MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010

with

AUDITORS' REPORT

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY

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DECEMBER 31, 2011

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Chairman and Members of the
Monmouth County Bayshore Outfall Authority
Belford, New Jersey

We have audited the accompanying financial statements of the Monmouth County Bayshore Outfall Authority (the "Authority"), as of and for the years ended December 31, 2011 and 2010 which comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS (Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2012, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider 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 Untied States of America, which consisted of inquires 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 obtain 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. *The accompanying supplementary information listed in the table of contents* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 the material respects in relation to the financial statements as a whole.

Panis & Attner, P.A.

PANIS & ATTNER, P.A.

March 20, 2012

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Monmouth County Bayshore Outfall Authority's (the "Authority") annual financial report is intended to provide a narrative discussion and analysis of the accompanying financial activities for the year ending December 31, 2011.

Discussion of Financial Statements Included in Annual Audit

The first set of statements, consisting of the Comparative Statement of Net Assets, Comparative Statement of Revenues, Expenses and Changes in Net Assets, and the Comparative Statement of Cash Flows is prepared on the accrual basis and is in accordance with accounting principals generally accepted in the United States of America (GAAP) applicable to enterprise funds of state and local governments.

After the Notes to Financial Statements is a second set of statements considered "Supplemental Information".

The Authority has historically presented its financial statements on a "GAAP Basis", as this method more fairly relates to the annual budget for the same period.

Included in the supplemental information is a statement that reports the Schedule of Operating Revenues and Expenses Funded by Operating Revenues Compared to Budget. This schedule compares budgeted revenues and expenses to actual. Bond principal payments are reported in this statement and depreciation is not reported as an expense. On the "GAAP" basis depreciation is included and only the interest component of debt service is reported.

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

Other statements included in supplementary information are Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Cash Equivalents – Restricted and Unrestricted and the Schedule of Long-Term Revenue Bonds Payable.

Comparative Statement of Net Assets

The Authority's total assets decreased by $823,310 compared to a prior year increase of $3,051,962. A decrease in cash and cash equivalents and an increase in depreciation account for the major portion of the decrease.

The decrease in total liabilities of $2,013,751 is primarily due to the repayment of project notes payable of $3,500,000 bond principal payments of $411,721, less the issuance of Outfall Sewer Bonds of $1,835,000

Comparative Statement of Net Assets (continued)

	Year Ended December 31,		
	2011	2010	2009
Total unrestricted assets	$ 1,241,434	$ 806,019	$ 890,624
Total restricted assets	640,537	1,357,793	530,685
Net capital assets	8,440,769	9,061,039	6,743,928
Deferred charges	123,723	44,922	54,374
Total assets	$ 10,446,463	$ 11,269,773	$ 8,219,611

	Year Ended December 31,		
	2011	2010	2009
Total current liabilities payable from:			
Unrestricted assets	$ 119,174	$ 107,871	$ 138,469
Restricted assets	381,597	4,039,715	408,004
Long-term obligations-net	3,042,362	1,409,298	1,808,548
Total liabilities	3,543,133	5,556,884	2,355,021
Net assets	$ 6,903,330	$ 5,712,889	$ 5,864,590

Comparative Statement of Revenues, Expenses and Changes in Net Assets

The change in net assets reflects a profit in the years ended December 31, 2009, 2008, 2007 and 2006 after five years of losses and utilization of reserves. The profit results from an increase in annual service charges and reductions in operating and administrative expenses.

	Year Ended December 31,		
	2011	2010	2009
Operating revenues	$ 2,022,385	$ 1,739,237	$ 1,821,862
Operating expenses	1,965,924	1,815,527	1,751,117
Operating income (Loss)	56,461	(76,290)	70,745
Non-operating revenues/ (expenses) – net	1,133,980	(75,411)	(98,827)
Depreciation on assets purchased with contributed capital	370,915	286,414	286,414
Change in net assets	$ 1,561,356	$ 134,713	$ 258,332

Statements of Cash Flows

Net cash provided by operating activities was $643,074.

Net cash used by capital and related financing activities was $940,805.

Net cash provided by investing activities was $2,522.

The net decrease in cash was $295,209.

General

Authority operations comprise of operating a force main, pumping stations, effluent monitoring station and an outfall pipe in a district comprised of certain municipalities in the Bayshore area of Monmouth County. The employees of the Authority strive to provide cost effective, safe, reliable and protective services to its customers.

In 2005, the Authority undertook a review of operations and procedures which resulted in the creation of revised operations and maintenance manuals, the institution of a formal safety program, certain salary adjustments and a work force reduction. The Authority continues to strive to pay for performance and has generated greater and clarified accountabilities for its employees as well as annual reviews. It is the goal of the Authority that its employees be trained and knowledgeable in all aspects of the Authority's operations.

In 2008, the Authority completed an upgrade of the underground storage tank at the Union Beach Pumping Station in order to be in compliance with NJDEP. At the Belford Pumping Station a 500 gallon underground gasoline tