Township began taking water under such MWC Agreement in May 1988. The MWC Agreement was extended on May 7, 2003 for an additional ten (10) years.

In accordance with the Authority's NJDEP Permit (W.S. Permit No. 5340), the Authority was permitted to divert 222.5 million gallons per month (an average of 7.3 mgd) of groundwater from their supply wells at a maximum rate of 6,000 gallons per minute. Beginning in May 1988, the effective date of use of water from the MWC, the Authority's allocation was reduced to 1,428.58 million gallons annually or an average of 3.9 mgd.

These cutbacks, which were in accordance with the requirements for reduction of groundwater withdrawals imposed by NJDEP, required that groundwater withdrawals from all wells in Critical Area No. 1 (which includes the Township) be reduced by 40 to 50 percent of 1983 use.

In 1995 the Authority purchased Diversion Rights from South Amboy increasing the groundwater withdrawal amount up to the current 1,542.06 million gallons or an average of .42 mgd.

In accordance with the MWC Agreement, the Authority is obligated to take-or-pay a minimum of 2.0 mgd. This minimum commitment will increase as the average and peak use of MWC water by the Township increases.

Based upon its current water usage projections, the Authority anticipates that based on the conjunctive use of the Authority wells and MWC water, sufficient supply is available through the year 2025. The present rate of water purchased from MWC is \$2,752.35 per million gallons.

The Authority's 2013 average daily water supply demand was 6.65 mgd, and such demand is currently projected to be 8.8 mgd in 2015, increasing up to 11.1 mgd by 2027. In order to meet these projected demands, the Authority must increase its dependence on surface water supplies or supplies from non-critical areas. At the present time, it is contemplated that these supplies will be provided by MWC. The contract with MWC provides for up to 9.0 mgd of supply.

## **The Sewer System Overview**

The Authority serves, as of June 28, 2013, was 26,589 equivalent domestic consumer units with sewage disposal services and provides such services throughout the Township. The majority of the pumping stations as well as much of the piping conveyance facilities (collectively, the "Sewer System") were constructed by private developers and subsequently accepted by the Authority. The Authority conducts an ongoing maintenance program on the Sewer System, including inspections, testing, flushing, repairs and replacements.

The Authority's Sewer Division has the responsibility for accomplishing, by all reasonable and economic means, the relief of the waters in and bordering the State from pollution arising from causes within the Township and the consequent improvement of conditions affecting the public health. The Authority has exclusive responsibility for sewage disposal development within the Township, and the establishment of competitive sewerage facilities is prohibited by the Act.

## **Sewage Disposal Facilities**

The Sewer System consists of two major components: the piping conveyance facilities and pumping stations. The Sewer System serves the seven main drainage areas of the Township. The Iresick, Tennents Brook, Deep Run, Pricketts Brook and Matchaponix drainage areas represent approximately eighty percent (80%) of the area of the Township and are sewered by Authority trunk sewers tributary to the South River Interceptor of the Middlesex County Utilities Authority ("MCUA"). This sewage flow is metered by two metering/sampling chambers and is treated at the MCUA's secondary treatment plant.

The Lake Lefferts and Raritan Bay drainage areas represent approximately the remaining twenty- percent (20%) of the Township and are sewered by Authority trunk sewers tributary to the South Bay Interceptor. This sewage flow is metered by a metering/sampling chamber located in Cliffwood Beach and is treated at the MCUA's secondary treatment plant.

## **MCUA Treatment**

Under an ongoing agreement between the Authority and MCUA ("MCUA Agreement"), the MCUA is responsible to treat sewage collected within the Township and discharged by the Authority to the MCUA. The MCUA imposes charges therefore at the same rates as for other customers for treatment services. Under the MCUA Agreement, the Authority discontinued treatment and conveys all sewage collected by it to the MCUA for treatment.

### **The Sewage Collection System**

The Authority owns and maintains an extensive system of collector and trunk sewers comprising approximately 210 miles of pipe, which serves all seven drainage areas of the Township. The Authority has four major trunk sewers, which are fed by many smaller collector systems. Gravity sewers range in size from 6 to 42 inches in diameter and force mains range between 3 and 20 inches in diameter.

Four major trunk sewers, the Iresick, the Deep Run, the Runyon and the Laurence Harbor trunk sewers, serve the seven drainage basins. The Laurence Harbor trunk sewer line through the swamps by Margarets Creek was replaced in 2009 and is saving additional sums due to the reduction on inflow from the swamps.

The Authority owns, operates and maintains thirty-six sewage pumping stations which includes one ejector station.

## **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when considered from the broader perspective of the environment within which the Authority provides service.

### **Local Economy**

With over 66,000 people and a land area of approximately 40 sq. miles, Old Bridge is the third largest community in Middlesex County. When you think Old Bridge Township, your thoughts can be as diverse as the community itself. From the tranquility of the 1,569 acre Cheesequake State Park to the quaint bay front communities of Laurence Harbor and Cliffwood Beach; from rural farmlands to modern suburban neighborhoods; from lazy winding country roads to the lively activity of the Route 9 shopping corridor; Old Bridge continues to be a place where people can live, work and play in a manner suitable to their own unique needs. Nestled in the southeast corner of Middlesex County, Old Bridge has experienced steady growth while maintaining its commitment to preserve open space. State, County and Municipal parks and recreation areas conveniently dot the community offering a respite from the everyday hustle and bustle of modern day life. Whether you prefer a stroll on a sandy beach, a lakeside picnic, boating or a jog on a nature trail, Old Bridge continues to provide the perfect destination for enjoying nature's many gifts.

The Township's location makes it one of Central New Jersey's premier economic growth areas and economic development is a priority in Old Bridge. Traversed by the Garden State Parkway, Route 18, 9, 34 and 35, Old Bridge is fast becoming a place to grow a business or an industry. Whether your business or industry is local, state, national or international, Old Bridge offers easy access to major markets, a diverse workforce and a built in consumer base. Its proximity to Newark International Airport, Port Elizabeth and the New Jersey Turnpike make getting your product to and from Old Bridge a "snap". Available sites zoned to welcome commercial, office and industrial uses together with a "business friendly" atmosphere make Old Bridge the right destination to develop, relocate or expand your business. Whether it's hi-tech, biotech, light industrial, pharmaceutical or professional office, you'll feel at home in Old Bridge.

### **New Business**

The Authority continues to be customer and market driven. The FY 2012/13 budget includes funds and programs to focus on customer service and the upgrading and improvement of both our Water & Sewer Division's infrastructure, to accommodate an ever growing community.

## **Strategic Management Planning**

The Authority's Strategic Plan continues to promote interdepartmental communication and cooperation, and encourages increased employee involvement in achieving company goals that support the Authority's Mission Statement. Staff updated the Board concerning key issues in a meeting in early March 2013 to determine future direction of the utility. That discussion is ongoing at this time.

The Authority's Key Result Areas as presented in the FY 2013 Strategic Plan are as follows:

**Priority No. 1 - Customer Satisfaction and Expansion:**

Customer Satisfaction, Ease of Acquiring Service, New or Rejuvenated Revenue Sources, Economic Development, Market Share, and New Opportunities.

**Priority No. 2 - Corporate Culture:**

Values, Performance Based Organization, Goals and Accountability, Training, Communications, and Safety Performance.

**Priority No. 3 - Corporate Planning:**

Facilities Master Planning and Long-Range Planning.

**Priority No. 4 - Economic Decision Making:**

Spending (Capital, Operations and Maintenance).

**Priority No. 5 - Financial Performance:**

Cost of Service

## **Long Term Capital Planning**

The Authority's capital renewal, expansion, and improvements continue. The multiplicity of requirements by regulatory agencies also demands much capital. Renewals and replacements are necessary due to the aging infrastructure currently under way. Most replacements are the result of redevelopment efforts, which increase our costs and provide no additional revenue. In an effort to strategically expend the Authority's limited resources, Department Heads meet approximately twice annually to discuss and update capital plans. This allows for coordination between the numerous agencies the Authority's staff interacts with to accomplish its plans.



### **Major Ongoing and Upcoming Projects Include:**

- Crossroads Regional Interceptor (\$9,000,000)
- Higgins Rd Water Tank interconnection (\$5,997,000)
- Route 516 Water Main replacement (\$1,214,000)
- SCADA & GIS System Sewer Division (\$5,000,000)
- Relining Iresik Brook 24" Line (\$1,000,000)
- Groundwater infiltration reduction and sewer main lining projects (Multi Year Plan) (\$3,000,000)
- Summerfield Gravity Sewer Replacement (\$2,250,000)
- Land Acquisition Route 34 Tank (\$1,500,000)
- Pump Station Communitor Upgrades 3 (\$500,000)
- Relining Southwood Lines(\$500,000)
- Vehicles/TV Truck etc. (\$445,000)

Since many of the projects rehabilitate deteriorating lines in the older sections of town, the impact on operating and maintenance expenses related to that rehabilitation is expected to be favorable. Due to the increased usage of low flow devices there has been drop in the overall discharge of effluent to MCUA thereby saving the Authority additional fees in the treatment of our sewerage flow. The ongoing relining project has also had a huge impact on the reduction of infiltration and inflow to the Authority's lines, reducing operating costs on an ongoing basis. This has saved the authority approximately \$1.5 million per year in reduced processing fees. Current and future planned projects will increase this calculated savings.

### **Budgets**

The Department of Finance prepares estimates for departmental review. Department Heads review and revise them where necessary and respective Directors sign off on these revised budgets.

The Budget Review Committee, consisting of the Executive Director, Chief Financial Officer and Internal Auditor, discusses the budgets with the respective Department Heads and revise as needed. The Authority's Board of Commissioners reviews and approves each of the two prefatory budgets (Operations Budget – Personnel and O&M combined, and Capital Budget).

With the implementation of SCADA (supervisory control and data acquisition) system, automating plant operations through consolidating control to the Browntown Plant, the upgrade of our meter reading system to radio reads, resulting in the elimination of meter reading positions, and the reassignment of responsibilities of the existing staff to cover the duties of employees who have resigned or retired to eliminate the need for replacement, there has been a reduction of 25 employees within the last 9 years.

The budget is prepared on the accrual basis, with modifications where required to comply with the governing regulations; accordingly, revenues and expenses are budgeted for specific periods of time and are recorded as incurred, along with acquired assets, without regard to the date of receipts or payment of cash.

The Authority is required by N.J.A.C. 5:31-2.1(j) and 5:31-2.3 to prepare, adopt, and provide an annual budget no later than 60 days prior to the beginning of its fiscal year. The annual budget and any amendments thereto shall not be in effect until approved by the Authority, and the Director of the Division of Local Government Services. Once approved, the Annual Budget becomes the basis for operating and for capital expenditures during the ensuing fiscal year. Budgetary control is provided by monthly revenue and expense reports. Monthly financial statements are provided to the Board of Commissioners for review in advance of a verbal presentation of financial activity at regularly scheduled Board meetings.

The statutory budget and the financial reporting thereon differ in certain respects from GAAP. A reconciliation of the reported results on the budgetary basis to GAAP is included as part of the other supplementary information schedules.

Due to available Retained Earnings in both the Water and Wastewater Divisions there were no increases in either Division for users in the Fiscal Year that started June 1, 2013.

### **Internal Controls**

The Authority operates within a system of internal accounting controls established and continually reviewed by management to provide reasonable assurance that assets are adequately safeguarded and transactions are recorded in accordance with Authority policies and procedures. When establishing and reviewing controls, management must consider the cost of the control and the value of the benefit derived from its utilization. Management normally maintains or implements only those controls for which its value adequately exceeds its costs. Recent audits have not noted any weaknesses in internal controls.

### **Cash Management**

The Authority has a consolidated banking service agreement with a local depository bank, which provides that all funds earn interest through either certificates of deposit or investment securities. "Investment Securities" shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of Authority funds:

(i) direct obligations of or obligations unconditionally guaranteed by the United States of America;

(ii) obligations issued or guaranteed by any agency or instrumentality of the United States of America, which obligations are fully secured as to the payment of both principal and interest by or entitled to the full faith and credit of the United States of America;

(iii) general obligations issued or guaranteed by any state of the United States of America or any political subdivision of any such state; provided that such obligations of such state or political subdivision are rated in either of the two highest rating categories by Moody's Investors Service and Standard & Poor's Corporation, or upon the discontinuance of either or both such rating services, by at least one other nationally recognized rating service then providing such rating services;

(iv) Interest-bearing demand or time deposits (including certificates of deposit) in banks (including the Trustee) and savings and loan associations, which banks or savings and loan associations or holding companies by which such banks or savings and loan associations are owned, have a consolidated capital, surplus and undivided profits of at least \$25,000,000 at the time of the investment and any renewal thereof and such deposits are secured at all times, in the manner and to the extent provided by law, by collateral security described in clauses (i) or (ii) of this definition and of a market value of no less than the amount of moneys so invested; provided, however, the requirements for consolidated capital, surplus and undivided profits and collateralization above shall not apply to investments in deposits of an issuer which at the time of issue is certified by the New Jersey Department of Banking as eligible pursuant to the New Jersey Governmental Unit Deposit Protection Act, or in interest bearing demand or time deposits to the extent such deposits are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation;

(v) Repurchase agreements collateralized by securities described in (i) or (ii) above with (a) any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction, or (b) any commercial bank, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "Prime-1" "Aa-3" or better by Moody's Investors Service and "A-1" or "AA-" or better by Standard & Poor's Corporation, provided (a) a specific written agreement governs the transaction; (b) the securities are held free and clear of any lien by the Trustee (unless the Trustee is obligated under the repurchase agreement) or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank (ii) a bank which is a member of the Federal Deposit Insurance Corporation and has combined capital, surplus and undivided profits of not less than

\$25,000,000, or (iii) a bank approved in writing for such purpose by the Bond Insurer, and the Trustee shall have received written confirmation from said third party that it holds said securities, free and clear of any lien, as agent for the Trustee; (c) a perfected first security interest under the Uniform Commercial Code or the book entry procedures described in 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Trustee; (d) the repurchase agreement has a term to maturity of thirty days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; (e) the repurchase agreement, if held in the Debt Service Fund, shall mature at least ten days (or other appropriate liquidation period) prior to an Interest Payment Date; and (f) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 100%; and

(vi) Money markets investing solely in obligations of (i) or (ii) of this definition

The passive cash management program involves a theory of keeping principal and earnings free from risk, maintaining reasonable liquidity to meet maturing obligations and maximizing return through the use of competitive rate comparisons from various investment sources. An average investment rate of .24% was earned on cash balances, down from the .44% from the previous year. The continued decrease in interest income is a direct result of the interest rate environment that has accompanied decreases in the discount rate set by the Federal Reserve Bank. With the real estate market starting to make a rebound the rates should start to improve in the coming year.

### **Risk Management**

The Authority has a comprehensive risk management program. In addition, quarterly meetings are held with management, the risk management consultant and insurers to review coverage and risks. A schedule of insured risks and coverage amounts is included in the insurance coverage's Note 10 covers the risk related to the Authority's self-funded employee and retiree health plan and the reinsurance program in effect to limit both individual and aggregate losses.

### **Pension and Other Post Employment Benefits**

The Authority participates in the Public Employees' Retirement System ("PERS"), a State of New Jersey administered, cost-sharing multi-employer defined benefit plan. Note 7 provides more specific information on the plan.

The Authority offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. Plan participation is optional to Authority employees, and the Authority has no fiduciary responsibility for the plan. Additional information relating to the deferred compensation plan can be found in Note 4.

In addition to providing pension benefits, the Authority provides health benefits to certain retirees and their spouses and dependent children. Eligibility is based upon the attainment of a specified age and/or years of eligible service. Note 9 provides details of the eligibility criteria, as well as GASB 45 details.

Beginning with Fiscal Year Ended May 31, 2009 the Authority implemented GASB 45 reporting in recording the ongoing liability of the Authorities future OPEB costs. In the preceding fiscal year the Authority partially funded the future requirements for our retirees in the amount of \$5,000,000.00 into an irrevocable trust in accordance with IRS guidelines.

### **Debt Management**

At May 31, 2013, the Authority had outstanding insured revenue bonds in the amount of \$48,966,070. Debt service schedules go out to 2032. Interest rates range from 0.0% on Bonds issued as part of the state sponsored New Jersey Wastewater Treatment Trust Fund and New Jersey Environmental Infrastructure Trust Fund (NJEITF) to 5.70% on the bonds. Use of the NJEITF as the financing vehicle for OBMUA capital projects results in both lower over-all interest costs and a reduction in the costs associated with the issuance of debt. All outstanding bonds are insured and rated AAA. Principal payments are due November 1 of each year. The principal for the bonds due November 1, 2013, is \$4,476,001. Management and the Authority's Financial Advisor constantly monitor market conditions to determine if interest rate declines present opportunities for savings through the refunding of outstanding debt. The Authority has taken comprehensive actions to limit the costs in the current debt service maturity schedule. Utilization of the NJEITF financing program for eligible capital projects over a eighteen-year period from 1993 through 2013 has resulted in interest savings to the Authority in excess of \$5.42 million. Current and advance refundings of existing debt in 2002, 2004, 2006, and 2009 based upon improving market conditions, resulted in additional aggregate savings to the Authority of \$4.26 million. Such refundings require the approval of the New Jersey Local Finance Board and generally must yield a net present value savings of at least 3% of debt service cash flows. Full details of the specific Bond Issues outstanding may be found in Note 5 and the Schedule 1 of the statistical section.

### **Service Agreement**

#### **SUMMARY OF CERTAIN PROVISIONS OF THE SERVICE AGREEMENT WITH THE TOWNSHIP OF OLD BRIDGE**

The Agreement establishes conditions under which the Authority shall operate the System and from time to time enlarge, alter, renew and replace the same. The following is an outline of certain provisions of the Agreement, with various comments thereon, and does not purport to be a full and complete statement of the provisions of the Agreement, which should be read in full for a complete understanding thereof.

### **Establishment of Rates**

The Agreement provides that the Authority will charge Service Charges in accordance with the Act at least to the extent required by the Agreement and at the rates established in accordance with the Agreement. In order to finance deficits, as described below, the Authority will charge the Township Annual Charges computed in accordance with the Agreement. The Annual Charges made by the Authority to be paid by the Township for or with respect to any Fiscal Year shall include and make provisions for all of the amounts (not actually paid from Service Charges, bond proceeds, insurance proceeds, interest income, contributions received by or for account of the Authority until after the payment in full of all other obligations of the Authority including its bonds, original or refunding or both, or reserves available at the beginning of such year) necessary (1) to pay or provide for the expenses of operation and maintenance of the System, including (without limitation) sewerage treatment charges, water purchases, water charges, insurance, renewals, replacements, extensions, enlargements, alterations and betterments, but excluding depreciation, (2) to pay or provide for principal or redemption price of and interest on outstanding bonds, notes or other evidences of indebtedness of the Authority becoming due during such Fiscal Year, (3) to pay or provide for any deficits of the Authority resulting from failure to receive sums payable to the Authority by the Township, any other municipality, any county or any person, or from any other cause, and (4) to maintain such reserve or sinking fund to provide for expenses of operation and maintenance of the System or for any interest on or principal or redemption price of bonds, notes or other evidences of indebtedness of the Authority or for any such deficits as may be required by the terms of any contract, indenture or bond resolution of the Authority or be deemed necessary or desirable by the Authority.

### **Payment of Annual Charges by Township**

For or in connection with the sale and supplying of water and the treatment and disposal of sewage or other wastes in the Township by means of the System during each Fiscal Year, the Township shall pay to the Authority Annual Charges made and charged by the Authority to and payable by the Township for such Fiscal Year computed by the Authority as provided in this Article. Within thirty (30) days after the end of each Fiscal Year, the Authority shall notify the Township of the estimated Annual Charges for the preceding Fiscal Year. Within sixty (60) days after the end of each Fiscal Year, the Authority will make and deliver to the Township its certificate stating the amount of the Annual Charges (if any) for such preceding Fiscal Year (the "Prior Annual Charges Deficiency Notice") computed in accordance with this Agreement accompanied by the written approval, signed by an Accountant, of the statements in such certificate. The Annual Charges for each Fiscal Year, to the extent that any part thereof shall not have been theretofore paid, shall in all events be due and payable within forty-five (45) days of receipt by the Township of the Prior Annual Charges Deficiency Notice, but current provision for and payment of part of such Annual Charges on an annualized basis shall be made by the Township in accordance with the following paragraphs of this Section.

By the first business day of each Fiscal Year, the Authority will make an estimate of the amount of the Annual Charges which will become payable by the Township for such Fiscal Year and thereafter within thirty (30) days of the commencement of such Fiscal Year. In the event that any part of any Annual Charges theretofore becoming payable by the Township shall not have been paid, the Authority will include in such certificate an additional provision separately stating the amount of such unpaid part (hereinafter called the "Prior Annual Charges Deficiency).

The Township will in each year make all budgetary and other provisions or appropriations necessary to provide for and authorize the payment by the Township to the Authority during each Fiscal Year of the estimated amount of the Annual Charges Deficiency (if any) stated in the certificate delivered in such Fiscal Year to it by the Authority as aforesaid.

Within forty-five (45) days of receipt of any Prior Annual Charges Deficiency Notice, the Township will pay to the Authority the amount of the Prior Annual Charges Deficiency stated in the certificate delivered in such Fiscal Year to it by the Authority as aforesaid. The Township will pay to the Authority that part of the estimated amount of the Annual Charges stated in the certificate delivered in such Fiscal Year to it by the Authority as aforesaid in three equal installments on the first day of August, November and February of each Fiscal Year (in a Fiscal Year ending May 31) or the equivalent of the first day of the month sixty (60) days, one hundred fifty (150) days and two hundred forty (240) days following the receipt of any Prior Annual Charges Deficiency Notice.

In the event that the amount of the Annual Charges made and charged by the Authority to and payable by the Township for any Fiscal Year computed as provided in this Article shall be less than the estimated amount of such Annual Charges (as aforesaid) stated in the certificate delivered in such Fiscal Year to it by the Authority, the Authority will credit the difference between said amounts to the Township against the amount of the next payment becoming due to the Authority from the Township.

The Authority has agreed to repay to the Township all moneys paid to the Authority under the Agreement, except for Service Charges on property owned by the Township itself, within five years after such payment by the Township, without interest only from Surplus Revenues of the Authority.

### **Rates of Service Charges**

The Service Charges to be prescribed, fixed and charged by the Authority pursuant to the Agreement shall be computed in accordance with and at the rates shown on the schedule of such charges annexed to the Agreement, which is the Authority's rate schedule as presently in effect. The Authority shall not without the written consent of the Township adopt or make any amendment to said schedule if (a) with respect to any Fiscal Year after the end of the second Fiscal Year after the date of the Agreement, there has been an Annual Charge payable in either of the two Fiscal Years next preceding the adoption of such amendment, (b) with respect to any Fiscal Year, the Authority anticipates that an Annual Charge will be payable or (c) at the time of the adoption of such an amendment there remains any Annual Charges that have not been repaid to the Township by the Authority. However, the Authority may adopt or make any amendment to said schedule if such amendment (a) imposes or affects only a connection charge to be made to the Authority for or with respect to each making or discontinuing of a service connection to the System, or (b) is required by the terms of any final judgment or decree of a court of competent jurisdiction or (c) is required by any of the terms or provisions of, or any of the covenants made for the benefit of holders of Bonds.

### **Miscellaneous Provisions**

In the Agreement the Township agrees not to construct or permit the construction of any water supply, distribution system, sewage disposal plant or sewers or other facilities for distribution of water within, or the collection, treatment or disposal of sewage originating in, the Township unless the Authority shall have given its written consent to such construction. The Agreement provides that Authority shall not construct or acquire any extension of any water main as an extension of the Water System or any extension of any sewer as an extension of the Sewerage System without a certificate of a consulting engineer stating the opinion that the estimated Service Charges to be collected with respect to the System, together with other available funds and revenues, other than Annual Charges, exceed the estimated operating expenses with respect to the System for a period of not less than three years after the time of placing in operation of such extension.

Notwithstanding anything to the contrary, the Authority shall not enlarge, alter or improve the Water System or the Sewer System or renew or replace any part thereof which requires the issuance of debt by the Authority, unless the Township first receives a written notice of the Authority's intent to issue debt and estimated total debt to be issued from the Authority's Executive Director at least thirty (30) days prior to the issuance of debt.

In the Agreement the Authority may assign or pledge for the benefit and security of the holders of Bonds all of its rights under the provisions of the Agreement to receive payments from the Township and thereafter the Agreement may not be terminated, modified or changed by either the Authority or the Township except in the manner (if any) and subject to the conditions (if any) permitted by the terms and provisions of such assignment or pledge. The Agreement may be terminated by either party after such time that Bonds are no longer outstanding, but only upon two years' prior written notice to the other party.



## **AWARDS and ACKNOWLEDGMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended May 31, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, the Authority published an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and legal requirements. The Authority has received a Certificate of Achievement from the GFOA for the last nine (9) consecutive fiscal years (fiscal years ended 2004-2012).

A Certificate of achievement is valid for one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Authority's Department of Finance. The Authority's Finance Department was honored to receive the "Award of Excellence in Financial Reporting" for the 2012 Comprehensive Annual Financial Report. I would like to express my appreciation to all members of the Department who assisted and contributed to its preparation. I would also like to express my thanks to the to the Board of Commissioners, the Executive Director, our in house Engineer and the entire Authority staff for their interest and support in planning and conducting the financial operations in a responsible and progressive manner. The staff especially appreciates the invaluable guidance and encouragement of the Authority's external auditor, Hodulik & Morrison, P.A.

Respectfully submitted.

  
*Stephen A. Florek II, Chief Financial Officer*



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Old Bridge Municipal  
Utilities Authority, New Jersey**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**May 31, 2012**

Executive Director/CEO

### **Board Members**

Thomas Galante, Chairman  
Edward Testino, Vice Chairman  
Arthur Haney, Secretary  
Richard Greene, Treasurer  
Rocco Donatelli, Commissioner  
Reginald Butler, First Alternate Commissioner/Asst. Secretary  
Dr. Anita Greenberg, Second Alternate Commissioner/ Asst. Treasurer

### **Management Team**

Guy Donatelli, Executive Director/ Superintendent Water Division  
Stephen A. Florek II, Comptroller  
Michael Roy, P.E.  
Al Lunkenheimer, Superintendent Sewer Collection  
Robin Brooksbank, Office Manager  
Michelle Smith, CPA, Internal Audit

### **General Counsel**

Louis E. Granata, Esquire  
Matawan, New Jersey

### **Independent Certified Public Accountants/ Registered Municipal Accountants**

Hodulik & Morrison, P.A.  
Highland Park, New Jersey

### **Bond Counsel**

Gluck Walrath, LLP  
Trenton, New Jersey

### **Financial Advisor**

ACACIA Financial Group, Inc.  
Montclair, New Jersey

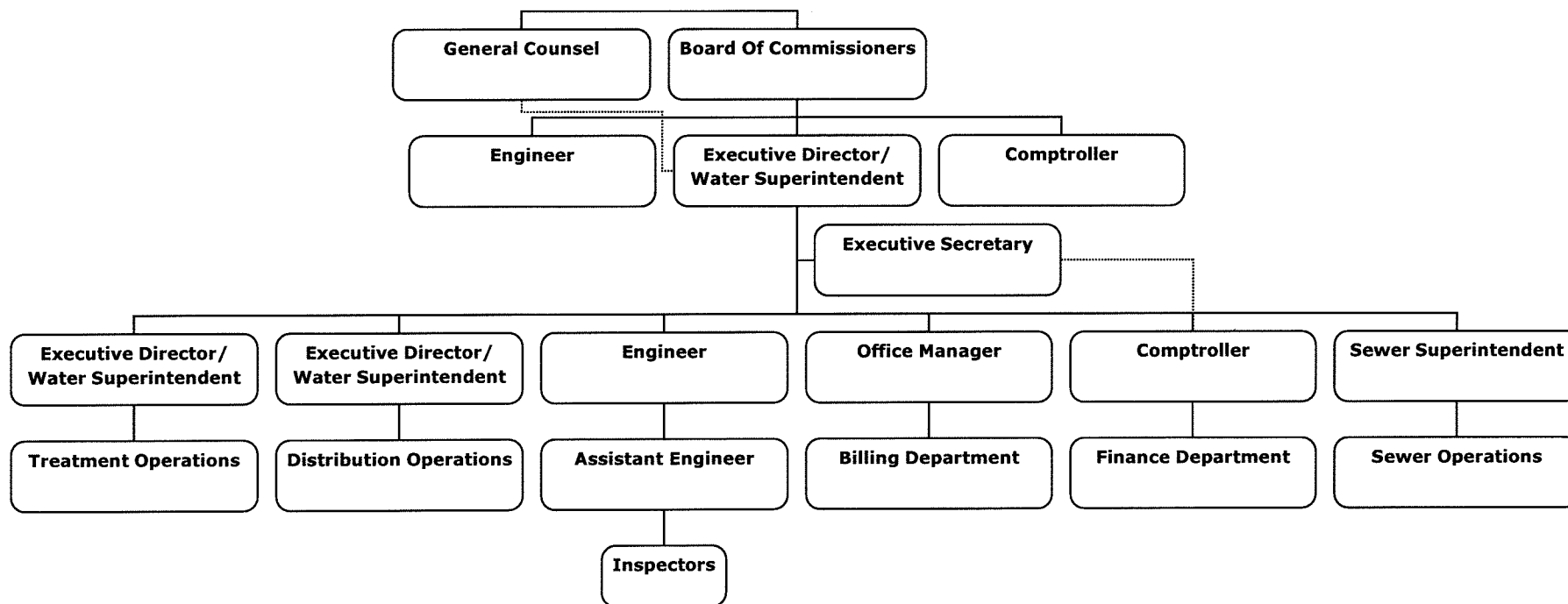
### **Consulting Engineers – Sewer Division**

R<sup>3</sup>M Engineering, Inc.  
Old Bridge, New Jersey

### **Consulting Engineers – Water Division**

C.M.E. Associates  
Parlin, New Jersey

## Old Bridge Municipal Utilities Authority Authority Overview



**FINANCIAL SECTION**

**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
1102 RARITAN AVENUE, P.O. BOX 1450  
HIGHLAND PARK, NJ 08904  
(732) 393-1000  
(732) 393-1196 (FAX)

ANDREW G. HODULIK, CPA, RMA, PSA  
ROBERT S. MORRISON, CPA, RMA, PSA

JO ANN BOOS, CPA, PSA

MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

**INDEPENDENT AUDITOR'S REPORT**

Honorable Chairman and Members of the  
Old Bridge Municipal Utilities Authority  
Middlesex County, New Jersey

**Report on Financial Statements**

We have audited the accompanying statement of net position of the Old Bridge Municipal Utilities Authority ("Authority"), Middlesex County, New Jersey, as of and for the years ended May 31, 2013 and May 31, 2012, and the related notes to the financial statements and the related statements of revenues, expenses and change in net position and cash flows for the periods then ended, 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 the 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 error or fraud.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and 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.

## **Opinions**

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

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 30 through 39 and 71 through 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Old Bridge Municipal Utilities Authority, Middlesex County, New Jersey's financial statements as a whole. The introductory section and statistical section, are presented for purpose of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB Circular 04-04 and is also not a required part of the financial statements. The schedule of expenditures of federal awards and state financial assistance is the responsibility of management and is derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole. The other supplementary information and supplemental schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## Other Reporting Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued our reports dated September 12, 2013 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 Governmental Auditing Standards and should be considered in assessing the results of our audit.

*Hodulik & Morrison, P.A.*

HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants

*Robert S. Morrison*

Robert S. Morrison  
Registered Municipal Account  
No. 412

Highland Park, New Jersey  
September 12, 2013



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Old Bridge Municipal Utilities Authority's (the Authority) annual financial report presents the analysis of the Authority's financial performance during the fiscal year that ended on May 31, 2013. Please read it in conjunction with the financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

Net Cash Provided by Operating Activities increased by \$2.29 million or 30.2% due to additional cash received from the authorities customers.

The Authority's Gross Capital Assets increased by \$11.6 million or 7.4% since last year.

Decrease in the Authority's Total Liabilities by \$3.6 million or 5.2% versus 2012.

The Authority's Net Position increased by \$8.63 million or 8.5% since last year.

Overall increase in customer base over the last ten years by 8.5% or 2,153 EDCU's in conjunction with a decrease of 19 employee's or 22.1%, helps to maintain and preserve our current rates.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The Authority is a single enterprise fund even though it provides various utility services. The Comprehensive Annual Financial Report is presented in five sections: Introductory, Financial, Statistical, Single Audit and General Comments and Recommendations. The Introductory section includes a letter of transmittal, the Authority's Organizational Chart, and a System Overview. The Financial section includes Management's Discussion and Analysis, Financial Statements with accompanying notes, Supplementary Information, and the Independent Auditor's Report. The Statistical section includes selected financial, operational, and demographic information, generally presented on a multi-year basis. The Single Audit section includes additional financial information and Independent Auditor reporting required by OMB Circular A-133 and New Jersey OMB Circular 04-04. The General Comments and Recommendations section presents required additional auditor reporting on New Jersey statutory compliance. The Authority adopted Governmental Accounting Standards Board (GASB) Statement 34 for the fiscal period ending May 31, 2003, and Other Post Employment Benefits (GASB) Statement 45 starting in fiscal year ended May 31, 2009.

## REQUIRED FINANCIAL STATEMENTS

The financial statements report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities.

The ***Statement of Net Position*** includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the ***Statement of Revenues, Expenses, and Changes in Net Position***. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges. This statement also measures the Authority's profitability and credit worthiness.

The other required financial statement is the ***Statement of Cash Flows***. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities, and provides answers to such questions as "where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period?"

## FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

One of the most important questions asked about the Authority's finances is "Is the Authority, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Net Position report information about the Authority's activities in a way that will help answer this question. These two statements report the net position of the Authority, and changes in them. You can think of the Authority's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

## Net Position

The Authority's total net position increased from last year by \$8.63 million or 8.5%. The analysis which follows focuses on the Authority's net position (Table 1) and changes in net position (Table 2) during the year.

Table 1  
Net Position  
(Dollars in Thousands)

				2013-2012 Increase/(Decrease)		2012-2011 Increase/(Decrease)	
	May 31, 2013	May 31, 2012	May 31, 2011	\$	%	\$	%
Current and Other							
Assets	\$48,351	\$52,170	\$40,112	\$-3,819	-7.3%	\$12,058	30.1%
Capital Assets	<u>125,765</u>	<u>116,803</u>	<u>112,244</u>	<u>8,962</u>	7.7%	<u>4,559</u>	4.1%
Total Assets	<u>\$174,116</u>	<u>\$168,973</u>	<u>\$152,356</u>	<u>\$5,143</u>	3.0%	<u>\$16,617</u>	10.9%
Deferred Outflows of							
Resources	<u>1,829</u>	<u>1,970</u>	<u>1,934</u>	<u>-141</u>	-7.2%	<u>36</u>	1.9%
Long-Term Liabilities	\$53,451	\$58,148	\$48,952	\$-4,697	-8.1%	\$9,196	18.8%
Other Liabilities	<u>12,465</u>	<u>11,393</u>	<u>11,834</u>	<u>1,072</u>	9.4%	<u>-441</u>	-3.7%
Total Liabilities	<u>\$65,916</u>	<u>\$69,541</u>	<u>\$60,786</u>	<u>\$-3,625</u>	-5.2%	<u>\$8,755</u>	14.4%
Net Investment in							
Capital Assets	\$76,286	\$62,791	\$66,614	\$13,495	21.5%	\$-3,823	-5.7%
Restricted	23,582	31,178	16,863	-7,596	-24.4%	14,315	84.9%
Unrestricted	<u>10,161</u>	<u>7,433</u>	<u>10,027</u>	<u>2,728</u>	36.7%	<u>-2,594</u>	-25.9%
Total Net Position	<u>\$110,029</u>	<u>\$101,402</u>	<u>\$93,504</u>	<u>\$8,627</u>	8.5%	<u>\$7,898</u>	8.4%

Changes in the Authority's net position can be determined by reviewing the following condensed Statement of Revenues, Expenses, and Changes in Net Position for the year.

**Table 2**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
(Dollars in Thousands)

	FY 2013	FY 2012	FY 2011	2013-2012		2012-2011	
				Increase(Decrease)		Increase (Decrease)	
				\$	%	\$	%
<u>Operating Revenues</u>							
Water Charges	\$13,806	\$13,156	\$13,533	\$650	4.9%	\$-377	-2.8%
Sewer Charges	14,611	14,005	12,350	606	4.3%	1,655	13.4%
Connection Fees	489	201	279	288	143.3%	-78	-28.0%
Other	764	363	402	401	110.5%	-39	-9.7%
<u>Non-Operating Revenues</u>							
Interest Income	78	132	189	-54	-40.1%	-57	-30.2%
Miscellaneous	12	47	1	-35	-74.5%	46	4600.0%
Total Revenues	29,760	27,904	26,754	1,856	6.6%	1,150	4.3%
<u>Operating Expenses</u>							
Personnel Costs	9,045	9,358	9,147	-313	-3.3%	211	2.3%
Administrative & Office	1,546	1,203	1,820	343	28.5%	-617	-33.9%
Engineering	41	36	27	5	13.9%	9	33.3%
Operations & Maintenance	3,067	3,109	2,899	-42	-1.4%	210	7.2%
Contractual Services & Charges	7,064	7,140	7,791	-76	-1.1%	-651	-8.4%
Depreciation	2,720	2,651	2,434	69	2.6%	217	8.9%
Interest and Amortization	1,731	2,232	2,154	-501	-22.5%	78	3.6%
Total Expenses	25,214	25,729	26,272	-515	-2.0%	-543	-2.1%
Income (Loss) Before Contributions & Transfers And Extraordinary Items	4,546	2,175	482	2,371	109.0%	1,693	351.2%
Extraordinary Income (Expenses)	-	-	-1,348	0	0%	1,348	100.0%
Capital Contributions	4,081	5,722	5,722	-1,641	-28.7%	5,722	100.0%
Change in Net Position	8,627	7,897	-866	730	9.2%	8,763	1011.8%
Beginning Net Position	101,401	93,504	94,370	7,897	8.4%	-866	-9%
Ending Net Position	\$110,028	\$101,401	\$93,504	\$8,627	8.5%	\$ 7,897	8.5%

While the Balance Sheets show the change in financial position of net position, the Statements of Revenues, Expenses and Changes in Net Position, provide answers as to the nature and source of these changes. As can be seen in Table 2 above, the "Income Before Contribution" of \$4.55 million, and Capital Contribution of \$4.08 million was the two sources of change in net position of \$8.63 million in Fiscal 2013. A closer examination of the individual categories affecting the source of changes in net position is discussed below.

## **Revenues:**

Table 2 shows that **"Total Revenues"** increased by \$1.9 million or 6.6% to \$29.8 million in Fiscal 2013 up from \$27.9 million in Fiscal 2012. Upon closer review, you will notice **"Operating Revenues"** increased by .65 million or 4.9 percent versus last year in the water division, and up \$.61 million or 4.3% in the sewer division. There was also a decrease in interest income and miscellaneous of \$.09 million as interest rates are still very depressed.

## **Expenses:**

A further review of Table 2 reveals that **"Total Expenses"** decreased by \$-.5 million or -2.0% in Fiscal 2013 vs. expense decreases of \$-.5 million or -2.1% in 2012 vs. 2011. The decrease in expenses was do largely to personnel costs of \$-.31 million and interest and amortization of \$-.50 million, offset by administrative costs of \$.34 million.

## **Operating Expenses:**

In Reviewing **"Total Expenses"** in detail you notice that these expenses were \$25.2 million in Fiscal 2013, or a decrease of \$-.52 million compared to Fiscal Year 2012. Contractual services of the authority decreased by \$-.08 million due to decreased water purchased from Middlesex Water Co. Operations and maintenance decreased by \$-.04 million due primarily to decrease in supplies in both the sewer and water divisions.

## **Income:**

In reviewing **"Income (Loss) before contributions and transfers"** you will notice that income increased to \$4.5 million for Fiscal 2013 VS. \$.48 million for Fiscal 2012. This represents an increase in income of \$2.4 million or 109.0% from Fiscal 2012.

## **Capital Contributions:**

Capital Contributions decreased by \$1.6 million in Fiscal 2013 from 5.8 million in Fiscal Year 2012. This represents a decrease of 28.7%, and is a direct result of developers turning over less assets that have been built within the last year.

## STATUTORY OPERATING RESULTS

The State of New Jersey requires local authorities to prepare and adopt annual budgets in accordance with the Local Authorities Fiscal Control Law and regulations adopted by the Local Finance Board pursuant to this statute and codified as N.J.A.C. 5:31-1 et seq. The statutory budget was designed to demonstrate to the Bureau of Authority Regulation of the Division of Local Government Services that the cash flows of the Authority for the coming year will be sufficient to cover operating expenses, interest accruing on bonded indebtedness and cash payments of maturing bond and loan principal. Page 1 of Supplementary Schedule 1 shows that on a budgetary basis, the Authority as a whole realized a favorable variance of \$5.21 million on budgeted expenses of \$31.35 million for the fiscal period ended May 31, 2013. This was coupled with the fact that revenues exceeded budget by \$1.28 million for a net income of \$6.48 million. As shown by the reconciliation of the budgetary basis to GAAP on page 2 of the schedule, adjustments to the budgetary basis are required to:

- Eliminate Appropriated Retained Earnings from Revenues
- Eliminate Maturing Bond Principal from Expenses
- Eliminate Fixed Capital Acquired through Budgeted Capital Outlay from Expenses
- Add Unrecorded Depreciation and Amortization Expenses
- Add Capital Contributions

Management meets at least monthly to review water consumption data and other significant revenue sources. In the event that current projected revenues lag behind budget amounts, adjustments to discretionary spending and/or rate impact analyses are performed. However, in order to present a true budgetary comparison, the statutory budget is amended only in instances wherein planned spending will exceed legal appropriation amounts.

The Authority was not required to increase its minimum rates during the twelve-month period ending May 31, 2013 to balance its budget. Rate increases were adopted to recoup additional costs from rate increases charged by its outside water supplier (Middlesex Water) and sewer treatment authority (Middlesex County Utilities Authority).

Readers should be cautioned that the Statutory Operating Results presented in supplementary schedule 1 are not intended to present and do not present financial results in accordance with GAAP.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At May 31, 2013, the Authority had \$168,544,455 invested in a broad range of utility capital assets, including its water treatment plant, water storage facilities, water mains, sewer collection system; pump stations, and related lands, facilities, and equipment. This amount represents an increase (net of increases and decreases) of \$11,597,168 or 7.4% over the amounts reported at May 31, 2012.

The following tables summarize the Authority's capital assets and changes therein, for the year ended May 31, 2013. These changes are presented in detail in Note 3 to the financial statements.

Table 3  
Gross Capital Assets  
(Dollars in Thousands)

	May 31, 2013	May 31, 2012	May 31, 2011	2013-2012 Increase (Decrease)	2012-2011 Increase (Decrease)
<b>Gross Utility Plant</b>					
Water	\$73,074	\$72,349	\$69,673	\$725	\$2,676
Wastewater	83,588	79,723	76,914	3,865	2,809
Construction In Progress	<u>11,882</u>	<u>4,875</u>	<u>3,388</u>	<u>7,007</u>	<u>1,487</u>
<b>Total Utility Plant</b>	<u>\$168,544</u>	<u>\$156,947</u>	<u>\$149,975</u>	<u>\$11,597</u>	<u>\$6,972</u>

Table 4  
Gross Capital Assets  
(Dollars in Thousands)

	May 31, 2013	May 31, 2012	May 31, 2011	2013-2012 Increase (Decrease)		2012-2011 Increase (Decrease)	
				\$	%	\$	%
<b>Gross Utility Plant</b>							
Land	\$6,847	\$6,725	\$6,725	\$ 122	1.8%	\$ -	0.0%
Diversionary Rights	300	300	300	-	0.0%	-	0.0%
Transmission, Distribution & Collection Systems	133,629	129,543	124,060	4,086	3.2%	5,483	4.4%
Equipment	4,356	3,974	3,972	382	9.6%	2	0.1%
Structures & Improvements	11,530	11,530	11,530	-	0.0%	-	0.0%
Construction In Progress	<u>11,882</u>	<u>4,875</u>	<u>3,388</u>	<u>7,007</u>	143.7%	<u>1,487</u>	43.9%
<b>Total Utility Plant</b>	<u>\$168,544</u>	<u>\$156,947</u>	<u>\$149,975</u>	<u>\$11,597</u>	7.4%	<u>\$6,972</u>	4.6%

Capital additions funded through the operating budget during the fiscal period ending May 31, 2013 included:

**Water System**

Treatment Plant	\$117,081
Vehicles	95,988
Land	29,964
Office Furniture	13,825
Machinery & Equipment	7,848

**Sewer System**

Pump Station Upgrades	\$314,427
Vehicles	298,443
Land	122,547
Collection System	34,600
Machinery & Equipment	40,619
Office Furniture	13,825

The Authority's FY 2013/14 capital budget plans for investing another \$19.064 million in capital expenditures and projects, which includes the following:

**Water Division:**

Higgins Rd Tank Interconnection	\$2,750,000
Route 516 Water Main Replacement	500,000
Meter Replacements	287,150
Vehicles	165,000
Well Redevelopment	50,000
Aquifer Recharge Basin	30,000
Lap Top Computer	4,000
Engineering Equipment	4,000
Sub-total Water Division	<u>\$3,790,150</u>

**Sewer Division:**

Crossroads Regional Interceptor	\$9,000,000
Summerfield Gravity Sewer Replacement	2,250,000
SCADA System	2,000,000
Iresick Brook Relining	500,000
Relining Southwood Lines	500,000
Vehicles	165,000
Relining Central Park	250,000
Communitor Upgrades 3 Pump Stations	225,000
Pump Station Manlifts Raritan/Lakeridge	225,000
Pump Station Upgrades	60,000
Easement Rehabilitation Rams Field	50,000
Maintenance Garage, & Collection System	34,000
Plant, Communication & Engineering Equipment	14,500
Sub-total Sewer Division	<u>\$15,273,500</u>
Total Authority	<u><u>\$19,063,650</u></u>



The Authority plans on using existing cash and new Bond proceeds as well as the New Jersey Infrastructure Trust Loans to fund the capital budget for the upcoming years, assuming that budgetary projections are realized and no disasters or emergencies occur.

At May 31, 2013, the Authority had outstanding insured revenue bonds in the amount of \$48,966,070. Debt Service Schedules go out through fiscal year 2032. Interest rates range from 0.0% on Bonds issued as part of the state sponsored Wastewater Treatment Trust Fund and Environmental Infrastructure Trust Fund to 5.70% on regular bonds. All outstanding bonds are insured and rated AAA. Principal payments are due November 1 of each year. The principal for the bonds due November 1, 2013, is \$4,476,001. Management and the Authority's Financial Advisor constantly monitor market conditions to determine if interest rate declines present opportunities for savings through the refunding of outstanding debt. Such refunding requires the approval of the Local Finance Board and generally yields a net present value savings of at least 3% of debt service cash flows. Full details of the specific Bond Issues outstanding may be found in Note 5 and the supplementary schedules.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Authority's FY 2013 - 14 Budget will cover the fiscal year ending May 31, 2014. Based upon historical consumption data and the existing rate structure, projected revenues and retained earnings were sufficient to support budgeted expenses (budgetary basis) of \$32.19 million. No rate increases were adopted as part of the FY 2013 -14 Budget for the Authorities water and sewer users.

## **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Authority's rate payers, creditors and bond holders with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Stephen A. Florek II, the Authorities Chief Financial Officer at Old Bridge Municipal Utilities Authority, P.O. Box 1006, Laurence Harbor, NJ 08879-4006, or e-mail [sflorek@obmua.com](mailto:sflorek@obmua.com)

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY

Exhibit - A  
Page 1 of 2

COMPARATIVE STATEMENT OF NET POSITION  
MAY 31, 2013 AND MAY 31, 2012

ASSETS	BALANCE MAY 31, 2013	BALANCE MAY 31, 2012
Current Assets:		
Cash and Cash Equivalents	\$ 6,213,490	\$ 5,311,694
Investments	1,597,276	216,048
Petty Cash and Change Accounts	160	160
Customer Accounts Receivable, Net of Allowance for Uncollectible Accounts of \$1,038,560 in 2013 and \$960,004 in 2012	4,915,597	4,648,001
Miscellaneous Receivables	642,718	288,841
Accrued Interest Receivable	5,242	7,362
Inventory	553,255	610,375
Prepaid Expenses	651,452	688,637
Total Current Assets	14,579,190	11,771,118
Noncurrent Assets:		
Restricted Assets:		
Customer Deposits:		
Cash and Cash Equivalents	33,781	26,781
Debt Service Account:		
Cash and Cash Equivalents	3,886,996	3,160,997
Investments	2,150,000	2,351,794
Escrow Deposits:		
Cash and Cash Equivalents	4,400,215	4,192,503
Miscellaneous Receivable	99,961	72,820
Operating Account:		
Cash and Cash Equivalents	5,071,549	3,303,197
Investments	833,974	2,162,000
OPEB Account:		
Cash and Cash Equivalents	80	4,244,764
Investments	3,450,553	
Bond Service Reserve Account:		
Cash and Cash Equivalents	5,357	4,447
Investments	4,149,008	4,303,211
Construction Account:		
Cash and Cash Equivalents	795,616	
Investments	17,000	1,089,206
State Loans Receivable	8,676,428	15,483,908
Accrued Interest Receivable	1,550	2,890
Renewal and Replacement Account:		
Investments	200,000	
Total Restricted Assets	33,772,068	40,398,518
Noncurrent Assets:		
Property, Plant and Equipment	168,544,456	156,947,287
Less: Accumulated Depreciation	42,779,125	40,143,847
Net Property, Plant and Equipment	125,765,331	116,803,440
Total Noncurrent Assets	159,537,399	157,201,958
Total Assets	174,116,589	168,973,076

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY

Exhibit - A  
Page 2 of 2

COMPARATIVE STATEMENT OF NET POSITION  
MAY 31, 2013 AND MAY 31, 2012

	BALANCE MAY 31, 2013	BALANCE MAY 31, 2012
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>		
Unamortized Debt Issue Costs	1,340,776	1,399,405
Unamortized Bond Discount and Deferred Amount on Refunding	<u>487,661</u>	<u>570,517</u>
Total Deferred Outflows of Resources	<u>1,828,437</u>	<u>1,969,922</u>
<u>LIABILITIES AND NET POSITION</u>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	1,090,125	837,885
Unearned Revenues	761,867	717,316
Customer Overpayments	60,500	66,201
Accrued Expenses	323,653	323,973
Payroll Taxes Payable	4,557	42,394
Compensated Absences	<u>236,143</u>	<u>186,987</u>
Subtotal Current Liabilities Payable from Unrestricted Assets:	<u>2,476,845</u>	<u>2,174,756</u>
Current Liabilities Payable from Restricted Assets:		
Reserve for Water Deposits	33,781	26,781
Reserve for Escrow and Inspection Deposits	4,500,176	4,265,323
Accrued Interest Payable on Revenue Bonds	978,422	961,202
Revenue Bonds Payable	<u>4,476,001</u>	<u>3,964,575</u>
Subtotal Current Liabilities Payable from Restricted Assets:	<u>9,988,380</u>	<u>9,217,881</u>
Total Current Liabilities	<u>12,465,225</u>	<u>11,392,637</u>
Noncurrent Liabilities:		
Long-Term Revenue Bonds Payable	44,490,069	49,723,438
Bond Premium Payable	<u>1,001,259</u>	<u>894,978</u>
	<u>45,491,328</u>	<u>50,618,416</u>
Provision for Capital Appreciation Bonds	2,435,749	2,972,574
Other Post-Employment Benefits	5,043,663	4,022,848
Compensated Absences	<u>480,517</u>	<u>534,809</u>
Total Noncurrent Liabilities	<u>53,451,257</u>	<u>58,148,647</u>
Total Liabilities	<u>65,916,482</u>	<u>69,541,284</u>
Net Position:		
Net Investment in Capital Assets	76,285,663	62,790,966
Restricted		
Operating	5,905,523	5,465,197
Capital Projects	9,489,044	16,573,114
Debt Service	4,736,938	4,894,672
OPEB	3,450,633	4,244,764
Unrestricted	<u>10,160,743</u>	<u>7,433,001</u>
Total Net Position	<u>\$ 110,028,544</u>	<u>\$ 101,401,714</u>

Note: See Notes to Financial Statements

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED MAY 31, 2013 AND MAY 31, 2012

	YEAR ENDED ENDED MAY 31, <u>2013</u>	YEAR ENDED ENDED MAY 31, <u>2012</u>
Operating Revenues:		
Water Charges	\$ 13,805,684	\$ 13,155,893
Sewer Charges	14,610,882	14,004,528
Connection Fees	489,327	201,432
Other	<u>763,872</u>	<u>362,694</u>
Total Operating Revenues	<u>29,669,765</u>	<u>27,724,547</u>
Operating Expenses:		
Personnel Costs	9,044,784	9,358,291
Administrative Expenses	1,395,526	1,034,041
Office Expenses	150,310	167,871
Engineering Expenses	41,108	36,256
Operations and Maintenance	3,067,016	3,109,123
Contractual Services and Charges	7,064,087	7,140,045
Depreciation	<u>2,720,363</u>	<u>2,651,177</u>
Total Operating Expenses	<u>23,483,194</u>	<u>23,496,804</u>
Operating Income	<u>6,186,571</u>	<u>4,227,743</u>
Non-Operating Revenues (Expenses):		
Interest Income	77,430	132,111
Interest Expense	(1,657,423)	(2,113,953)
Amortization of Debt Issue Costs	(73,376)	(117,889)
Miscellaneous	<u>12,278</u>	<u>47,499</u>
Total Non-Operating Revenues (Expenses)	<u>(1,641,091)</u>	<u>(2,052,232)</u>

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED MAY 31, 2013 AND MAY 31, 2012

	YEAR ENDED ENDED MAY 31, <u>2013</u>	YEAR ENDED ENDED MAY 31, <u>2012</u>
Net Income Before Contributions and Transfers	\$ 4,545,480	\$ 2,175,511
Capital Contributions	<u>4,081,350</u>	<u>5,721,713</u>
Net Income (Loss)	8,626,830	7,897,224
Net Position, Beginning	<u>101,401,714</u>	<u>93,504,490</u>
Net Position, Ending	\$ <u><u>110,028,544</u></u>	\$ <u><u>101,401,714</u></u>

Note: See Notes to Financial Statements

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY

STATEMENT OF CASH FLOWS  
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS  
FOR THE YEARS ENDED MAY 31, 2013 AND MAY 31, 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 30,180,867	\$ 28,411,159
Cash Payments for Goods & Supplies	(14,226,284)	(15,030,224)
Cash Payments for Employee Expenses	<u>(6,076,460)</u>	<u>(5,796,364)</u>
Net Cash Provided by Operating Activities	<u>9,878,123</u>	<u>7,584,571</u>
Cash Flows from Capital and Related Financing Activities:		
Principal Paid on Bond Maturities	(2,631,947)	(3,783,778)
Interest Paid on Bond Maturities	(1,940,448)	(2,166,757)
Bond Issuance Disbursements	(86,088)	(90,709)
Bond Refunding Disbursements	(1,644,657)	
Proceeds from State Loans Receivable	6,393,533	4,553,647
Acquisition and Construction of Capital Assets	<u>(7,603,658)</u>	<u>(3,489,383)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(7,513,265)</u>	<u>(4,976,980)</u>
Cash Flows from Investing Activities:		
Purchase/Redemption of Investments (net)	(2,283,047)	(273,165)
Interest on Investments and Deposits	<u>80,890</u>	<u>128,381</u>
Net Cash Provided (Used) in Investing Activities	<u>(2,202,157)</u>	<u>(144,784)</u>
Net Increase in Cash and Cash Equivalents	162,701	2,462,807
Cash and Cash Equivalents at Beginning of Year	<u>20,244,543</u>	<u>17,781,736</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>20,407,244</u></u>	\$ <u><u>20,244,543</u></u>

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY

STATEMENT OF CASH FLOWS  
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS  
FOR THE YEARS ENDED MAY 31, 2013 AND MAY 31, 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 6,186,571	\$ 4,227,743
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation - Net	2,720,363	2,651,177
Bad Debt Expense	78,556	(240,463)
Decrease (Increase) in Customer Receivables	(346,152)	142,690
Decrease (Increase) in Miscellaneous Receivables	(353,877)	227,845
Decrease (Increase) in Escrow Receivables	(27,141)	101,727
Inventory	57,120	(121,820)
Prepaid Expenses	37,185	(9,343)
Accounts Payable/Other Liabilities	1,513,220	557,516
Gain on Sale of Assets	12,278	47,499
Transfer to Township of Old Bridge		
Total Adjustments	<u>3,691,552</u>	<u>3,356,828</u>
Net Cash Provided by Operating Activities	\$ <u>9,878,123</u>	\$ <u>7,584,571</u>

Noncash investing, capital, and financing activities:

The market value of the investments not reported as cash equivalents is \$23,592 less than the carrying amount.

Note: See Notes to Financial Statements



OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

COMPARATIVE NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MAY 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Old Bridge Municipal Utilities Authority ("Authority") was created by an ordinance of the Township of Old Bridge, which was adopted on November 4, 1985. This ordinance provided for the consolidation of sewage and water services provided to the residents of the Township of Old Bridge. Prior to the creation of the consolidated Authority, sewage services were provided to residents by the Old Bridge Township Sewerage Authority, which was created by an ordinance of the Township adopted on May 17, 1954, and water services were provided by the former Old Bridge Municipal Utilities Authority, which was created by ordinance adopted on August 22, 1960. The Authority provides water service from ground water sources, to the extent permitted by law, and through contractual bulk purchases of surface water from a third party supplier. Wastewater is transmitted through its collector system to the Middlesex County Utilities Authority (MCUA) for treatment. The MCUA bills participants for its operations and maintenance costs and debt service costs based on a combination of flow and pollutant loading.

New Jersey Statutes provide for the creation, dissolution and operations of separate bodies corporate and politic for the purpose of fostering the provision and distribution of an adequate supply of water and the collection, treatment, disposal and recycling of waste water and sewage sludge. These statutes were enacted as the "Municipal and Counties Utilities Authorities Act", and are codified in New Jersey Statutes Annotated as NJSA 40:14B-1 et seq. Additional statutory requirements relating to the financial operations of independent local authorities were established as the "Local Authorities Fiscal Control Law", which is codified as NJSA 40A:5A-1 et seq. The provisions of the Local Authorities Fiscal Control Law established the Local Finance Board and the Division of Local Government Services, in the Department of Community Affairs, State of New Jersey, as oversight agencies for the creation, project financing, budgeting and overall financial condition of local authorities.

The governing body of the Authority consists of five regular members and two alternates, who are appointed by the Municipal Council of the Township of Old Bridge and serve staggered five year terms. Alternate members may participate in discussions of proceedings but may not vote except in the absence or disqualification of a regular member. The Authority bills and collects its revenue from the users of the systems. The Authority has entered into a service agreement with the Township of Old Bridge which requires the Authority to receive written consent from the Township for any projects which will require the issuance of debt by the Authority, and obligates the Township to pay to the Authority such sum or sums of money as may be necessary to provide for deficits (if any) resulting from the failure or disability of the Authority to derive adequate revenues from the operation of the system.

The financial statements of the Authority have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. GASB pronouncements constitute GAAP for governmental units. In accordance with Governmental Accounting Standards Board, the Authority has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for enterprise funds.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

#### A. Reporting Entity

The Authority is considered to be a "Component Unit" of the Township of Old Bridge under GAAP however, the Township of Old Bridge does not follow GAAP for accounting and financial reporting purposes rather it follows a regulatory basis of accounting, utilizing accounting principles which differ, in some cases significantly, from GAAP. Of particular note is the exclusion from the Township's financial statements of potential component units, based on the separate legal status of these units. Accordingly, the financial statements of the Township do not include the Authority as a component unit.

#### B. Basis of Presentation

The financial statements of the Authority have been prepared in accordance with GAAP applicable to enterprise funds of state and local governments. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing 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, accountability or other purposes.

#### C. GASB Statement No. 34

The Authority adopted the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments during the eight months ended May 31, 2003. Statement 34 establishes standards for external financial reporting for all state and local governmental entities, which includes a Management's Discussion and Analysis section, a Balance Sheet, a Statement of Revenues, Expenses and Change in Net Assets and a Statement of Cash Flows. It requires the classification of Net Assets into three components – Invested in Capital Assets, net of related debt; Restricted for Debt Service; and Unrestricted.

The adoption of Statement 34 had little effect on the basic financial statements except for the classification of net assets, the reflection of capital contributions as a change in net assets, presentation of the Statement of Cash Flows using the direct method, and the inclusion of Management's Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.

Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

#### D. Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

#### E. Basis of Accounting

The Authority utilizes the accrual basis of accounting. Revenues are recognized when earned and measurable, and expenses are recognized when incurred, if measurable.

#### F. Cash and Cash Equivalents

Cash and cash equivalents include interest bearing accounts and short term investments with a maturity of three months or less carried at cost, which approximates market.

#### G. Investments

Investments consist of direct obligations of the United States or obligations guaranteed by the United States, certificates of deposit and repurchase agreements collateralized by guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMAs"), carried at cost, which approximates market. Premiums paid and discounts received on the purchase of investment securities are amortized over the stated term of the securities using the straight-line method.

#### H. Inventory

Inventories of replacement parts, chemicals and supplies are maintained on a consumption basis of accounting. Expenses are recognized as the items are consumed. Inventories are stated at cost as determined utilizing the first-in, first-out valuation method. No determinations have been and no allowances have been recorded with respect to obsolete or surplus inventories.

#### I. Capital Assets

Capital Assets are stated at cost, which includes direct construction and acquisition costs and other costs related to construction. Capital Assets are defined by the Authority as assets with an individual cost in excess of \$1,000. System construction costs are aggregated by individual project and considered Construction in Progress until such time as the project is deemed complete and placed in service.

Depreciation is recorded on a straight-line basis for all plant and equipment. At May 31, 2013 Capital Assets and the useful lives for determination of annual depreciation, were as follows:

Structures and Improvements	30-70 years
Machinery and Equipment	5-15 years
Transmission, distribution, and other collection plants.	40-100 years

#### J. Customer Accounts Receivable

Customer accounts receivable, net of allowance for uncollectible accounts of \$1,038,560 and unbilled receivables of \$1,165,292 at May 31, 2013 totaled \$4,915,597 and consisted of billings for water usage and ancillary water system charges in the amount of \$2,834,815 and sewer user charges and related service and remediation charges in the amount of \$2,080,782.

Customer accounts receivable, net of allowance for uncollectible accounts of \$960,004 and unbilled receivables of \$1,133,138 at May 31, 2012 totaled \$4,648,001 and consisted of billings for water usage and ancillary water system charges in the amount of \$2,678,925 and sewer user charges and related service and remediation charges in the amount of \$1,969,076.

# NOTES TO FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

### J. Customer Accounts Receivable (Cont'd.)

Unbilled service receivable represents the estimated amount of accounts receivable for services that have not been billed as of the balance sheet date. The amounts are a result of a timing difference between the end of the financial statement cycle (month end) and the billing cycle (various dates within the month for each billing period).

An aging of the reported customer accounts receivable, by fiscal year billed, is as follows:

<u>PERIOD ENDED</u>	<u>MAY 2013 AMOUNT</u>	<u>MAY 2012 AMOUNT</u>
2013	\$3,707,070	
2012	827,882	\$3,477,111
2011	49,553	770,913
2010	30,491	50,285
2009	5,840	7,666
2008	14,549	15,412
2007	763	763
2006	1,678	1,678
2005	33,082	33,082
2004	17,282	17,282
2003	56,793	56,793
2002	718	718
2001	882	882
2000	876	876
1999	411	411
1998	238	238
1997	780	780
1996	389	389
1995	279	279
1994	292	292
1993	232	232
1992	140	140
1991	477	477
1990	11,525	11,525
1989	5,336	5,336
1988	4,595	4,595
1987	6,120	6,120
1986	2,611	2,611
1984	2,189	2,189
1983	5,792	5,792
Add: Unbilled Receivable	1,165,292	1,133,138
Less: Allow. For Uncoll. Accts	<u>1,038,560</u>	<u>960,004</u>
	<u>\$4,915,597</u>	<u>\$4,648,001</u>

### K. Miscellaneous Accounts Receivable

Miscellaneous accounts receivable at May 31, 2013 totaled \$642,718 and consisted of water system charges of \$237,907 and sewer system charges of \$404,811 and at May 31, 2012 totaled \$288,841 and consisted of water system charges of \$165,786 and sewer system charges of \$123,055. Miscellaneous accounts receivable consist primarily of charges for water and sewer services, and are segregated solely to reflect special circumstances relating to billing cycles, bulk purchases or contractual terms.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

#### L. Bond Discounts/Issuance Costs

Bond discounts and issuance costs are deferred and amortized over the term of the bonds using a straight-line method. Bond discounts are presented as a reduction of the face amount of the bonds payable, whereas issuance costs are recorded as other assets.

#### M. Restricted Accounts

Pursuant to the provisions of the "Indenture of Trust Between Old Bridge Municipal Utilities Authority and Amboy-Madison National Bank, as Trustee", dated August 11, 1986, as amended and supplemented, the Authority has established the following cash and investment accounts for the deposit, in the order and priority as listed, of all revenues received:

Revenue Account - All revenues of the Authority, except for certain investment earnings on debt proceeds. Funds deposited to the Revenue Account shall be transferred to the following accounts:

Operating Account - The amount necessary to result in a balance equal to operating expenses for a three-month period projected by the annual budget. The use of this account is restricted to the payment of operating expenses.

Debt Service Account - The amount necessary to result in a balance equal to the Debt Service Requirement. Prior to May 1, the Debt Service Requirement is equal to the interest due (and past due and unpaid) on the next succeeding Interest Payment Date on all Bonds outstanding, plus one-third of the principal due (and past due and unpaid) on the next succeeding Principal Installment Date on all Bonds outstanding as of such date. On or after May 1, the Debt Service Requirement for principal due increases to the full amount of the principal due (and past due and unpaid) on the next succeeding Principal Installment Date.

Funds on deposit in this account are restricted to the payment of the principal of and interest on outstanding bonds. Excesses in this account may be transferred, at the discretion of the Authority, to the General Account.

Any amount required to be held in the Debt Service Account at year end that is attributable to interest that will accrue in the subsequent fiscal year is reported as net assets restricted for payment of future debt service.

Debt Service Reserve Account - The amount necessary to result in a balance equal to the maximum amount of Debt Service (cash basis) for the then current or any future Bond Year (12 month period ending October 31st) on the Bonds then outstanding. Funds in this account may only be transferred to the Debt Service Account. Pursuant to the terms of the Ninth Supplemental Indenture, dated August 1, 2002, Article V of the Prior Indenture was amended to permit the Debt Service Reserve Fund Requirement to be satisfied in full or in part by a Qualified Surety Bond ("QSB"). Any amounts released from the Debt Service Reserve Account through the substitution of a QSB may be used for any corporate purpose of the Authority, subject to receipt of an opinion from a nationally recognized Bond Counsel that such a release would not adversely affect the exclusion from gross income of the Holders of Bonds for federal income tax purposes.

The existing Authority funds to be transferred from the Debt Service Fund and the Debt Service Reserve Fund amounted to \$223,941 which amounts are attributable to the 2004 A Refunding Bonds.

The Authority has not utilized a QSB for the purpose of funding any portion of its Debt Service Reserve Requirement at May 31, 2004

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

#### M. Restricted Accounts (Cont'd.)

General Account - The balance of Revenues. Balances in the General Account shall be utilized first to make up deficiencies in any of the preceding accounts, and then for any lawful purpose.

Construction Account - Pursuant to the applicable Supplemental Indentures, proceeds from debt issued to finance System improvements, certain investment earnings on such proceeds, and grants-in-aid must be deposited to the Construction Account. These funds are restricted to the payment of costs of authorized system improvements. Excesses remaining in this account after completion of improvements and allocation of excess investment earnings, if any, must be transferred to the Debt Service Account or Debt Service Reserve Account if deficiencies exist. Any remaining amount may be used for the retirement of Bonds or other authorized system improvements, or may be transferred to the General Account.

Rebate Account (Component of Construction Account) - Amounts determined by the Authority as arbitrage earnings on debt proceeds and due to the United States government pursuant to applicable provisions of the Internal Revenue Code and regulations. These funds may be utilized only to make required rebates. Excesses in this account, which may result from negative arbitrage earnings for a period, revert to the Construction Account.

In addition to the restricted accounts required by the Indenture of Trust and the Supplemental Indentures, the Authority has established additional restricted use accounts as follows:

Customer Deposits Account - Advance payments required as a condition for approval for water users (generally, construction related) to obtain water directly from hydrants. These moneys are refunded to customers upon settlement of all water billings, or applied to these billings.

Escrow Account - Advance payments and deposits required as a condition for the Authority to commence engineering reviews and inspections on new development, and cash in lieu of bonds required by the Authority. Moneys held for reviews and inspections become earned revenues of the Authority as the services are performed, and amounts remaining at project completion, including a portion of interest earnings, are returned to the developer. Cash held in lieu of bonds is refunded in the same manner, and following the same procedures, as those for the release of bonds required by the Authority.

OPEB Account - Provide various welfare benefits for its current and past employees, and the Authority intends to facilitate the funding of other post-employment benefits by establishing the OBMUA Trust for OPEB for the benefit of certain former employees who shall qualify for benefits according to the terms of the Trust and any OPEB plans and as may hereafter be funded by the Authority.

#### N. Deferred Amount from Refunding

During the year ended September 30, 1993, in accordance with the provisions of GASB Statement 23, the amount of \$794,275 was established upon the advance refunding and defeasance of \$4,855,000 of 1989 Current Interest Bonds through the issuance of \$5,570,000 1993 Series "B" Bonds. The amount deferred is being amortized over the life of the 1993 Series "B" Bonds using the straight line method.

During the year ended September 30, 2002, in accordance with the provisions of GASB Statement 23, the amount of \$357,161 was established upon the advance refunding and defeasance of \$17,330,000 of Series 1992 Bonds through the issuance of \$17,805,000 2002 Revenue Refunding Series "A" Bonds. The amount deferred is being amortized over the life of the 2002 Revenue Refunding Series "A" Bonds using the straight line method.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

N. Deferred Amount from Refunding (Cont'd.)

During the year ended May 31, 2004, in accordance with the provisions of GASB Statement 23, the amount of \$76,900 was established upon the advance refunding and defeasance of \$2,975,000 of 1993 Series A Bonds and \$4,715,000 of 1993 Series B Bonds through the issuance of \$8,055,000 2004 Revenue Refunding Series "A" Bonds. The amount deferred is being amortized over the life of the 2004 Revenue Refunding Series "A" Bonds using the straight-line method.

Deferred Amounts from Refunding are presented in the financial statements as a reduction of the face amount of the bonds payable.

O. Recent Accounting Standards

GASB issued the following statements during the audit period:

GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities" in March 2012. This Statement establishes accounting and financial reporting standards that reclassify, 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. Statement No. 65 is effective for financial statements for periods beginning after December 15, 2012. The Authority has not implemented Statement No. 65 as of the audit date.

GASB issued Statement No. 67, "Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25" in June 2012. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Statement No. 67 is effective for financial statements for periods beginning after June 15, 2013. The Authority has not implemented Statement No. 67 as of the audit date.

GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27" in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Statement No. 68 is effective for financial statements for periods beginning after June 15, 2014. The Authority has not implemented Statement No. 68 as of the audit date.

GASB issued Statement No. 69, "Government Combinations and Disposals of Government Operations" in January 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. Statement No. 69 is effective for financial statements for periods beginning after December 15, 2013. The Authority has not implemented Statement No. 69 as of the audit date.

GASB issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees" in April 2013. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Statement No. 70 is effective for financial statements for periods beginning after June 15, 2013. The Authority has not implemented Statement No. 70 as of the audit date.

## NOTE 2: DEPOSITS AND INVESTMENTS

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 insures deposits, or the State of New Jersey Cash Management Fund. N.J.S.A. 17:9-42 requires New Jersey governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA").

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

- (a) The market value of the collateral must equal 5 percent of the average daily balance of public funds; or
- (b) If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.
- (c) 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. The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature within one year. Collateralization of Fund investments is generally not required. "Other Than State" participants contribute one tenth of one percent per year of the value of the aggregate units owned by them to establish a Reserve Fund, which is supplemented by the proportional interest of "Other Than State" participants in gains on investment transactions realized. The Reserve Fund is available to cover losses of "Other Than State" participants occasioned by the bankruptcy of an issuer of an investment held by the Fund and losses on sales of securities.

As of May 31, 2013 and May 31, 2012, cash and cash equivalents of the Authority consisted of the following:

	<u>2013</u>	<u>2012</u>
Cash Accounts	\$13,218,084	\$11,339,383
Change Funds (On-Hand)	160	160
Certificates of Deposit	<u>7,189,000</u>	<u>8,905,000</u>
Total	<u>\$20,407,244</u>	<u>\$20,244,543</u>

The carrying amount of the Authority's cash and cash equivalents at May 31, 2013 and May 31, 2012 was \$20,407,244 and \$20,244,543, respectively and the bank balance was \$20,768,986 and \$21,624,226 respectively. Of the bank balance, during May 31, 2013 and May 31, 2012, \$750,000 was covered by federal depository insurance and \$20,018,986 and \$20,874,226, respectively was covered by a collateral pool maintained by the banks as required by New Jersey statutes.



NOTE 2: DEPOSITS AND INVESTMENTS (Cont'd.)

B. Investments

New Jersey Statutes establish the following securities as eligible for the investment of Authority funds:

- (a) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, including securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the "Investment Company Act of 1940," 54 Stat. 847 (15 U.S.C. 80a-1 et seq.), purchased and redeemed only through the use of National or State banks located within this State, if the portfolio of that investment company or investment trust is limited to bonds or other obligations of the United States of America, bond or other obligations guaranteed by the United States of America and repurchase agreements fully collateralized by bonds or other obligations of the United States of America, which collateral shall be delivered to or held by the investment company or investment trust, either directly or through an authorized custodian;
- (b) Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal Land Bank, Federal National Mortgage Associates or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchases.
- (c) Bonds or other obligations, having a maturity date of not more than twelve months from the date of purchase, that are approved by the Division of Investment of the Department of the Treasury for investment by local units.
- (d) Effective January 18, 1992, qualified mutual funds with portfolios limited to:
  - (i) bonds or other obligations of, or guaranteed by, the United States of America; and
  - (ii) repurchase agreements fully collateralized by such obligations.

These investments must be transacted only through national or state banks located within New Jersey.

NOTE 2: DEPOSITS AND INVESTMENTS (Cont'd.)

B. Investments (Cont'd.)

During the years ended May 31, 2013 and May 31, 2012, the Authority invested a portion of its idle funds in Long-term (Greater than 90 day term) Certificates of Deposit and GNMA Bonds.

Governmental Accounting Standards Board Statement No. 40 – Deposit and Investment Risk Disclosures requires the Authority to disclose its deposits and investment policies regarding certain type of investment risks.

**Custodial Credit Risk – Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of May 31, 2013, based upon the insured balances as provided by FDIC and NJGUDPA coverage, no amount of the Authority's bank balance of \$20,768,986 was considered exposed to custodial risk.

**Custodial Credit Risk – Investments** - Custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The government does not have a deposit policy for custodial credit risk.

**Interest Rate Risk** – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The Authority's investment policy follows the Trust Indenture as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

The Authority's investments at year-end May 31, 2013 were as follow:

<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
Certificate of Deposit	\$12,347,000	\$12,347,000	
GNMA	28,697		\$28,697

**New Jersey Cash Management Fund** – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Commissioner regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of May 31, 2013, the Authority had \$7,603 on deposit with the New Jersey Cash Management Fund.

**NOTE 3 - DISCLOSURE OF INFORMATION ABOUT CAPITAL ASSETS**

Capital asset activity for the year ended May 31, 2013 was as follows:

Depreciation is recorded on a straight-line basis for all plant and equipment. At May 31, 2013 and May 31, 2012, Capital Assets and the useful lives used for determination of annual depreciation, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Useful Lives (Years)</u>
<b>Business-type Activities:</b>					
Capital Assets That Are Not Being Depreciated:					
Land & Easements	\$ 6,724,629	\$ 122,548	\$	\$ 6,847,177	
Diversion Rights	300,000			300,000	
Construction in Progress	<u>4,875,118</u>	<u>7,007,822</u>	<u>1,224</u>	<u>11,881,716</u>	
Total Capital Assets Not Being Depreciated	<u>11,899,747</u>	<u>7,130,370</u>	<u>1,224</u>	<u>19,028,893</u>	
Capital Assets That Are Being Depreciated:					
Treatment Plant	14,245,725			14,245,725	75
Pump Equipment	5,962,410	2,740		5,965,150	45
Buildings & Additions	3,093,903			3,093,903	40
Collection System	57,998,994	679,263		58,678,257	75
Vehicles	2,912,487	394,431	69,337	3,237,581	5
Office Furniture & Equipment	610,823	27,649	18,502	619,970	15
Machinery & Equipment	290,275	48,467		338,742	15
Plant, Other	141,026			141,026	40
Wells	1,515,639			1,515,639	45
Water Mains	20,118,902	396,337		20,515,239	100
Fire Hydrants	1,846,527	79,578		1,926,105	50
Structures & Improvements	8,435,912			8,435,912	70
Miscellaneous Water Equipment	160,009			160,009	50
House Connections	3,977,464	78,645		4,056,109	50
Valves & Fittings	2,561,243	98,001		2,659,244	30
Meters	1,475,708			1,475,708	50
Standpipes & Storage Tanks	10,649,353			10,649,353	50
Pump Stations - 2 Appurtenances	<u>9,051,138</u>	<u>2,750,750</u>		<u>11,801,888</u>	45
Totals at Historical Cost	<u>145,047,538</u>	<u>4,555,861</u>	<u>87,839</u>	<u>149,515,560</u>	
Less Accumulated Depreciation For:					
Treatment Plant	2,941,619	462,436		3,404,055	
Pump Equipment	2,139,865	132,559		2,272,424	
Buildings & Additions	658,588	76,384		734,972	
Collection System	14,565,290	782,376		15,347,666	
Vehicles	2,588,546	157,278	69,337	2,676,487	
Office Furniture & Equipment	260,533	37,737	15,748	282,522	
Computers & Equipment	41,172			41,172	
Machinery & Equipment	224,510	15,288		239,798	
Plant, Other	102,330	2,491		104,821	
Wells	868,187	33,554		901,741	
Water Mains	2,677,753	205,153		2,882,906	
Fire Hydrants	473,024	38,522		511,546	
Structures & Improvements	4,036,432	120,514		4,156,946	
Miscellaneous Water Equipment	160,009			160,009	
House Connections	1,858,618	56,382		1,915,000	
Valves & Fittings	811,939	85,229		897,168	
Meters	445,563	26,441		472,004	
Standpipes & Storage Tanks	2,394,305	225,756		2,620,061	
Pump Stations - 2 Appurtenances	<u>2,895,562</u>	<u>262,264</u>		<u>3,157,826</u>	
Total Accumulated Depreciation	<u>40,143,845</u>	<u>2,720,364</u>	<u>85,085</u>	<u>42,779,124</u>	
Total Capital Assets Being Depreciated (Net of Accumulated Depreciation)	<u>104,903,693</u>	<u>1,835,497</u>	<u>2,754</u>	<u>106,736,436</u>	
<b>Business-type Activities Capital Assets, Net</b>	<b>\$ <u>116,803,440</u></b>	<b>\$ <u>8,965,867</u></b>	<b>\$ <u>3,978</u></b>	<b>\$ <u>125,765,329</u></b>	

Assets acquired through donation or with moneys received from donations and grants-in-aid are recorded with an offset to the Contributed Capital Account. Depreciation on assets acquired with Contributed Capital is recorded as a reduction of Contributed Capital.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4: DEFERRED COMPENSATION PLAN

The Old Bridge Municipal Utilities Authority Deferred Compensation Plan was established pursuant to Section 457 of the Internal Revenue Code and under provisions of N.J.S.A. 43:15B-1. 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. Contributions are recognized when received by the Administrator, withdrawals and administrative fees when paid by the Administrator, and earnings when the Administrator is notified by the company with which the funds are invested. Investments are managed by the Plan trustees under various investment options offered by the Variable Annuity Life Insurance Company ("VALIC").

Statutory and regulatory requirements governing the establishment and operation of Deferred Compensation Plans have been codified in the New Jersey Administrative Code as N.J.A.C. 5:37. The more significant of these provisions include no personal liability to the employer for negative return on investments, retention of assets by the employer, eligible investment types and the requirement for an independent review of all Plan funds if a private contractor is retained to administer the Plan.

The Small Business Job Protection Act of 1996 ("Act") requires plans created before August 20, 1996 to be held in trust for the exclusive benefit of participating employees and not be accessible by the Authority or its creditors by January 1, 1999. In addition, the Act permits certain in-service distributions of \$3,500.00 or less to Plan participants and provides the indexing of the previous \$7,500.00 annual contribution limit for inflation.

On January 28, 1998, the Authority established a Trustee Account for its Deferred Compensation Plan as required by Section 457 of the Internal Revenue Code of 1986, as amended.

### NOTE 5: LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended May 31, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	<u>\$53,688,013</u>	<u>\$4,930,000</u>	<u>\$9,651,943</u>	<u>\$48,966,070</u>	<u>\$4,476,001</u>
Total Bonds Payable	<u>53,688,013</u>	<u>4,930,000</u>	<u>9,651,943</u>	<u>48,966,070</u>	<u>4,476,001</u>
Other Liabilities:					
Compensated Absences					
Payable	<u>721,796</u>	<u>41,655</u>	<u>46,791</u>	<u>716,660</u>	<u>236,143</u>
Total Other Liabilities	<u>721,796</u>	<u>41,655</u>	<u>46,791</u>	<u>716,660</u>	<u>236,143</u>
Total Bonds Payable and Other Liabilities	<u>\$54,409,809</u>	<u>\$4,971,655</u>	<u>\$9,698,734</u>	<u>\$49,682,730</u>	<u>\$4,712,144</u>

NOTE 5: LONG-TERM OBLIGATIONS (Cont'd.)

A. New Jersey Waste Water Treatment Trust Financing

The Authority issued 1993 Revenue Series A bonds, dated September 22, 1993 to the New Jersey Wastewater Treatment Trust to securitize its participation in the state sponsored financing program to finance various sewer rehabilitation projects. The allowable costs for these projects total \$1,080,000 for the Revenue A bonds.

The maximum financing from the trust will not exceed the \$1,080,000 and repayment commenced on November 1, 1994 with final payment on November 1, 2012.

B. New Jersey Waste Water Treatment Trust Financing

The Authority issued 1997 Revenue Series A bonds, dated November 6, 1997 to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance various sewer rehabilitation projects. The allowable costs for these projects total \$1,355,000 for the Revenue A bonds.

The maximum financing from the trust will not exceed the \$1,355,000 and repayment commenced on November 1, 1998 with final payment on November 1, 2016. The Authority received savings credits of \$381,320 from the New Jersey Environmental Infrastructure Trust during the year ended May 31, 2007. The savings credits apply to payments commencing on November 1, 2008 and ending November 1, 2016.

C. New Jersey Waste Water Treatment Trust Financing

The Authority issued 1999 Revenue Series B and C bonds, dated November 4, 1999, to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance various water rehabilitation projects. The allowable costs for these projects total \$535,000 for the Revenue B bonds and \$527,031 for the Revenue C bonds. The total of all funds is \$1,062,031.

The maximum financing from the trust will not exceed the \$535,000 and repayment commenced on November 1, 2000 with final payment on November 1, 2018. The zero interest financing from the State will not exceed \$527,031. The principal payment commenced on November 1, 2000 with final payment on November 1, 2013. The Authority received savings credits of \$15,328 from the New Jersey Environmental Infrastructure Trust during the year ended May 31, 2007. The savings credits apply to payments commencing on November 1, 2010 and ending November 1, 2018.

D. New Jersey Waste Water Treatment Trust Financing

The Authority issued 1999 Revenue Series B and C bonds, dated November 4, 1999, to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance various sewer rehabilitation projects. The allowable costs for these projects total \$1,060,000 for the Revenue B bonds and \$1,050,013 for the Revenue C bonds. The total of all funds is \$2,110,013.

The maximum financing from the trust will not exceed the \$1,060,000 and repayment commenced on November 1, 2000 with final payment on November 1, 2018. The zero interest financing from the State will not exceed \$1,050,013. The principal payment commenced on November 1, 2000 with final payment on November 1, 2018. The Authority received savings credits of \$45,538 from the New Jersey Environmental Infrastructure Trust during the year ended May 31, 2007. The savings credits apply to payments commencing on November 1, 2010 and ending November 1, 2018.

## NOTE 5: LONG-TERM OBLIGATIONS (Cont'd.)

E. Revenue Bonds (2002 Series A) and Refunding Revenue Bonds (2002 Series A)

On June 27, 2002, the Authority issued \$1,415,000 Revenue Bonds (2002 Series A). The Bonds, which were dated August 1, 2002, consisted of \$1,415,000 serial bonds which are due in various amounts from November 1, 2002 through 2016, and bear interest at various rates ranging from 3.00% on the earliest maturity to 4.30% on the ultimate maturity. The net proceeds of this issue are designated to be used to finance a portion of the costs of improvements to the system; make deposits to the Debt Service Reserve Fund as required by the Indenture of Trust; and pay the costs of issuance of the Bonds, including the premium for a municipal bond insurance policy.

On June 27, 2002, the Authority issued \$17,805,000 Revenue Refunding Bonds (2002 Series A). The Bonds were dated August 1, 2002 and consisted of \$17,805,000 serial bonds, which are due in various amounts on November 1, 2003 through 2016.

Interest on the 2002 Series A Bonds is payable on November 1, 2002 and semi-annually thereafter on each succeeding May 1 and November 1 until maturity or early redemption thereof.

Defeasance of 1992 Bonds - Pursuant to an Escrow Deposit Agreement dated June 27, 2002, the Authority deposited \$18,140,059 of the proceeds of the 2002 Series A Refunding Bonds to advance refund the outstanding 1992 Bonds. The amount is net of accrued interest receivable of \$54,941 from September 30, 2002 through November 1, 2002. The amounts deposited with the trustee include \$321,300 of Bond premium and interest payable of \$543,478 due November 1, 2002. All funds so deposited were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 Bonds. As a result, the 1992 Bonds are considered defeased and the liability for those bonds of \$17,330,000 has been removed from the Authority's balance sheet.

For the year ended September 30, 2002, the Authority in effect reduced its aggregate debt service payments over the next 14 years and obtained a gross savings of \$2,479,608 and a present value savings of \$2,426,006.

On August 9, 2012, The Authority issued Revenue Refunding Bonds, Series 2012A, which refund the 2002 Series A Bonds. See Note 1Q for the description of the Refunding Revenue Bonds 2012A Series.

F. New Jersey Environmental Infrastructure Trust Financing

The Authority issued 2003 Series A and B bonds, dated November 3, 2003, to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance various water rehabilitation projects. The allowable costs for these projects total \$3,120,000 for the Series A bonds and \$2,787,329 for the Series B bonds. The total of all funds is \$5,907,329.

The maximum financing from the trust will not exceed the \$3,120,000 and repayment will commence on November 1, 2005 with final payment on November 1, 2022. The zero interest financing from the State will not exceed \$2,787,329. The principal payment will commence on November 1, 2005 with final payment on November 1, 2022.

G. New Jersey Environmental Infrastructure Trust Financing

The Authority issued 2003 Series A and B bonds, dated November 3, 2003, to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance various sewer rehabilitation projects. The allowable costs for these projects total \$1,000,000 for the Series A bonds and \$890,327 for the Series B bonds. The total of all funds is \$1,890,327.

The maximum financing from the trust will not exceed the \$1,000,000 and repayment will commence on November 1, 2004 with final payment on November 1, 2022. The zero interest financing from the State will not exceed \$890,327. The principal payment will commence on November 1, 2004 with final payment on November 1, 2022.

## NOTE 5: LONG-TERM OBLIGATIONS (Cont'd.)

H. Revenue Bonds (2004 Series A) and Refunding Revenue Bonds (2004 Series A)

On February 13, 2004, the Authority issued \$370,000 Revenue Bonds (2004 Series A). The Bonds, which were dated February 26, 2004, consisted of \$370,000 serial bonds which are due in various amounts from May 1, 2005 through 2014, and bear interest at various rates ranging from 2.00% on the earliest maturity to 4.25% on the ultimate maturity. The net proceeds of this issue are designated to be used to finance a portion of the costs of improvements to the system; make deposits to the Debt Service Reserve Fund as required by the Indenture of Trust; and pay the costs of issuance of the Bonds, including the premium for a municipal bond insurance policy.

On February 13, 2004, the Authority issued \$8,055,000 Revenue Refunding Bonds (2004 Series A). The Bonds were dated February 26, 2004 and consisted of \$8,055,000 serial bonds, which are due in various amounts on May 1, 2005 through 2023.

Interest on the 2004 Series A Bonds is payable on May 1, 2004 and semi-annually thereafter on each succeeding November 1 and May 1 until maturity or early redemption thereof.

2004 Series A Bonds maturing on or after November 1, 2015 are subject to redemption prior to maturity, at the option of the Authority as a whole at any time or in part on any interest payment date on or after November 1, 2014, in inverse order of maturity and within a maturity by lot or in any customary manner of selection as determined by the trustee, any such redemption to be made at the applicable redemption price expressed below as a percentage of the principal amount of the 2004 Bonds to be redeemed, plus interest accrued to the redemption date.

Defeasance of 1993 Bonds - Pursuant to an Escrow Deposit Agreement dated February 26, 2004, the Authority deposited \$7,921,763 of the proceeds of the 2004 Series A Refunding Bonds to advance refund the outstanding 1993 Bonds. The amount is net of accrued interest receivable of \$6,363 from November 1, 2003 through April 1, 2004. The amounts deposited with the trustee include \$76,900 of Bond premium and interest payable of \$161,176 due April 1, 2004. All funds so deposited were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 Bonds. As a result, the 1993 Bonds are considered defeased and the liability for those bonds of \$7,690,000 has been removed from the Authority's balance sheet.

For the year ended May 31, 2004, the Authority in effect reduced its aggregate debt service payments over the next 20 years and obtained a gross savings of \$810,540 and a present value savings of \$765,739.

I. New Jersey Environmental Infrastructure Trust Financing Bonds

The Authority issued 2005 Series A and B bonds, dated November 10, 2005, to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance various water rehabilitation projects. The allowable costs for these projects total \$1,625,000 for the Series A bonds and \$1,530,940 for the Series B bonds. The total of all funds is \$3,155,940.

The Authority is in the process of drawing down the financing proceeds as construction progresses. The maximum financing from the trust will not exceed the \$1,625,000 and repayment will commence on November 1, 2006 with final payment on November 1, 2024. The zero interest financing from the State will not exceed \$1,530,940. The principal payment will commence on November 1, 2006 with final payment on November 1, 2024.

On April 28, 2011, the Authority received a letter from the State of New Jersey, Department of Environmental Protection reducing the amount of the Fund Loan Series B bonds from \$1,530,940 to \$1,384,425. The amount of deduction is \$146,515 and is based upon a reduction in the final project costs. Based on the revised repayment schedule, final payment will be on November 1, 2023.

NOTE 5: LONG-TERM OBLIGATIONS (Cont'd.)

J. New Jersey Environmental Infrastructure Trust Financing

The Authority issued 2006 Series A and B bonds, dated November 9, 2006, to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance various sewer rehabilitation projects. The allowable costs for these projects total \$3,350,000 for the Series A bonds and \$3,167,000 for the Series B bonds. The total of all funds is \$6,517,000.

The Authority is in the process of drawing down the financing proceeds as construction progresses. The maximum financing from the trust will not exceed the \$3,350,000 and repayment will commence on November 1, 2007 with final payment on November 1, 2025. The zero interest financing from the State will not exceed \$3,167,000. The principal payment will commence on November 1, 2007 with final payment on November 1, 2025.

K. New Jersey Environmental Infrastructure Trust Financing

The Authority issued 2008 Series A and B bonds, dated November 6, 2008, to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance various water rehabilitation projects. The allowable costs for these projects total \$1,950,000 for the Series A bonds and \$1,781,000 for the Series B bonds. The total of all funds is \$3,731,000.

The Authority is in the process of drawing down the financing proceeds as construction progresses. The maximum financing from the trust will not exceed the \$1,950,000 and repayment will commence on November 1, 2010 with final payment on November 1, 2027. The zero interest financing from the State will not exceed \$1,781,000. The principal payment will commence on November 1, 2010 with final payment on November 1, 2027.

L. Revenue Bonds (2008C Series)

On December 23, 2008, the Authority issued \$5,625,000 Revenue Bonds (2008C Series). The Bonds, which were dated December 23, 2008, consisted of \$5,625,000 serial bonds which are due in various amounts from November 1, 2009 through 2028, and bear interest at various rates ranging from 4.50% on the earliest maturity to 5.375% on the ultimate maturity. The net proceeds of this issue are designated to be used to reimburse the Authority for the costs of various water and sewer improvements with respect to Woodhaven Village and construction of a maintenance building; make an additional deposit to the Debt Service Reserve Fund as required in connection with the issuance of the 2008 Bonds; and pay the costs of issuance of the 2008 Bonds, including the premium for the hereinafter defined Policy (the "2008 Project").

M. Refunding Revenue Bonds (2009A Series)

On May 28, 2009, the Authority issued \$3,050,000 Revenue Refunding Bonds (2009A Series). The Bonds were dated May 28, 2009 and consisted of \$3,050,000 serial bonds, which are due in various amounts on November 1, 2009 through 2018. The 2009 Bonds are being issued to provide funds to currently refund the Authority's \$3,205,000 outstanding Revenue Bonds (1999 Series) (the "Refunded Bonds") maturing on and after November 1, 2009 and pay the costs of issuance of the 2009 Bonds.

Interest on the 2009A Series Bonds is payable on November 1, 2009 and semi-annually thereafter on each succeeding May 1 and November 1 until maturity or early redemption thereof.

2009A Series Bonds are not subject to redemption prior to their stated maturities.



## NOTE 5: LONG-TERM OBLIGATIONS (Cont'd.)

M. Refunding Revenue Bonds (2009A Series) (Cont'd.)

Defeasance of 1999 Bonds - Pursuant to an Escrow Deposit Agreement dated May 28, 2009, the Authority deposited \$3,342,155 of the proceeds of the 2009A Series Refunding Bonds to advance refund the outstanding 1999 Bonds. The amounts deposited with the trustee include \$112,891 of Bond premium. All funds so deposited were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1999 Bonds. As a result, the 1999 Bonds are considered defeased and the liability for those bonds of \$3,205,000 has been removed from the Authority's balance sheet.

For the year ended May 31, 2009, the Authority in effect reduced its aggregate debt service payments over the next 10 years and obtained a gross savings of \$183,598 and a present value savings of \$158,780.

N. New Jersey Environmental Infrastructure Trust Financing

The Authority issued 2010 Series A and B bonds, dated March 10, 2010 to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance various sewer rehabilitation projects. The allowable costs for these projects total \$600,000 for the Series A bonds and \$625,033 for the Series B bonds. The total of all funds is \$1,225,033.

The Authority is in the process of drawing down the financing proceeds as construction progresses. The maximum financing from the trust will not exceed the \$600,000 and repayment will commence on November 1, 2010 with final payment on November 1, 2028. The zero interest financing from the State will not exceed \$625,033. The principal payment will commence on November 1, 2010 with final payment on November 1, 2028.

On July 9, 2012, the Authority received a letter from the State of New Jersey, Department of Environmental Protection reducing the amount of the Fund Loan Series B bonds from \$625,033 to \$217,665. The amount of deduction is \$407,368 and is based upon a reduction in the final project costs. Based on the revised repayment schedule, final payment will be on November 1, 2016.

O. New Jersey Environmental Infrastructure Trust Financing

The Authority issued 2010 Series C and D bonds, dated December 2, 2010 to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance various sewer rehabilitation projects. The allowable costs for these projects total \$1,690,000 for the Series C bonds and \$1,011,735 for the Series D bonds. The total of all funds is \$2,701,735.

The Authority is in the process of drawing down the financing proceeds as construction progresses. The maximum financing from the trust will not exceed the \$1,690,000 and repayment will commence on November 1, 2011 with final payment on November 1, 2029. The zero interest financing from the State will not exceed \$1,011,735. The principal payment will commence on November 1, 2011 with final payment on November 1, 2022.

## NOTE 5: LONG-TERM OBLIGATIONS (Cont'd.)

P. New Jersey Environmental Infrastructure Trust Financing

The Authority issued 2012 Series A and B bonds, dated May 3, 2012 to the New Jersey Environmental Infrastructure Trust to securitize its participation in the state sponsored financing program to finance various sewer rehabilitation projects. The allowable costs for these projects total \$3,526,339 for the Series A bonds and \$10,579,015 for the Series B bonds. The total of all funds is \$14,105,354.

The Authority is in the process of drawing down the financing proceeds as construction progresses. The maximum financing from the trust will not exceed the \$4,830,000 and repayment will commence on November 1, 2013 with final payment on November 1, 2030. The zero interest financing from the State will not exceed \$7,079,015. The principal payment will commence on November 1, 2013 with final payment on November 1, 2030.

Q. Refunding Revenue Bonds (2012A Series)

On August 9, 2012, the Authority issued \$4,930,000 Revenue Refunding Bonds (2012A Series). The Bonds were dated August 9, 2012 and consisted of \$4,930,000 serial bonds, which are due in various amounts on November 1, 2013 through 2016. The 2012 Bonds are being issued to provide funds to currently refund the Authority's \$555,000 outstanding Revenue Bonds (2002 Series A) maturing on and after November 1, 2012 (the "2002 A-1 Refunded Bonds"), currently refund all of the Authority's \$6,070,000 outstanding Revenue Refunding Bonds (2002 Series A) maturing on and after November 1, 2012 (the "2002 A-2 Refunded Bonds"), and pay the costs of issuance of the 2012 Bonds.

Interest on the 2012A Series Bonds is payable on November 1, 2012 and semi-annually thereafter on each succeeding May 1 and November 1 until maturity or early redemption thereof. Interest rates range from 1.00% to 3.00%.

2012A Series Bonds are not subject to redemption prior to their stated maturities.

Defeasance of 2002 Bonds - Pursuant to an Escrow Deposit Agreement dated August 9, 2012, the Authority deposited \$6,884,075 of the proceeds of the 2012A Series Refunding Bonds to advance refund the outstanding 2002 Bonds. The amounts deposited with the trustee include \$217,336 of Bond premium. All funds so deposited were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2002 Bonds. As a result, the 2002 Bonds are considered defeased and the liability for those bonds of \$6,625,000 has been removed from the Authority's balance sheet.

For the year ended May 31, 2013, the Authority in effect reduced its aggregate debt service payments over the next 4 years and obtained a gross savings of \$587,753 and a present value savings of \$259,663.

R. Schedule of Debt Service Payments – Cash Basis Bonds Issued  
And Outstanding on May 31, 2013\*

<u>Fiscal Year Ending May 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$4,476,001	\$2,227,133	\$6,703,134
2014	4,551,595	2,146,290	6,697,885
2015	4,587,437	2,050,853	6,638,290
2016	4,158,297	2,460,909	6,619,206
2017	3,082,884	941,503	4,024,387
2018-2022	13,049,958	3,565,508	16,615,466
2023-2027	10,935,063	1,835,822	12,770,885
2028-2031	4,124,836	133,691	4,258,527

\*Includes principal and interest of New Jersey Environmental Infrastructure Trust Financing.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6: COMPENSATED ABSENCES

The Authority has adopted policies which sets forth the terms under which an employee may accumulate earned, but unused, vacation and sick leave, establishes the limits on such accumulations and specifies the conditions under which the right to receive payment for such accumulations vests with the employee. General Policy is as follows:

#### A. Sick Leave

Permanent full-time unionized employees of the Authority accrue sick leave on the basis of one (1) day for each month worked during the first calendar year of employment. As of January 1st following the first full year of employment, and on every January 1st thereafter, each permanent full-time employee shall receive twelve (12) sick leave days and three (3) personal days. In the event any personal days are not used in the year they are earned, those personal days shall be converted to sick days. Employees hired prior to October 1, 1990 may accumulate a maximum of two hundred eighty (280) days; Employees hired after that date may accumulate a maximum of one hundred and fifty (150) days. During an employee's last year of employment, for purposes of determining reimbursement, sick leave accrual for "cash back" purposes shall be prorated at one and one-quarter (1 1/4) days per month worked into that last year.

The Policy also provides for the accrual of twelve (12) "bridge days" as of January 1st of each year following the first year of employment. The maximum allowable accumulation of bridge days is forty-eight (48) days. Bridge days are provided in conjunction with the Authority's disability plan, and may only be used to "bridge" the period from the exhaustion of the current year's sick leave until such time as the employee is placed on the disability plan. Employees hired after July 1, 1996 are not entitled to bridge days, and must use regular sick days, to the extent available, to cover the period until they are placed on the disability plan.

Non-union personnel accrue sick leave on the basis of one (1) day for each month worked during the first calendar year of employment. Thereafter, as of January 1 of each year, they receive twelve (12) sick leave days. In addition, each non-union employee is credited with fifteen (15) sick leave days as a "bank" at the end of each year.

Unionized employees may "cash in" from one to ten unused sick days of each calendar year allotment for full pay. If the employee has at least five unused sick days of the current calendar year allotment and an additional accumulation of twenty-five unused sick days, the employee may shelter five unused sick days, at full pay, in the deferred compensation plan. Upon retirement, an employee who is a member of a collective bargaining unit receives one-half day's pay for each day of accumulated unused sick pay, at current rates, subject to the maximum allowable accumulation and a cap on pay-outs of \$15,000.00. Non-union personnel receive payment annually for any unused sick leave days from their annual allotment, excluding "bank" days. Upon retirement, non-union employees receive payment, at current rates for each day of accumulated unused sick pay (bank days), subject to the maximum allowable accumulation and a cap on pay-outs of \$36,305, adjusted annually effective December 31, 2000 to reflect the change to the Consumer Price Index (CPI) for the year then ended.

#### B. Vacation

Personnel hired prior to May 1 shall receive five (5) working days paid vacation for that calendar year. Personnel hired on or after May 1 shall receive no paid vacation for that calendar year. Thereafter, length of annual paid vacation shall be determined in accordance with the following schedules:

<u>Years of Service</u>	<u>Working Days Paid Vacation</u>
1 to 4	10
5 to 9	15
10 to 19	20
20	25

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6: COMPENSATED ABSENCES (Cont'd.)

Vacation days for unionized employees which cannot be completed by the end of the calendar year may be carried over into the following calendar year with the approval of the Director. Upon separation of service, an employee is entitled, in time or in pay, to any unused vacation pay.

At May 31, 2013 and May 31, 2012, the payroll records of the Authority indicate the value of accumulated sick and vacation pay earned and unused to be \$716,660 and \$721,796, respectively. This amount has been established as a liability on the balance sheet. For the purpose of establishing the accrued liability, the Authority recognizes the full value of current accumulations calculated in accordance with the policies enumerated above, subject to the pay-out "cap".

### NOTE 7: PENSION PLAN

The Authority participates in the Public Employees' Retirement System ("PERS"). The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the Fund and charges participating public employer annually for their respective contributions. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. According to the State of New Jersey Administrative Code, all obligations of the PERS System will be assumed by the State of New Jersey should the System terminate. The Plan is a cost-sharing multiple-employer defined benefit Plan and, as such, does not maintain separate records for each participating public employer in the state and, therefore, the actuarial data for the Authority is not available. The Division of Pensions issued publicly-available financial reports for the Plan that includes financial statements and required supplementary information. The reports may be obtained by writing the State of New Jersey, Division of Pensions, PO Box 295, Trenton, NJ, 08625.

Covered employees are required by statute to contribute a percentage of their annual compensation to the Plan. PERS bills the Authority annually at an actuarially determinable rate for its required contribution. The current rate for each employee is 6.78% of annual covered payroll.

The contribution requirements of Plan members and the Authority are established and may be amended by the Board of Trustees of the Plan. The Authority's contribution to the Plan for the year ended May 31, 2013 was \$533,968 (10.7%). The Authority's contribution to the Plan for the years ended May 31, 2012 and May 31, 2011 were \$517,647 (10.7%) and \$536,302 (11.0%) respectively equal to the required contributions. During the years ended May 31, 2013, May 31, 2012, and May 31, 2011 normal employee contributions to the PERS System amounted to \$287,218, \$264,245, and \$233,068 respectively.

### NOTE 8: ARBITRAGE REBATE

Pursuant to the Internal Revenue Code of 1986, Section 148, regarding excess earnings, the Authority is required to rebate excess arbitrage income to the United States Government. The rebate amount is the excess aggregate amount earned on unspent bond proceeds over the amount that would have been earned if the yield on such unspent proceeds had been equal to the bond yields. The Authority estimates that it has no rebatable arbitrage earnings at May 31, 2013.

**NOTE 9: POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS – HEALTH CARE BENEFITS**

The Authority provides single-employer defined health benefits through its group insurance plan to certain retirees, provided that the employee has:

- (a) Retired on a disability pension;
- (b) Retired after 25 years or more service credit in a state or locally administered retirement system and a period of service of five (5) years service to the authority or its predecessors; or
- (c) Retired upon or after attaining the age of 62 years and at least 15 years of service to the Authority or its predecessors.

The Authority also provides full coverage towards the cost of health benefits for the spouses and/or dependents of eligible retired employees. During the year ended May 31, 2013 and May 31, 2012, the Authority expended \$807,685 and \$717,324 for 36 and 40 eligible employees respectively.

This is the fifth year the Authority is recognizing its post employment healthcare plan benefit costs based upon the implementation requirements of GASB Statement 45.

The contribution requirements of plan members are established and may be amended by the Commissioners. The Authority's annual post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (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 over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, any amounts contributed to the plan and the Authority's net OPEB obligation.

	2013 Total	2012 Total	2011 Total
Annual required contribution (ARC)	\$1,828,500	\$1,828,500	\$1,259,700
Interest on Net OPEB Obligations			68,900
Adjustment to ARC			499,900
Annual OPEB Cost	1,828,500	1,828,500	1,828,500
Less: Contributions	807,685	717,325	640,334
Increase in net OPEB Obligations	1,020,815	1,111,175	1,188,166
Net OPEB obligation – beginning of year	4,022,848	2,911,673	1,723,507
Net OPEB obligation – end of year	<u>\$5,043,663</u>	<u>\$4,022,848</u>	<u>\$2,911,673</u>

The funded status of the plan for the Authority as of June 1, 2010, is as follows:

	Total
Actuarial accrued liability (AAL)	\$26,974,700
Actuarial value of plan assets	- 0 -
Unfunded actuarial accrued liability (UAAL)	<u>\$26,974,700</u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$4,337,200

**NOTE 9: POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS – HEALTH CARE BENEFITS (Cont'd.)**

An irrevocable trust was established for retirees of the Authority dedicated to paying retiree health plan benefit costs. The Authority contributed \$5,000,000 in March 2011 to the irrevocable trust for those individuals that were retired prior to June 1, 2008. Per the actuarial valuation on June 1, 2008 the amount of the actuarial accrued liability for those retirees was \$5,690,900. In 2011 a revised actuarial report was performed as of June 1, 2010 and the amount of the actuarial accrued liability for those retired prior to June 1, 2008 is \$6,903,000. This represents an increase of \$1,212,100 or 21.3%. The Authority expended \$807,685 during the current year to fund a portion of the accrued liability. The Authority should review its policy of funding the accrued liability in future years.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health-care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 1, 2010 actuarial valuation, the projected unit credit cost method was used. A rate of 4.00% was utilized as the discount rate and the amount of increase in the normal cost amount. The unfunded accrued liability is being amortized as a level dollar amount using an open period of thirty (30) years. Trend assumptions were utilized using the short-term rates expected on the SHBP plan along with information in published papers from other industry experts (actuaries, health economists, etc.) For medical benefits this amount initially is at 8.0% and decreases to a 5.0% long-term trend rate for all medical benefits after six years. For prescription drug benefits, the initial trend rate is 10.0% decreasing to a 5.0% long-term trend rate after five years. For dental benefits, the initial trend is 6.0% decreasing to a 5.0% long-term trend after ten years. The amortization cost for the initial Unfunded Actuarial Accrued Liability is a level percentage of payroll, for a period of 30 years, with an assumption that payroll increases by 3.5% per year.

**NOTE 10: RISK MANAGEMENT**

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

Property and Liability Insurance - During the year ended May 31, 2013, the Authority continued to transfer all insurable risks through the purchase of commercial insurance policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage during each of the past three fiscal years. During the year ended May 31, 2013 there were no significant reductions in coverages from those provided in the previous year.

NOTE 10: RISK MANAGEMENT (Cont'd.)

The Authority provides health benefits to its employees and qualified retirees through a program that includes a significant risk retention component. Highmark Life Insurance Company was retained by the Authority's third party administrator, Governmental Risk Management Assoc. The Authority has procured specific and aggregate excess loss insurance coverages to limit its loss exposure, as follows:

Specific Excess - Coverage is 100% of losses per covered person in excess of \$60,000 retained risk, with a maximum lifetime benefit per covered person of \$4,940,000.

Aggregate Excess - Coverage is 100% of aggregate calendar year losses up to a maximum of \$1,000,000, subject to a limit per covered person of \$50,000.

NOTE 11: RESTRICTED NET POSITION

At May 31, 2013, the Authority reports the following as Restricted Net Position:

The amount of \$4,154,365 has been Restricted for Debt Service pursuant to the Debt Service Reserve Requirement, as set forth in the Bond Resolution. The amount of \$5,905,523 has been Restricted for Operations. This amount represents Operating Reserve Requirement pursuant to the Bond Resolution. The amount of \$9,489,044 has been Restricted for Capital Projects. The amount of \$582,573 has been Restricted for Future Debt Service which represents accrued interest on the bonds. In accordance with GASB 45 an amount of \$3,450,633 was calculated and designated to fund a portion of the actuarial Other Post Employment Benefits (OPEB) liability for retirees.

NOTE 12: UNRESTRICTED NET POSITION

At May 31, 2013, the Authority reported \$10,160,743 as Unrestricted Net Position. The amount of \$9,960,743 is undesignated and \$200,000 is designated for renewal and replacements.

NOTE 13: COMMITMENTS AND CONTINGENCIES

A. Litigation Pending or Threatened

At May 31, 2013, the Authority was not aware of any litigation, claims or contingent liabilities not covered by the Authority's insurance carrier that would have a material financial impact on the Authority.

B. Affect of Non-Implementation of GASB 65

The Authority will implement the provisions of GASB Statement No. 65 for the fiscal year ending May 31, 2014. The adoption of this standard will include the restatement of the current period Net Position to eliminate the Deferred Outflows of Resources for Deferred Bond Issuance Costs. This restatement will result in a decrease of Unrestricted Net Position of \$1,340,776 as of May 31, 2014.

**OTHER SUPPLEMENTARY INFORMATION**



OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY

REQUIRED SUPPLEMENTARY INFORMATION  
POSTEMPLOYMENT HEALTH BENEFITS  
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
06/01/07	\$ -	\$ 18,268,700	\$ 18,268,700	0.00%	\$ 4,386,500	416.48%
06/01/08	\$ -	\$ 17,271,100	\$ 17,271,100	0.00%	\$ 4,685,000	368.65%
06/01/10	-	26,974,700	26,974,700	0.00%	4,337,200	621.94%

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY

SCHEDULE OF REVENUES AND EXPENSES  
COMPARED TO BUDGET (BUDGETARY BASIS)  
FOR THE YEAR ENDED MAY 31, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MAY 31, 2012)

	2013 <u>BUDGET</u>	2013 <u>ACTUAL</u>	2012 <u>ACTUAL</u>
Revenues:			
Retained Earnings Appropriated	\$ 2,865,910	\$ 2,865,910	\$ 3,233,752
User Charges and Fees	27,409,749	28,537,519	26,882,921
Delinquent Penalties	615,000	425,277	543,769
Interest on Investments and Deposits	205,000	77,430	132,111
Planned Unit Development or Developer Contribution		245,000	
Engineering Service Fees	179,468	380,871	209,582
Video Sewer Lines	10,000		2,150
Miscellaneous	65,000	93,376	133,624
Total Revenues	<u>31,350,127</u>	<u>32,625,383</u>	<u>31,137,909</u>
Expenses:			
Operating Appropriations:			
Salaries and Wages	5,636,481	4,988,110	4,846,783
Employee Benefits	2,428,091	2,228,339	2,681,090
OPEB per GASB 45	735,000	1,828,335	1,830,419
Administrative Expenses	1,756,782	1,395,526	1,034,041
Office Expenses	300,310	150,310	167,872
Engineering	36,800	41,108	36,255
Operations and Maintenance Expense	3,666,597	3,067,016	3,109,122
Contractual Services and Charges	7,500,726	7,064,087	7,140,045
Total Operating Appropriations	<u>22,060,787</u>	<u>20,762,831</u>	<u>20,845,627</u>
Interest Expense	<u>1,859,072</u>	<u>1,657,423</u>	<u>2,113,953</u>
Other Costs Funded by Operating Revenues:			
Principal Maturity	5,089,906	2,631,947	3,783,778
Capital Outlay	2,340,362	1,089,167	378,089
Total Costs Funded by Operating Revenues	<u>7,430,268</u>	<u>3,721,114</u>	<u>4,161,867</u>
Total Expenses	<u>31,350,127</u>	<u>26,141,368</u>	<u>27,121,447</u>
Budgetary Revenues Over Expenses	\$ <u>-</u>	\$ <u>6,484,015</u>	\$ <u>4,016,462</u>

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY

SCHEDULE OF REVENUES AND EXPENSES  
COMPARED TO BUDGET (BUDGETARY BASIS)  
FOR THE YEAR ENDED MAY 31, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MAY 31, 2012)

	<u>2013</u>	<u>2012</u>
<u>Reconciliation of Budgetary Basis to Net Income</u>		
Budgetary Revenues Over Expenses	\$ <u>6,484,015</u>	\$ <u>4,016,462</u>
Adjustments to Budgetary Basis:		
Depreciation Expense	(2,720,362)	(2,651,177)
Retained Earnings Appropriated	(2,865,910)	(3,233,752)
Bond Principal Maturity	2,631,947	3,783,778
Capital Outlay Expenditures	1,089,167	378,089
Amortization of Debt Issue Costs	(73,377)	(117,889)
Capital Contributions	<u>4,081,350</u>	<u>5,721,713</u>
Total Adjustments	<u>2,142,815</u>	<u>3,880,762</u>
Net Income (Loss)	\$ <u><u>8,626,830</u></u>	\$ <u><u>7,897,224</u></u>

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY

SCHEDULE OF SEWER DEPARTMENT REVENUES AND EXPENSES  
COMPARED TO BUDGET (BUDGETARY BASIS)  
FOR THE YEAR ENDED MAY 31, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MAY 31, 2012)

	2013 <u>BUDGET</u>	2013 <u>ACTUAL</u>	2012 <u>ACTUAL</u>
Revenues:			
Retained Earnings Appropriated	\$ 1,093,680	\$ 1,093,680	\$ 890,146
User Charges and Fees	14,186,179	14,691,599	13,879,249
Delinquent Penalties	290,000	209,667	256,442
Interest on Invest. and Deposits	55,000	40,918	60,908
Planned Unit Development or Developer Contribution		215,000	
Engineering Service Fees	89,734	252,223	110,742
Video Sewer Lines	10,000		2,150
Miscellaneous	10,000	13,157	34,285
Total Revenues	<u>15,734,593</u>	<u>16,516,244</u>	<u>15,233,922</u>
Expenses:			
Operating Appropriations:			
Salaries and Wages	2,435,433	2,231,513	2,143,026
Employee Benefits	1,124,923	918,514	1,158,885
OPEB per GASB 45	420,000	707,975	1,498,696
Administrative Expenses	757,825	625,731	508,354
Office Expenses	143,010	61,799	71,544
Engineering	18,400	19,763	21,472
Operations and Maintenance Exp.	1,463,687	993,196	1,027,632
Contractual Services and Charges	4,518,264	4,462,094	4,939,686
Total Operating Appropriations	<u>10,881,542</u>	<u>10,020,585</u>	<u>11,369,295</u>
Interest Expense	<u>749,570</u>	<u>553,177</u>	<u>929,478</u>
Other Costs Funded by Operating Revenues:			
Principal Maturity	2,741,481	1,200,513	1,838,500
Capital Outlay	1,362,000	824,461	131,439
Total Costs Funded by Operating Revenues	<u>4,103,481</u>	<u>2,024,974</u>	<u>1,969,939</u>
Total Expenses	<u>15,734,593</u>	<u>12,598,736</u>	<u>14,268,712</u>
Budgetary Revenues Over Expenses (Expenses over Revenue)	\$ <u>-</u>	\$ <u>3,917,508</u>	\$ <u>965,210</u>

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY  
SCHEDULE OF SEWER DEPARTMENT REVENUES AND EXPENSES  
COMPARED TO BUDGET (BUDGETARY BASIS)  
FOR THE YEAR ENDED MAY 31, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MAY 31, 2012)

	2013 <u>ACTUAL</u>	2012 <u>ACTUAL</u>
<u>Reconciliation of Budgetary Basis to Net Income (Loss):</u>		
Budgetary Revenues Over Expenses (Expenses Over Revenue)	\$ 3,917,508	\$ 965,210
Adjustments to Budgetary Basis:		
Depreciation Expense	(1,302,790)	(1,302,689)
Retained Earnings Appropriated	(1,093,680)	(890,146)
Bond Principal Maturity	1,200,513	1,838,500
Capital Outlay Expenditures	824,461	131,439
Amortization of Debt Issue Costs	(15,649)	(48,103)
Capital Contributions	<u>3,428,789</u>	<u>3,041,781</u>
Total Adjustments	<u>3,041,644</u>	<u>2,770,782</u>
Net Income (Loss)	\$ <u><u>6,959,152</u></u>	\$ <u><u>3,735,992</u></u>

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY

SCHEDULE OF WATER DEPARTMENT REVENUES AND EXPENSES  
COMPARED TO BUDGET (BUDGETARY BASIS)  
FOR THE YEAR ENDED MAY 31, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MAY 31, 2012)

	2013 <u>BUDGET</u>	2013 <u>ACTUAL</u>	2012 <u>ACTUAL</u>
Revenues:			
Retained Earnings Appropriated	\$ 1,772,230	\$ 1,772,230	\$ 2,343,606
User Charges and Fees	13,223,570	13,845,920	13,003,672
Delinquent Penalties	325,000	215,610	287,327
Interest on Investments and Deposits	150,000	36,512	71,203
Planned Unit Development or Developer Contribution		30,000	
Engineering Service Fees	89,734	128,648	98,840
Miscellaneous	55,000	80,219	99,339
Total Revenues	<u>15,615,534</u>	<u>16,109,139</u>	<u>15,903,987</u>
Expenses:			
Operating Appropriations:			
Salaries and Wages	3,201,048	2,756,597	2,703,757
Employee Benefits	1,303,168	1,309,825	1,522,205
OPEB per GASB 45	315,000	1,120,360	331,723
Administrative Expenses	998,957	769,795	525,687
Office Expenses	157,300	88,511	96,328
Engineering	18,400	21,345	14,783
Operations and Maintenance Exp.	2,202,910	2,073,820	2,081,490
Contractual Services and Charges	2,982,462	2,601,993	2,200,359
Total Operating Appropriations	<u>11,179,245</u>	<u>10,742,246</u>	<u>9,476,332</u>
Interest Expense	<u>1,109,502</u>	<u>1,104,246</u>	<u>1,184,475</u>
Other Costs Funded by Operating Revenues:			
Principal Maturity	2,348,425	1,431,434	1,945,278
Capital Outlay	978,362	264,706	246,650
Total Costs Funded by Operating Revenues	<u>3,326,787</u>	<u>1,696,140</u>	<u>2,191,928</u>
Total Expenses	<u>15,615,534</u>	<u>13,542,632</u>	<u>12,852,735</u>
Budgetary Revenues Over Expenses	\$ <u>-</u>	\$ <u>2,566,507</u>	\$ <u>3,051,252</u>

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY

SCHEDULE OF WATER DEPARTMENT REVENUES AND EXPENSES  
COMPARED TO BUDGET (BUDGETARY BASIS)  
FOR THE YEAR ENDED MAY 31, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MAY 31, 2012)

	2013 <u>ACTUAL</u>	2012 <u>ACTUAL</u>
<u>Reconciliation of Budgetary Basis to Net Income (Loss):</u>		
Budgetary Revenues Over Expenses (Expenses Over Revenue)	\$ 2,566,507	\$ 3,051,252
Adjustments to Budgetary Basis:		
Depreciation Expense	(1,417,572)	(1,348,488)
Contributed Capital	652,561	2,679,932
Retained Earnings Appropriated	(1,772,230)	(2,343,606)
Bond Principal Maturity	1,431,434	1,945,278
Capital Outlay Expenditures	264,706	246,650
Amortization of Debt Issue Costs	<u>(57,728)</u>	<u>(69,786)</u>
Total Adjustments	<u>(898,829)</u>	<u>1,109,980</u>
Net Income (Loss)	\$ <u><u>1,667,678</u></u>	\$ <u><u>4,161,232</u></u>

**STATISTICAL SECTION**



## **Statistical Section**

This part of the Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the accompanying financial statements and notes to the basic financial statements says about the Authority's overall financial health.

### **Contents Financial Trends**

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

### **Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the Authority's ability to generate revenues.

### **Debt-Capacity**

These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons over time and with other agencies.

### **Operating Information**

These schedules contain information about the Authority's operations and resources to help the reader understand how the Authority's financial information relates to the services the Authority provides and the activities it performs.

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY

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SCHEDULE OF REVENUE SERIAL BONDS PAYABLE  
YEAR ENDED MAY 31, 2013

PURPOSE	DATE OF ISSUE	AMOUNT ISSUED	MATURITIES		INTEREST RATE	BALANCE MAY 31, 2012	ISSUED	DECREASED	BALANCE MAY 31, 2013
			DATE	AMOUNT					
Capital Appreciation Bonds - Pay the Costs of Certain Improvements to the System, Fund the Debt Service Reserve and Pay the Costs of Issuance	06/15/89	\$2,830,313.50	11/01/13	\$1,060,000.00	Zero	\$1,025,556.65		\$211,200.45	\$814,356.20
			11/01/14	1,065,000.00	Zero				
			11/01/15	1,075,000.00	Zero				
			11/01/16	1,680,000.00	Zero				
1993 Revenue "C" Bonds - New Jersey Waste Water Treatment Trust Loan Agreement Pursuant to the Financing Program	09/22/93	1,080,000.00				80,000.00		80,000.00	
1997 Revenue "A" Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	11/06/97	1,355,000.00	11/01/13	90,000.00	5.00%	480,000.00		90,000.00	390,000.00
			11/01/14	95,000.00	5.00%				
			11/01/15	100,000.00	5.00%				
			11/01/16	105,000.00	5.00%				
- 79 - Future Principal Savings Credits				(187,851.88)					
1999 NJEIT Trust Water Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	11/04/99	535,000.00	11/01/13	35,000.00	5.50%	260,000.00		30,000.00	230,000.00
			11/01/14	35,000.00	5.50%				
			11/01/15	35,000.00	5.50%				
			11/01/16	40,000.00	5.50%				
			11/01/17	40,000.00	5.70%				
			11/01/18	45,000.00	5.70%				
Future Principal Savings Credits				(12,390.88)					
1999 NJEIT Trust Sewer Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	11/04/99	1,060,000.00	11/01/13	65,000.00	5.50%	510,000.00		60,000.00	450,000.00
			11/01/14	70,000.00	5.50%				
			11/01/15	75,000.00	5.50%				
			11/01/16	75,000.00	5.50%				
			11/01/17	80,000.00	5.70%				
			11/01/18	85,000.00	5.70%				
Future Principal Savings Credits				(36,773.03)					

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY

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SCHEDULE OF REVENUE SERIAL BONDS PAYABLE  
YEAR ENDED MAY 31, 2013

PURPOSE	DATE OF ISSUE	AMOUNT ISSUED	MATURITIES		INTEREST RATE	BALANCE MAY 31, 2012	ISSUED	DECREASED	BALANCE MAY 31, 2013
			DATE	AMOUNT					
1999 NJEIT Fund Water Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	11/04/99	\$527,031.00	11/01/13	\$18,674.20	0.00%	\$45,527.93		\$26,853.73	\$18,674.20
1999 NJEIT Fund Sewer Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	11/04/99	1,050,013.00	11/01/13	54,877.69	0.00%	384,040.40		53,778.54	330,261.86
			11/01/14	55,799.04	0.00%				
			11/01/15	56,542.59	0.00%				
			11/01/16	53,875.52	0.00%				
			11/01/17	54,441.26	0.00%				
			11/01/18	54,725.76	0.00%				
2002 Revenue "A" Bonds	08/01/02	1,415,000.00				555,000.00		555,000.00	
2002 Revenue Refunding "A" Bonds	08/01/02	17,805,000.00				6,070,000.00		6,070,000.00	
2003 NJEIT Trust Water Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	10/15/03	\$3,120,000.00	11/01/13	165,000.00	5.00%	2,190,000.00		160,000.00	2,030,000.00
			11/01/14	175,000.00	4.00%				
			11/01/15	180,000.00	4.00%				
			11/01/16	190,000.00	4.20%				
			11/01/17	195,000.00	4.25%				
			11/01/18	205,000.00	5.00%				
			11/01/19	215,000.00	5.00%				
			11/01/20	225,000.00	4.50%				
			11/01/21	235,000.00	4.75%				
			11/01/22	245,000.00	4.75%				
2003 NJEIT Fund Water Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	10/15/03	2,787,329.00	11/01/13	154,190.96	0.00%	1,701,109.92		155,986.37	1,545,123.55
			11/01/14	155,238.28	0.00%				
			11/01/15	154,041.34	0.00%				
			11/01/16	155,717.05	0.00%				
			11/01/17	153,933.62	0.00%				
			11/01/18	154,958.50	0.00%				
			11/01/19	154,808.87	0.00%				
			11/01/20	154,360.03	0.00%				
			11/01/21	154,285.22	0.00%				
			11/01/22	153,589.68	0.00%				

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY

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SCHEDULE OF REVENUE SERIAL BONDS PAYABLE  
YEAR ENDED MAY 31, 2013

PURPOSE	DATE OF ISSUE	AMOUNT ISSUED	MATURITIES		INTEREST RATE	BALANCE MAY 31, 2012	ISSUED	DECREASED	BALANCE MAY 31, 2013
			DATE	AMOUNT					
2003 NJEIT Trust Sewer Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	10/15/03	\$1,000,000.00	11/01/13	\$50,000.00	5.00%	\$680,000.00		\$50,000.00	\$630,000.00
			11/1/2014-15	55,000.00	4.00%				
			11/01/16	60,000.00	4.20%				
			11/01/17	60,000.00	4.25%				
			11/1/2018-19	65,000.00	5.00%				
			11/01/20	70,000.00	4.50%				
			11/1/2021-22	75,000.00	4.75%				
2003 NJEIT Fund Sewer Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	10/15/03	890,327.00	11/01/13	47,477.39	0.00%	532,210.23		48,984.69	483,225.54
			11/01/14	48,984.70	0.00%				
			11/01/15	47,658.26	0.00%				
			11/01/16	49,346.45	0.00%				
			11/01/17	47,827.09	0.00%				
			11/01/18	49,304.25	0.00%				
			11/01/19	47,344.74	0.00%				
			11/01/20	48,399.86	0.00%				
			11/01/21	49,515.28	0.00%				
			11/01/22	47,367.52	0.00%				
2004 Revenue "A" Bonds	02/26/04	370,000.00	11/01/13	40,000.00	3.250%	120,000.00		40,000.00	80,000.00
			11/01/14	40,000.00	3.375%				
2004 Revenue Refunding "A" Bonds	02/26/04	8,055,000.00	11/01/13	500,000.00	3.250%	5,195,000.00		485,000.00	4,710,000.00
			11/01/14	510,000.00	3.375%				
			11/01/15	530,000.00	3.500%				
			11/01/16	540,000.00	3.625%				
			11/01/17	565,000.00	3.750%				
			11/01/18	595,000.00	4.000%				
			11/01/19	615,000.00	4.000%				
			11/01/20	200,000.00	4.000%				
			11/01/21	205,000.00	4.125%				
			11/01/22	220,000.00	4.200%				
			11/01/23	230,000.00	4.250%				
2005 NJEIT Trust Water Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	11/15/05	1,625,000.00	11/01/13	75,000.00	5.00%	1,250,000.00		75,000.00	1,175,000.00
			11/01/14	80,000.00	4.00%				
			11/1/2015-16	85,000.00	4.00%				
			11/01/17	90,000.00	4.25%				
			11/01/18	95,000.00	4.25%				
			11/01/19	100,000.00	4.50%				
			11/01/20	105,000.00	4.375%				
			11/01/21	110,000.00	4.375%				
			11/1/2022-23	115,000.00	4.375%				
			11/01/24	120,000.00	4.375%				

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY

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SCHEDULE OF REVENUE SERIAL BONDS PAYABLE  
YEAR ENDED MAY 31, 2013

PURPOSE	DATE OF ISSUE	AMOUNT ISSUED	MATURITIES		INTEREST RATE	BALANCE MAY 31, 2012	ISSUED	DECREASED	BALANCE MAY 31, 2013
			DATE	AMOUNT					
2005 NJEIT Fund Water Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	11/15/05	\$1,384,425.00	11/01/13	\$79,248.43	0.00%	\$900,274.67		\$81,610.18	\$818,664.49
			11/01/14	80,035.68	0.00%				
			11/01/15	81,169.32	0.00%				
			11/01/16	79,028.00	0.00%				
			11/01/17	80,035.68	0.00%				
			11/01/18	80,775.70	0.00%				
			11/01/19	81,381.88	0.00%				
			11/01/20	81,696.77	0.00%				
			11/01/21	81,952.63	0.00%				
			11/01/22	82,070.72	0.00%				
			11/01/23	11,269.68	0.00%				
2006 NJEIT Trust Sewer Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	11/09/06	\$3,350,000.00	11/01/13	150,000.00	5.000%	\$2,725,000.00		\$145,000.00	\$2,580,000.00
			11/01/14	160,000.00	5.000%				
			11/01/15	165,000.00	5.000%				
			11/01/16	175,000.00	4.000%				
			11/01/17	180,000.00	4.000%				
			11/01/18	190,000.00	4.000%				
			11/01/19	195,000.00	4.000%				
			11/01/20	205,000.00	4.125%				
			11/01/21	215,000.00	4.125%				
			11/01/22	220,000.00	4.250%				
			11/01/23	230,000.00	5.000%				
			11/01/24	240,000.00	4.250%				
			11/01/25	255,000.00	4.250%				
2006 NJEIT Fund Sewer Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	11/09/06	3,167,000.00	11/01/13	168,760.86	0.00%	2,370,457.58		170,207.04	2,200,250.54
			11/01/14	170,367.72	0.00%				
			11/01/15	168,439.49	0.00%				
			11/01/16	169,564.29	0.00%				
			11/01/17	168,278.80	0.00%				
			11/01/18	170,078.49	0.00%				
			11/01/19	168,407.35	0.00%				
			11/01/20	169,821.39	0.00%				
			11/01/21	170,813.63	0.00%				
			11/01/22	168,327.01	0.00%				
			11/01/23	168,744.79	0.00%				
			11/01/24	167,780.67	0.00%				
			11/01/25	170,866.05	0.00%				

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY

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SCHEDULE OF REVENUE SERIAL BONDS PAYABLE  
YEAR ENDED MAY 31, 2013

PURPOSE	DATE OF ISSUE	AMOUNT ISSUED	MATURITIES		INTEREST RATE	BALANCE MAY 31, 2012	ISSUED	DECREASED	BALANCE MAY 31, 2013
			DATE	AMOUNT					
2008 NJEIT Trust Water Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	11/06/08	\$1,950,000.00	11/01/13	\$80,000.00	5.00%	\$1,810,000.00		\$75,000.00	\$1,735,000.00
			11/01/14	85,000.00	5.00%				
			11/01/15-16	90,000.00	5.00%				
			11/01/17	95,000.00	5.00%				
			11/01/18	100,000.00	5.25%				
			11/01/19	105,000.00	5.50%				
			11/01/20	115,000.00	5.50%				
			11/01/21	120,000.00	5.50%				
			11/01/22	125,000.00	5.50%				
			11/01/23	130,000.00	5.00%				
			11/01/24	140,000.00	5.00%				
			11/01/25	145,000.00	5.00%				
			11/01/26	155,000.00	5.00%				
			11/01/27	160,000.00	5.00%				
2008 NJEIT Fund Water Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	11/06/08	1,781,000.00	11/01/13	97,427.29	0.00%	1,584,861.07		96,090.16	1,488,770.91
			11/01/14	98,614.87	0.00%				
			11/01/15	96,714.75	0.00%				
			11/01/16	97,007.97	0.00%				
			11/01/17	97,154.58	0.00%				
			11/01/18	97,154.59	0.00%				
			11/01/19	97,008.08	0.00%				
			11/01/20	97,359.85	0.00%				
			11/01/21	100,526.74	0.00%				
			11/01/22	99,793.67	0.00%				
			11/01/23	98,913.97	0.00%				
			11/01/24	101,413.76	0.00%				
			11/01/25	103,451.72	0.00%				
			11/01/26	102,293.46	0.00%				
			11/01/27	103,935.61	0.00%				
2008 Revenue Bonds (2008C Series)	12/23/08	5,625,000.00	11/1/2013-20	25,000.00	4.500%	5,550,000.00		25,000.00	5,525,000.00
			11/1/2021-23	25,000.00	5.375%				
			11/01/24	480,000.00	5.375%				
			11/01/25	745,000.00	5.375%				
			11/01/26	985,000.00	5.375%				
			11/01/27	1,480,000.00	5.375%				
			11/01/28	1,560,000.00	5.375%				
2009 Revenue Refunding Bonds (2009A Series)	05/28/09	3,050,000.00	11/01/13	315,000.00	3.00%	2,360,000.00		305,000.00	2,055,000.00
			11/01/14	325,000.00	3.00%				
			11/01/15	335,000.00	4.00%				
			11/01/16	345,000.00	4.00%				
			11/01/17	360,000.00	4.00%				
			11/01/18	375,000.00	4.00%				

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY

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SCHEDULE OF REVENUE SERIAL BONDS PAYABLE  
YEAR ENDED MAY 31, 2013

PURPOSE	DATE OF ISSUE	AMOUNT ISSUED	MATURITIES		INTEREST RATE	BALANCE MAY 31, 2012	ISSUED	DECREASED	BALANCE MAY 31, 2013
			DATE	AMOUNT					
2010A NJEIT Trust Sewer Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	03/10/10	\$600,000.00	11/1/2013-16	\$25,000.00	5.000%	\$560,000.00		\$20,000.00	\$540,000.00
			11/01/17	30,000.00	5.000%				
			11/01/18	30,000.00	4.000%				
			11/01/19	30,000.00	5.000%				
			11/01/20	35,000.00	3.000%				
			11/1/2021-23	35,000.00	4.000%				
			11/01/24	40,000.00	4.000%				
			11/01/25	40,000.00	3.500%				
			11/01/26	40,000.00	4.000%				
			11/1/2027-28	45,000.00	4.000%				
2010A NJEIT Fund Sewer Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance Deobligated - 07/09/12	03/10/10	625,033.00	11/01/13	31,781.32	0.00%	540,282.81		439,149.32	101,133.49
			11/01/14	31,781.32	0.00%				
			11/01/15	31,781.32	0.00%				
			11/01/16	5,789.53	0.00%				
		407,368.00							
2010B NJEIT Trust Sewer Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	11/17/10	1,690,000.00	11/01/13	60,000.00	5.00%	1,635,000.00		60,000.00	1,575,000.00
			11/01/14	65,000.00	5.00%				
			11/01/15	65,000.00	5.00%				
			11/01/16	70,000.00	5.00%				
			11/01/17	75,000.00	5.00%				
			11/01/18	80,000.00	5.00%				
			11/01/19	80,000.00	5.00%				
			11/01/20	85,000.00	5.00%				
			11/01/21	90,000.00	5.00%				
			11/01/22	95,000.00	5.00%				
			11/01/23	100,000.00	5.00%				
			11/01/24	105,000.00	5.00%				
			11/01/25	110,000.00	5.00%				
			11/01/26	115,000.00	5.00%				
			11/01/27	120,000.00	5.00%				
			11/01/28	125,000.00	5.00%				
			11/01/29	135,000.00	5.00%				

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COUNTY OF MIDDLESEX, NEW JERSEY

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SCHEDULE OF REVENUE SERIAL BONDS PAYABLE  
YEAR ENDED MAY 31, 2013

PURPOSE	DATE OF ISSUE	AMOUNT ISSUED	MATURITIES		INTEREST RATE	BALANCE MAY 31, 2012	ISSUED	DECREASED	BALANCE MAY 31, 2013
			DATE	AMOUNT					
2010B NJEIT Fund Sewer Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	11/17/10	\$1,011,735.00	11/01/13	\$91,875.00	0.00%	\$950,485.00		\$91,875.00	\$858,610.00
			11/01/14	91,875.00	0.00%				
			11/01/15	91,875.00	0.00%				
			11/01/16	91,875.00	0.00%				
			11/01/17	91,875.00	0.00%				
			11/01/18	91,875.00	0.00%				
			11/01/19	91,875.00	0.00%				
			11/01/20	91,875.00	0.00%				
			11/01/21	91,875.00	0.00%				
			11/01/22	31,735.00	0.00%				
2012A NJEIT Fund Sewer Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	05/03/12	4,830,000.00	11/01/13	175,000.00	3.000%	4,830,000.00			4,830,000.00
			11/01/14	185,000.00	4.000%				
			11/01/15	195,000.00	5.000%				
			11/01/16	200,000.00	5.000%				
			11/01/17	210,000.00	5.000%				
			11/01/18	225,000.00	5.000%				
			11/01/19	235,000.00	5.000%				
			11/01/20	245,000.00	5.000%				
			11/01/21	255,000.00	5.000%				
			11/01/22	270,000.00	5.000%				
			11/01/23	285,000.00	5.000%				
			11/01/24	295,000.00	5.000%				
			11/01/25	310,000.00	5.000%				
			11/01/26	330,000.00	3.000%				
			11/01/27	335,000.00	3.000%				
			11/01/28	345,000.00	3.125%				
			11/01/29	365,000.00	3.200%				
			11/01/30	370,000.00	3.250%				



OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY

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SCHEDULE OF REVENUE SERIAL BONDS PAYABLE  
YEAR ENDED MAY 31, 2013

PURPOSE	DATE OF ISSUE	AMOUNT ISSUED	MATURITIES		INTEREST RATE	BALANCE MAY 31, 2012	ISSUED	DECREASED	BALANCE MAY 31, 2013
			DATE	AMOUNT					
2012A NJEIT Fund Sewer Bonds - Pay the Cost of Certain Improvements to the System, Fund the Debt Service Reserve Fund and Fund and Pay Cost of Issuance	05/03/12	\$7,079,015.00	11/01/13	\$393,278.61	0.00%	\$7,079,015.00			\$7,079,015.00
			11/01/14	393,278.61	0.00%				
			11/01/15	393,278.61	0.00%				
			11/01/16	393,278.61	0.00%				
			11/01/17	393,278.61	0.00%				
			11/01/18	393,278.61	0.00%				
			11/01/19	393,278.61	0.00%				
			11/01/20	393,278.61	0.00%				
			11/01/21	393,278.61	0.00%				
			11/01/22	393,278.61	0.00%				
			11/01/23	393,278.61	0.00%				
			11/01/24	393,278.61	0.00%				
			11/01/25	393,278.61	0.00%				
			11/01/26	393,278.61	0.00%				
			11/01/27	393,278.61	0.00%				
			11/01/28	393,278.61	0.00%				
			11/01/29	393,278.61	0.00%				
			11/01/30	393,278.63	0.00%				
2012 Revenue Refunding Bonds (2012A Series)	08/09/12	4,930,000.00	11/01/13	1,345,000.00	1.00%		4,930,000.00		4,930,000.00
			11/01/14	1,365,000.00	3.00%				
			11/01/15	1,390,000.00	3.00%				
			11/01/16	830,000.00	3.00%				
Total						<u>\$53,973,821.26</u>	<u>\$4,930,000.00</u>	<u>\$9,700,735.48</u>	<u>\$49,203,085.78</u>
Gross Principal						\$53,973,821.26			\$49,203,085.78
Future NJEIT Savings Credits						(285,807.78)			(237,015.79)
Net Principal Balance						<u>\$53,688,013.48</u>			<u>\$48,966,069.99</u>
Principal								\$2,668,367.48	
Deobligated								407,368.00	
Refunded								<u>6,625,000.00</u>	
								<u>\$9,700,735.48</u>	
Detail:									
Current Portion									
Revenue Bonds									\$4,476,001.16
Long-Term Liability									
Revenue Bonds									<u>44,490,068.83</u>
Total Revenue Supported Debt									<u>\$48,966,069.99</u>

Source: Official Statements

INSURANCE COVERAGE

A multi-peril policy issued by the Selective Way Insurance Company for a one-year period expiring on April 15, 2014, payable over ten months, was in force during the period under review .

The policy provided for the following coverage:

## Special Multi-Peril Policy (S 1730992)

## Property:

Building and Contents (\$1,000.00 Deductible)	\$ 75,649,884.00
Blanket Extra Expense	1,000,000.00
Employee Benefit Program Coverage	1,000,000.00
Boiler and Machinery (\$1,000.00 Deductible)	2,000,000.00
Ordinance of Law Coverage	500,000.00
Pipeline Distribution System (\$5,000.00 Deductible)	5,000,000.00
Flood (\$25,000.00 Deductible)	5,000,000.00
Earthquake (\$25,000.00 Deductible)	5,000,000.00
Valuable Papers (\$1,000.00 Deductible)	75,000.00
Employee Dishonesty (\$1,000.00 Deductible)	25,000.00
Forgery (\$1,000.00 Deductible)	25,000.00
Theft (\$1,000.00 Deductible)	25,000.00
Miscellaneous Equipment	10,000.00
Auto Fleet Liability (Combined Single Limit)	1,000,000.00

## Other Coverages in Effect:

Public Officials Liability (\$10,000.00 Deductible)	1,000,000.00
Arch Insurance Group (12POF4022300)	
Director&Officers/ EPLI Expires 11-8-2013	2,000,000.00
Weschecter Fire Insurance Co. (G24098369-002)	
Umbrella Liability	10,000,000.00
Selective Way Insurance Company (S1730992)	
Commerical Crime Policy	250,000.00
Selective Insurance Company (B6017065)	
Commercial General Liability (\$1,000.00 Deductible)	2,000,000.00
Selective Way Insurance Company (S1730992)	
Commercial Pollution Legal Liability (\$25,000.00 Deductible)	2,000,000.00
Chartis Speciality Insurance Company (PLC5526346)	

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

# **Old Bridge Municipal Utilities Authority** **Schedule of Number of Equivalent Domestic Consumer Units**

Last Ten Years

Fiscal Year	Water				Sewer				Total	
	Residential	Commercial	Industrial	Other	Residential	Commercial	Industrial	Other	Water Division	Sewer Division
05/31/13	18,039	8,704	125	567	17,748	8,348	1	491	27,435	26,588
05/31/12	18,007	8,704	125	567	17,699	8,337	1	501	27,403	26,538
05/31/11	17,969	8,652	125	566	17,659	8,291	1	491	27,312	26,442
05/31/10	17,938	8,650	125	561	17,628	8,295	1	491	27,274	26,415
05/31/09	17,910	8,626	125	561	17,603	8,279	1	491	27,222	26,374
05/31/08	17,885	8,549	125	495	17,567	8,253	1	447	27,054	26,268
05/31/07	17,845	8,480	125	469	17,510	8,207	1	444	26,919	26,162
05/31/06	17,668	8,184	125	424	17,334	7,945	1	399	26,401	25,679
05/31/05	17,338	8,046	125	329	16,989	7,835	1	313	25,838	25,138
05/31/04	17,104	7,956	125	268	16,753	7,755	1	269	25,453	24,778

Note: Information is from OBMUA Billing Summaries at the end of the fiscal year

Commercial includes Apartments and Multiple Business Malls

Other includes, Government Building, Schools, and Houses of Worship

# Old Bridge Municipal Utilities Authority

## SCHEDULE OF WATER PRODUCED/PURCHASED AND CONSUMED Last Ten Calendar Years

<b>Year</b>	<b>Gallons of Water Produced/Purchased</b>	<b>Gallons of Water Consumed</b>	<b>Gallons of Water Unbilled (1)</b>	<b>Average Percent Unbilled</b>
<b>2012</b>	2,407,679	2,099,690	307,989	12.79%
<b>2011</b>	2,366,830	2,144,301	222,529	9.40%
<b>2010</b>	2,489,392	2,266,162	223,230	8.97%
<b>2009</b>	2,277,731	2,075,260	202,471	8.89%
<b>2008</b>	2,524,749	2,320,744	204,005	8.08%
<b>2007</b>	2,560,625	2,284,646	275,979	10.78%
<b>2006</b>	2,500,255	2,294,256	205,999	8.24%
<b>2005</b>	2,540,120	2,388,126	151,994	5.98%
<b>2004</b>	2,361,970	2,223,752	138,218	5.85%
<b>2003</b>	2,352,638	2,210,804	141,834	6.03%

Sources: Water Utilization Report filed with NJ Bureau of Safe Drinking Water

Note: Units are measured in 1,000,000 gallon increments.

(1) All unbilled water is not unaccounted for, a portion of this figure is accounted for with line flushing, fire hydrant testing, flow tests, fire fighting, etc.

**OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
NET POSITION BY COMPONENT - LAST TEN YEARS**

	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2005</u>	<u>FY 2004</u>
Net Invested in Capital Assets	\$ 76,285,663	\$ 62,790,966	\$ 66,613,978	\$ 59,001,441	\$ 53,578,881	\$ 47,613,389	\$ 37,642,868	\$ 39,277,723	\$ 34,350,115	\$ 29,701,018
Restricted for Operations	5,905,523	5,465,197	5,558,555	5,639,570	5,469,850	5,004,790	4,684,517	4,506,345	4,303,510	4,042,384
Restricted for Capital Projects	9,489,044	16,573,114	1,309,616	1,345,021	1,335,958	4,274,668	5,590,934	3,213,943	3,438,526	3,890,781
Restricted for Debt Service	4,736,938	4,894,672	4,994,474	5,068,942	5,119,003	5,892,759	5,945,614	5,626,989	4,836,989	4,836,989
Restricted for Future Debt Services									580,205	527,361
Restricted for OPEB	3,450,633	4,244,764	5,000,972							
Unrestricted	<u>10,160,743</u>	<u>7,433,001</u>	<u>10,026,895</u>	<u>23,315,514</u>	<u>23,792,287</u>	<u>17,935,369</u>	<u>21,371,649</u>	<u>16,366,206</u>	<u>14,983,865</u>	<u>16,039,921</u>
Total Net Position	<u>\$ 110,028,544</u>	<u>\$ 101,401,714</u>	<u>\$ 93,504,490</u>	<u>\$ 94,370,488</u>	<u>\$ 89,295,979</u>	<u>\$ 80,720,975</u>	<u>\$ 75,235,582</u>	<u>\$ 68,991,206</u>	<u>\$ 62,493,210</u>	<u>\$ 59,038,454</u>
Percentage Increase/(Decrease)	8.5%	8.4%	-0.9%	5.7%	10.6%	7.3%	9.1%	10.4%	5.9%	

Source: Authority Records

**OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
CHANGES IN NET POSITION - LAST TEN YEARS**

	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2005</u>	<u>FY 2004</u>
<b>OPERATING REVENUES</b>	\$ 29,669,765	\$ 27,724,547	\$ 26,563,233	24,104,071	\$ 24,913,553	\$ 24,303,281	\$ 24,107,787	\$ 24,939,925	\$ 21,014,977	\$ 19,952,787
<b>OPERATING EXPENSES</b>	<u>23,483,194</u>	<u>23,496,804</u>	<u>24,117,787</u>	<u>21,268,729</u>	<u>20,359,268</u>	<u>19,615,858</u>	<u>18,333,965</u>	<u>17,822,044</u>	<u>16,330,614</u>	<u>16,184,402</u>
<b>OPERATING INCOME/(LOSS)</b>	6,186,571	4,227,743	2,445,446	2,835,342	4,554,285	4,687,423	5,773,822	7,117,881	4,684,363	3,768,385
<b>TOTAL NON-OPERATING REVENUES/ (EXPENSES)</b>	<u>(1,641,091)</u>	<u>(2,052,232)</u>	<u>(3,311,444)</u>	<u>(2,982,922)</u>	<u>(1,450,935)</u>	<u>(350,404)</u>	<u>(323,399)</u>	<u>(1,000,274)</u>	<u>(1,379,139)</u>	<u>(1,629,907)</u>
<b>INCOME/(LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>4,545,480</u>	<u>2,175,511</u>	<u>(865,998)</u>	<u>(147,580)</u>	<u>3,103,350</u>	<u>4,337,019</u>	<u>5,450,423</u>	<u>6,117,607</u>	<u>3,305,224</u>	<u>2,138,478</u>
<b>CAPITAL CONTRIBUTIONS</b>	<u>4,081,350</u>	<u>5,721,713</u>	<u>-</u>	<u>5,222,089</u>	<u>5,471,654</u>	<u>1,148,374</u>	<u>793,953</u>	<u>380,389</u>	<u>149,532</u>	<u>1,318,444</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 8,626,830</u>	<u>\$ 7,897,224</u>	<u>\$ (865,998)</u>	<u>5,074,509</u>	<u>\$ 8,575,004</u>	<u>\$ 5,485,393</u>	<u>\$ 6,244,376</u>	<u>\$ 6,497,996</u>	<u>\$ 3,454,756</u>	<u>\$ 3,456,922</u>

Source: Authority Records

**OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
REVENUES BY SOURCES - LAST TEN YEARS**

	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2005</u>	<u>FY 2004</u>
<b>OPERATING REVENUES</b>										
Water Charges	\$ 13,805,684	\$ 13,155,893	\$ 13,532,614	\$ 11,838,288	\$ 12,468,440	\$ 12,167,856	\$ 11,515,438	\$ 11,660,605	\$ 10,510,671	\$ 9,798,449
Sewer Charges	14,610,882	14,004,528	12,349,727	11,639,281	11,453,889	11,025,198	10,304,123	9,529,275	9,066,201	8,597,770
Connection Fees	489,327	201,432	278,921	242,731	487,470	454,822	1,218,980	2,893,424	706,642	916,966
Other	<u>763,872</u>	<u>362,694</u>	<u>401,971</u>	<u>383,771</u>	<u>503,754</u>	<u>655,405</u>	<u>1,069,246</u>	<u>856,621</u>	<u>731,463</u>	<u>639,602</u>
<b>TOTAL OPERATING REVENUES</b>	<u>29,669,765</u>	<u>27,724,547</u>	<u>26,563,233</u>	<u>24,104,071</u>	<u>24,913,553</u>	<u>24,303,281</u>	<u>24,107,787</u>	<u>24,939,925</u>	<u>21,014,977</u>	<u>19,952,787</u>
<b>NON-OPERATING REVENUES</b>										
Interest Income	77,430	132,111	189,462	341,813	861,918	1,599,913	1,536,950	983,793	499,038	413,839
Miscellaneous	<u>12,278</u>	<u>47,499</u>	<u>920</u>	<u>13,663</u>	<u>16,038</u>		<u>296,474</u>		<u>2,626</u>	
<b>TOTAL NON-OPERATING REVENUES</b>	<u>89,708</u>	<u>179,610</u>	<u>190,382</u>	<u>355,476</u>	<u>877,956</u>	<u>1,599,913</u>	<u>1,833,424</u>	<u>983,793</u>	<u>501,664</u>	<u>413,839</u>
<b>TOTAL REVENUES</b>	<u>\$ 29,759,473</u>	<u>\$ 27,904,157</u>	<u>\$ 26,753,615</u>	<u>\$ 24,459,547</u>	<u>\$ 25,791,509</u>	<u>\$ 25,903,194</u>	<u>\$ 25,941,211</u>	<u>\$ 25,923,718</u>	<u>\$ 21,516,641</u>	<u>\$ 20,366,626</u>

Note: The OBMUA's most significant own-source revenue are residential consumers which make up 66% of the revenues. All others make up 34% of the revenues. See Schedule - 3 for the respective equivalent consumer units.

Source: Authority Records

**OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
EXPENSES BY FUNCTION - LAST TEN YEARS**

	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2005</u>	<u>FY 2004</u>
<b>OPERATING EXPENSES</b>										
Personnel Costs	\$ 9,044,784	\$ 9,358,291	\$ 9,147,169	\$ 8,497,720	\$ 8,736,264	\$ 7,580,384	\$ 6,988,138	\$ 6,981,423	\$ 7,052,744	\$ 6,675,833
Administrative Expenses	1,395,526	1,034,041	1,647,959	1,754,815	1,321,201	1,401,920	1,302,134	1,181,872	982,731	1,029,838
Office Expenses	150,310	167,871	171,811	148,895	153,035	136,320	143,605	137,236	137,966	144,321
Engineering Expenses	41,108	36,256	26,580	25,872	27,140	30,020	33,998	29,729	27,203	27,427
Operations and Maintenance	3,067,016	3,109,123	2,899,342	3,110,423	2,535,239	2,725,536	2,808,150	2,448,680	1,987,587	2,538,762
Contractual Services and Charges	7,064,087	7,140,045	7,791,152	5,386,862	5,483,229	5,905,687	5,432,277	5,505,889	4,565,274	4,240,792
Depreciation	<u>2,720,363</u>	<u>2,651,177</u>	<u>2,433,774</u>	<u>2,344,142</u>	<u>2,103,160</u>	<u>1,835,991</u>	<u>1,625,663</u>	<u>1,537,215</u>	<u>1,577,109</u>	<u>1,527,429</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>23,483,194</u>	<u>23,496,804</u>	<u>24,117,787</u>	<u>21,268,729</u>	<u>20,359,268</u>	<u>19,615,858</u>	<u>18,333,965</u>	<u>17,822,044</u>	<u>16,330,614</u>	<u>16,184,402</u>
<b>NON-OPERATING EXPENSES</b>										
Interest Expense	1,657,423	2,113,953	2,032,711	1,904,507	2,211,395	1,839,373	2,047,470	1,878,729	1,777,970	1,943,723
Transfer to Old Bridge Township		-	1,347,703	1,312,157	-	-	-	-	-	-
Miscellaneous	<u>73,376</u>	<u>117,889</u>	<u>121,412</u>	<u>121,734</u>	<u>117,496</u>	<u>110,944</u>	<u>109,353</u>	<u>105,338</u>	<u>102,833</u>	<u>100,023</u>
<b>TOTAL NON-OPERATING EXPENSES</b>	<u>1,730,799</u>	<u>2,231,842</u>	<u>3,501,826</u>	<u>3,338,398</u>	<u>2,328,891</u>	<u>1,950,317</u>	<u>2,156,823</u>	<u>1,984,067</u>	<u>1,880,803</u>	<u>2,043,746</u>
<b>TOTAL EXPENSES</b>	<u>\$ 25,213,993</u>	<u>\$ 25,728,646</u>	<u>\$ 27,619,613</u>	<u>\$ 24,607,127</u>	<u>\$ 22,688,159</u>	<u>\$ 21,566,175</u>	<u>\$ 20,490,788</u>	<u>\$ 19,806,111</u>	<u>\$ 18,211,417</u>	<u>\$ 18,228,148</u>

Source: Authority Records



**OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY**  
**RATIO OF ASSESSED VALUATION TO ESTIMATED FULL CASH VALUE**

		<b>NET ASSESSED VALUATION TAXABLE</b>	<b>ESTIMATED FULL CASH VALUATIONS</b>	<b>PERCENTAGE OF NET ASSESSED TO ESTIMATED FULL CASH VALUATIONS</b>
FY 2013	\$	3,391,334,500	\$ 6,890,155,425	49.22%
FY 2012		3,398,205,500	7,325,297,478	46.39%
FY 2011		3,400,663,600	7,541,946,330	45.09%
FY 2010		3,390,686,100	7,832,492,723	43.29%
FY 2009		3,388,609,200	8,001,438,489	42.35%
FY 2008		3,371,138,200	7,917,186,942	42.58%
FY 2007		3,335,270,600	7,335,101,386	45.47%
FY 2006		3,304,444,000	6,410,172,648	51.55%
FY 2005		3,259,675,000	5,659,157,986	57.60%
FY 2004		3,190,162,200	4,813,885,921	66.27%

Source: Abstract of Ratables, Middlesex County Board of Taxation

**OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY**  
**COMPUTATION OF DEBT SERVICE COVERAGE - LAST TEN YEARS**

	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>
Operating Revenues	\$ 29,669,765	\$ 27,724,547	\$ 26,563,233	\$ 24,104,071	\$ 24,913,553
Operating Expenditures	<u>23,483,194</u>	<u>23,496,804</u>	<u>24,117,787</u>	<u>21,268,729</u>	<u>20,359,268</u>
Net Operating Excess					
Revenues	6,186,571	4,227,743	2,445,446	2,835,342	4,554,285
Non Operating Excess					
Revenues (Expenses), Net	<u>(1,641,091)</u>	<u>(2,052,232)</u>	<u>(3,311,444)</u>	<u>(2,982,922)</u>	<u>(1,450,935)</u>
Net Income (Loss)	4,545,480	2,175,511	(865,998)	(147,580)	3,103,350
Retained Earnings					
Appropriated as Revenue		3,233,752	6,493,254	5,075,943	0
Net Excess (Deficit) of					
Operating Revenues	4,545,480	5,409,263	5,627,256	4,928,363	3,103,350
Debt Service Cost	1,657,423	2,113,953	2,032,711	1,904,507	2,211,395
Depreciation and Amortization	<u>1,909,580</u>	<u>1,965,470</u>	<u>1,807,438</u>	<u>1,718,128</u>	<u>1,549,039</u>
Revenues Available for					
Debt Service	<u>8,112,483</u>	<u>9,488,686</u>	<u>9,467,405</u>	<u>8,550,998</u>	<u>6,863,784</u>
Debt Service:					
Bond Principal	2,631,947	3,783,778	3,731,710	3,236,272	3,736,181
Interest on Bonds	<u>1,940,448</u>	<u>2,166,757</u>	<u>2,238,353</u>	<u>2,136,132</u>	<u>1,707,489</u>
Total Debt Service	<u>\$ 4,572,395</u>	<u>\$ 5,950,535</u>	<u>\$ 5,970,063</u>	<u>\$ 5,372,404</u>	<u>\$ 5,443,670</u>
Debt Service Coverage Factor	1.77%	1.59%	1.59%	1.59%	1.26%

Source: Authority Records

**OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY**  
**COMPUTATION OF DEBT SERVICE COVERAGE - LAST TEN YEARS**

	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2005</u>	<u>FY 2004</u>
Operating Revenues	\$ 24,303,280	\$ 23,855,463	\$ 24,839,925	\$ 20,999,977	\$ 19,829,281
Operating Expenditures	<u>19,615,857</u>	<u>17,784,520</u>	<u>17,284,386</u>	<u>15,798,911</u>	<u>15,705,691</u>
Net Operating Excess					
Revenues	4,687,423	6,070,943	7,555,539	5,201,066	4,123,590
Non Operating Excess					
Revenues (Expenses), Net	<u>(350,404)</u>	<u>(365,028)</u>	<u>(900,274)</u>	<u>(1,364,139)</u>	<u>(1,506,402)</u>
Net Income (Loss)	4,337,019	5,705,915	6,655,265	3,836,927	2,617,188
Retained Earnings					
Appropriated as Revenue	359,100	270,137	597,267	1,055,797	246,456
Net Excess (Deficit) of					
Operating Revenues	4,696,119	5,976,052	7,252,532	4,892,724	2,863,644
Debt Service Cost	1,839,373	2,047,470	1,878,729	1,777,970	1,943,723
Depreciation and Amortization	<u>1,376,261</u>	<u>1,185,571</u>	<u>1,104,895</u>	<u>1,148,239</u>	<u>1,148,741</u>
Revenues Available for					
Debt Service	<u>7,911,753</u>	<u>9,209,093</u>	<u>10,236,156</u>	<u>7,818,933</u>	<u>5,956,108</u>
Debt Service:					
Bond Principal	3,656,958	3,337,835	3,462,664	3,358,544	2,742,035
Interest on Bonds	<u>1,601,071</u>	<u>1,535,984</u>	<u>1,745,089</u>	<u>1,715,099</u>	<u>1,943,723</u>
Total Debt Service	<u>\$ 5,258,029</u>	<u>\$ 4,873,819</u>	<u>\$ 5,207,753</u>	<u>\$ 5,073,643</u>	<u>\$ 4,685,758</u>
Debt Service Coverage Factor	1.50%	1.89%	1.97%	1.54%	1.27%

Source: Authority Records

**OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
POPULATION AND SCHOOL ENROLLMENT DATA**

		<b>Township of Old Bridge Population*</b>	<b>County of Middlesex Population*</b>		<b>Old Bridge School Enrollment**</b>	<b>State of New Jersey***</b>
FY 2012		66,179	823,041		9,109	8,864,590
FY 2011	R	65,798	814,217	R	9,205	8,821,155
FY 2010		65,942	809,858		9,442	8,791,894
FY 2009		65,942	790,738		9,488	8,707,739
FY 2008		65,478	785,324		9,583	8,663,398
FY 2007		65,217	779,830		9,648	8,636,043
FY 2006		64,669	776,876		9,758	8,623,721
FY 2005		63,865	778,018		9,850	8,621,837
FY 2004		63,225	774,209		9,956	8,611,530
FY 2003		62,786	770,336		9,931	8,583,481

\* No new estimate for Old Bridge

\*\* Township of Old Bridge School District

\*\*\* US Preliminary 2010 Census

R - Revised

**OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT  
COUNTY OF MIDDLESEX**

	<b>County of Middlesex Labor Force</b>	<b>Employment</b>	<b>Unemployment</b>	<b>County Unemployment Rate</b>	<b>State Unemployment Rate</b>		<b>National Unemployment Rate</b>		<b>Total Personal Income</b>		<b>Per Capita Personal Income</b>
FY 2012	443,880	406,150	37,730	8.5%	9.5%		7.5%		473,813		49,203*
FY 2011	434,900	399,500	36,700	8.4%	9.1%	R	8.5%	R	464,003	R	49,203
FY 2010	412,700	377,800	35,000	8.5%	9.1%		9.3%		445,946		47,285
FY 2009	426,713	389,744	36,969	8.7%	9.2%		9.9%		431,545		46,666
FY 2008	416,900	387,000	29,900	7.2%	5.5%		7.3%		451,366		49,464
FY 2007	420,000	401,500	18,500	4.4%	4.3%		5.0%		436,120		46,991
FY 2006	425,900	407,000	18,900	4.6%	4.6%		4.4%		411,429		44,204
FY 2005	418,600	401,400	17,200	4.3%	5.1%		4.9%		379,650		40,826
FY 2004	421,057	402,657	18,400	4.6%	5.5%		5.4%		365,260		39,659
FY 2003	418,300	395,800	22,500	5.7%	6.0%		5.7%		347,692		38,745

\* no new estimate

\*\*US Bureau of Labor Statistics

R-Revised

Source: NJ Department of Labor, Bureau of Labor Force Statistics  
Regional Economic Information System, U.S. Department of Commerce

**OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY**  
**Authority Employees by Function**  
**Filled Positions Only at May 31**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Executive</b>	1	1	1	1	1	1	1	1	1	1
<b>Human Resources &amp; Administration</b>	3	3	4	4	5	5	5	5	6	7
<b>Engineering</b>	5	5	5	5	6	6	6	6	6	6
<b>Finance</b>	2	2	2	2	2	2	2	2	2	2
<b>Billing/Customer Service</b>	5	5	4	5	6	6	6	6	6	6
<b>Water Operations</b>	27	22	23	25	27	28	28	29	32	33
<b>Sewer Operations</b>	16	15	16	13	14	14	16	18	18	21
<b>Legal</b>	0	0	0	0	0	1	1	1	1	1
<b>Commissioners</b>	7	7	7	7	7	7	7	7	7	7
<b>Board Secretary</b>	1	1	1	1	1	1	1	1	1	1
<b>Office Cleaning</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
<b>Totals</b>	67	61	63	63	69	71	74	77	81	86

Source: Old Bridge MUA

**OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY**  
**Last Nine Fiscal Years**

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Number of Employees</b>	61	63	63	69	71	74	77	81	86
<b>Service Area in Acres</b>	24,832	24,832	24,832	24,832	24,832	24,832	24,832	24,832	24,832
<b>Service Area in square miles</b>	38.8	38.8	38.8	38.8	38.8	38.8	38.8	38.8	38.8
<b>Assessed Valuation (million) *</b>	\$3,398.2	\$3,400.7	\$3,390.7	\$ 3,388.6	\$ 3,371.1	\$ 3,335.3	\$ 3,304.4	\$ 3,265.5	\$ 3,196.7
<b>Population Served **</b>	66,179	66,798	65,942	65,942	65,478	65,217	64,669	63,865	63,225
<b>Number of Storage Tanks</b>	8	9	9	9	9	9	8	8	8
<b>Max Storage Capacity (million gal.)</b>	20.75	22.75	22.75	22.75	22.75	22.75	19.85	19.85	19.85
<b>Number of Water Treatment Plants</b>	2	2	2	2	2	2	2	2	2
<b>Sewerage Pump Stations</b>	36	36	36	35	35	35	32	31	31
<b>Ejector Stations</b>	1	1	1	1	1	1	1	2	2
<b>Avg. Sewer Flows per Day (MGD)</b>	5.629	5.553	6.238	5.390	5.385	5.635	5.861	5.948	5.979

Source: Old Bridge MUA

\* Assessed Valuation, Middlesex County Board of Taxation

\*\* New Jersey Dept. of Labor

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
MAJOR EMPLOYERS LOCATED IN  
MIDDLESEX COUNTY, NEW JERSEY  
CURRENT AND TEN YEARS AGO

MAY 31, 2013		MAY 31, 2004	
<u>(1) COMPANY</u>	<u>NUMBER OF EMPLOYEES</u>	<u>(2) COMPANY</u>	<u>NUMBER OF EMPLOYEES</u>
1. Robert Wood Johnson Univ. Hospital	5,000 -5,249	1. Bristol-Myers Squibb	3,250 - 3,499
2. Novo Nordisk	4,500 - 4,579	2. Merrill Lynch & Company	3,250 - 3,499
3. Waker Food Corp.	3,500 - 3,749	3. Telcordia Technology	3,000 - 3,249
4. Bristol-Myers Squibb	3,000 - 3,249	4. Prudential Insurance Company	2,750 - 2,999
5. St. Peter's University Hospital	2,750 - 2,999	5. Robert Wood Johnson Univ. Hospital	2,750 - 2,999
6. J.F.K. Medical Center	2,500 - 2,749	6. Johnson & Johnson	2,500 - 2,749
7. Silverline Building Products	2,250 - 2,299	7. J.F.K. Medical Center	2,500 - 2,749
8. Ericsson	2,000 - 2,249	8. Silverline Building Products	2,500 - 2,749
9. Johnson & Johnson	2,000 - 2,500	9. Raritan Bay Medical Center	2,250 - 2,499
10. Raritan Bay Medical Center	2,000 - 2,249	10. St. Peter's University Hospital	2,250 - 2,999
11. Home Depot	1,750 -1,999	11. AT & T	2,000 - 2,249
12. United Parcel Service	1,750 -1,999	12. Pathmark	2,000 - 2,249
13. Amerada Hess Corporation	1,500 -1,749	13. Dow Jones & Company	1,500 - 1,749
14. Walmart Stores Inc.	1,250 -1,499	14. Siemens AG	1,500 - 1,749
15. Prudential Insurance Company	1,000 -1,249	15. United Parcel Service	1,500 - 1,749
16. Aetna/US Healthcare	1,000 -1,249	16. Amerada Hess Corporation	1,500 - 1,749
17. BASF Catalyst, LLC	1,000 -1,249	17. Home Depot	1,250 - 1,499
18. Colgate-Palmolive	1,000 -1,249	18. Engelhard Corporation	1,250 - 1,499
19. Dow Jones & Company	1,000 -1,249	19. Aetna/US Healthcare	1,000 - 1,249
20. White Rose, Inc	750 - 1.000	20. Fijitsu	1,000 - 1,249

Source: (1) Middlesex County Office of Economic Development; April 2012

(2) Middlesex County Office of Economic Development; January 2004



**SINGLE AUDIT SECTION**

**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
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1102 RARITAN AVENUE, P.O. BOX 1450  
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ANDREW G. HODULIK, CPA, RMA, PSA  
ROBERT S. MORRISON, CPA, RMA, PSA

JO ANN BOOS, CPA, PSA

MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

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

Honorable Chairman and Members of the  
Old Bridge Municipal Utilities Authority  
Middlesex County, New Jersey

We have audited, 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 the financial statements of the Old Bridge Municipal Utilities Authority, Middlesex County, as of and for the year ended May 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated September 12, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Old Bridge Municipal Utility Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriated in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Old Bridge Municipal Utility Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Old Bridge Municipal Utility 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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part 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.



HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants

Highland Park, New Jersey  
September 12, 2013

**HODULIK & MORRISON, P.A.**  
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**REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04**

Honorable Chairman and Members of the  
Old Bridge Municipal Utilities Authority  
Middlesex County, New Jersey

**Report on Compliance for Each Major Federal and State Program**

We have audited the Old Bridge Municipal Utilities Authority's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" and the New Jersey Compliance Manual "State Grant Compliance Supplement" that could have a direct and material effect on each of the Old Bridge Municipal Utilities Authority's major federal and state programs for the year ended May 31, 2013. The Old Bridge Municipal Utilities Authority's major federal and state programs are identified in the "Summary of Auditor's Results Section" of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

### **Opinion of each Major Federal and State Program**

In our opinion, the Old Bridge Municipal Utilities Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended May 31, 2013.

### **Report on Internal Control Over Compliance**

Management of the Old Bridge Municipal Utilities 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 Old Bridge Municipal Utilities Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal or 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 the Old Bridge Municipal Utilities Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness. 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 requirements of OMB Circular A-133 and NJ OMB Circular 04-04. Accordingly, this report is not suitable for any other purposes.



HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants

Highland Park, New Jersey  
September 12, 2013

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MAY 31, 2013

STATE FUNDING DEPARTMENT	PROGRAM TITLE	CFDA NUMBER	LOAN PERIOD	LOAN/ AWARD AMOUNT	PROGRAM RECEIPTS	DISBURSEMENTS/ EXPENDITURES	CUMULATIVE DISBURSEMENTS/ EXPENDITURES
Department of Environmental Protection	Clean Water State Revolving Fund NJ Environmental Infrastructure Trust - 2012A - Trust	66.458	05/03/12	\$ 10,579,015	\$ 4,536,628	\$ 4,471,790	\$ 5,870,140
Department of Homeland Security	Disaster Grants - Public Assistance - Hurricane Sandy	97.036	2012	(1) 462,989		462,989	462,989
					<u>\$ 4,536,628</u>	<u>\$ 4,934,779</u>	<u>\$ 6,333,129</u>

Footnotes:

NOTE: See accompanying Notes to Schedules of Expenditures of Awards.

(1) - Represents 90% of amount requested - \$514,432

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED MAY 31, 2013

STATE FUNDING DEPARTMENT	PROGRAM TITLE	STATE ACCOUNT NUMBER	LOAN PERIOD	LOAN/ AWARD AMOUNT	PROGRAM RECEIPTS	DISBURSEMENTS/ EXPENDITURES	CUMULATIVE DISBURSEMENTS/ EXPENDITURES
Department of Environmental Protection	NJ Environmental Infrastructure Trust - 2008A - Fund	042-4840-707-010	11/01/08	\$ 1,781,000	\$ 154,753	\$ 68,263	\$ 1,307,368
	NJ Environmental Infrastructure Trust - 2008A - Trust	042-4840-707-010	11/01/08	1,781,000	154,753	68,263	1,307,368
	NJ Environmental Infrastructure Trust - 2010B - Fund	042-4860-510-009	12/02/10	1,715,000	16,837	612	733,335
	NJ Environmental Infrastructure Trust - 2010B - Trust	042-4860-510-009	12/02/10	1,715,000	16,837	612	733,335
	NJ Environmental Infrastructure Trust - 2012A - Trust	042-4860-575-006	05/03/12	3,526,339	<u>1,512,209</u>	<u>1,490,597</u>	<u>1,956,714</u>
					\$ <u>1,855,389</u>	\$ <u>1,628,347</u>	\$ <u>6,038,120</u>

Footnotes:

NOTE: See accompanying Notes to Schedules of Expenditures of Awards.

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
MIDDLESEX COUNTY, NEW JERSEY

NOTES TO THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED MAY 31, 2013

NOTE 1. GENERAL

The accompanying schedule of expenditures of federal awards and state financial assistance presents the activity of the federal and state financial assistance programs of the Old Bridge Municipal Utilities Authority. The Authority is defined in Note 1 to the Authority's financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards and state financial assistance is presented using the modified accrual basis of accounting.

NOTE 3. RELATIONSHIP TO FINANCIAL STATEMENTS

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

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5. DISASTER GRANTS – PUBLIC ASSISTANCE – HURRICANE SANDY

Even though a single audit must be performed, grant recipients also are subject to additional audits by the DHS Office of the Inspector General and State auditors. OMB requires grant recipients to maintain financial and program records for 3 years beyond the date of final FSR or follow their and the Grantee's standard record retention policy if that policy requires record retention beyond the 3-year requirement. If an FSR is not required, records must be maintained for 3 years from the date of the final certification of completion of the applicant's last project.



OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MAY 31, 2013

Section 1 – Summary of Auditor's Results

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal Control over financial reporting:

1) Material weakness(es) identified? \_\_\_\_\_ Yes \_\_\_\_\_ X No

2) Significant deficiencies identified that  
are not considered to be material weaknesses? \_\_\_\_\_ Yes \_\_\_\_\_ X No

Noncompliance material to general-purpose financial  
statements noted? \_\_\_\_\_ Yes \_\_\_\_\_ X No

**Federal Awards**

Internal Control over major programs:

1) Material weakness(es) identified? \_\_\_\_\_ Yes \_\_\_\_\_ X No

2) Significant deficiencies identified that  
are not considered to be material  
weaknesses? \_\_\_\_\_ Yes \_\_\_\_\_ X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported  
in accordance with section.510(a) of Circular A-133? \_\_\_\_\_ Yes \_\_\_\_\_ X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
<u>66.458</u>	<u>Clean Water State Revolving Fund – NJEIT 2012A</u>
<u>97.036</u>	<u>Disaster Grants – Public Assistance – Hurricane Sandy</u>

Dollar threshold used to distinguish between type A and B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes \_\_\_\_\_ X No

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MAY 31, 2013  
**(continued)**

Section 1 – Summary of Auditor’s Results(cont’d.)

**State Awards**

Dollar threshold used to distinguish between type A and B programs: \$300,000.00

Auditee qualified as low-risk auditee?   X   Yes        No

Type of auditor’s report issued on compliance for major programs: Unmodified

Internal Control over major programs:

1) Material weakness(es) identified?        Yes   X   No

2) Significant deficiencies identified that  
are not considered to be material  
weaknesses?        Yes   X   None reported

Any audit findings disclosed that are required to be reported  
in accordance with NJOMB Circular Letter 04-04?        Yes   X   No

Identification of major programs:

<u>State Account Number</u>	<u>Name of State Program</u>
<u>042-4860-575-006</u>	<u>NJ Environmental Infrastructure Trust</u>

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY  
  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MAY 31, 2013  
(continued)

Section II – Financial Statement Findings

*Significant Deficiencies*

NONE

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY  
  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MAY 31, 2013  
(continued)

Section III – Federal Awards and State Financial Assistance Findings and Questioned Costs

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROGRAMS:

NONE

OLD BRIDGE MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF MIDDLESEX, NEW JERSEY

SUMMARY SCHEDULE OF PRIOR FINDINGS  
FOR THE YEAR ENDED MAY 31, 2013

Section 1 – Summary of Prior Year State Findings

SUMMARY OF PRIOR YEAR FINDINGS

NONE

## **GENERAL COMMENTS AND RECOMMENDATIONS**

## GENERAL COMMENTS

### INTERNAL CONTROL MATTERS

#### Documentation of Components of Internal Control

As required by Statement on Auditing Standards No. 115, entities subject to audit are required to provide documentation of the various components of its internal controls.

The Authority should consider documenting the various components of its internal controls.

With respect to the reporting of internal control matters, standards require that only a significant deficiency and/or a material weakness need be reported in writing to management and those charged with governance. A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles or other applicable accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The control deficiency reported above is not considered to be significant deficiencies nor material weaknesses. In addition, these control deficiencies are not required to be reported in writing, however, these control deficiencies are presented to management and those charged with governance in this report as a means to present those matters identified in review of the Authority's internal controls and as a means to inform management and those charged with governance as to the auditing standards requirements with respect to internal controls.

#### Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4

N.J.S.A. 40A:11-4 states "Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost of 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 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 of \$17,500.00 except by contract or agreement."

The Commissioners and Executive Director of the Old Bridge Municipal Utilities Authority have the responsibility of determining whether the expenditures in any category will exceed \$17,500.00 during the fiscal year. Where question arises as to whether any contract or agreement might result in violation of this statute, the Authority Counsel's opinion should be sought before a commitment is made.

## GENERAL COMMENTS

### Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4 (cont'd.)

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

#### Materials, Supplies and Equipment:

Water Supply Materials; Electrical Services; Chemical Supplies; Field Services; Submersible Tank Mixer

#### Contracts:

Sewer Pump Station Upgrades, Marlboro Road and Iresick Brook Area Sewer Relining; Redevelop Well No. 2; Laboratory Testing of Industrial Sewage

The minute records and purchase orders also reflected significant utilization of state contracts for various supplies and equipment.

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.

Examination of expenditures revealed no individual payments in excess of \$17,500.00 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.

Upon inquiry of various officials responsible for the purchases of materials, supplies, equipment, etc., for the authority in relation to the Local Public Contracts Laws regarding the solicitation of quotations when the cost is \$3,150.00 or more, monitoring of change orders, quantities and unit prices of contracts, except as noted in the preceding paragraph, procedures presently in place were found to be good.

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

Any interpretation as to possible violation of N.J.S.A. 40A:11 and N.J.A.C. 5:30-14 would be in the province of the General Counsel.

During the year under review, we noted a general improvement in the centralization of the planning and procurement process for obtaining necessary goods and services. Although significant aspects of the planning process are still decentralized, efforts are being made to aggregate planned spending across operating divisions and greater diligence was noted in the administrative review process.



## GENERAL COMMENTS

### Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4 (Cont'd.)

The new Local Public Contracts Law provides a higher threshold for mandatory public bidding if the local unit employs a certified purchasing agent to administer a fully centralized purchasing function. The estimated costs and operating inefficiencies of such a procurement system should be weighed against the potential benefits and efficiencies that such a system might provide to determine if the Authority should consider the engagement of a certified purchasing agent and the full centralization of its procurement function.

### Payment of Claims

The examination did not and could not determine the character of services rendered for which payment had been made or for which charges had been set up nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the governing body.

Claims were examined on a test basis for the year under review and they were found to be generally in good order. Audit tests that prior to payment, all claims were properly authorized, all documentation relating to receipt of goods, vendor certification of delivery, and proper pricing was on hand and available for the review of the Authority's Treasurer as part of his payment approval reviews. The audit evidence collected during our tests of the approval and payment process suggests that administrative reviews of claims are sufficient to assure that all claims presented to the Commissioners for approval are complete in all respects. Any items which are questioned by the Treasurer during his reviews are held until such time as the issues raised are answered to his satisfaction.

## RECOMMENDATIONS

None

\* \* \* \* \*

## ACKNOWLEDGMENT

During the course of our engagement, we received the full cooperation of the Management and staff of the Authority, and we greatly appreciate the courtesies extended to us.

Very truly yours,

HODULIK & MORRISON, P.A.

A handwritten signature in black ink, appearing to read "Robert S. Morrison". The signature is fluid and cursive, with a large initial "R" and "M".

Robert S. Morrison, CPA, RMA  
No. 412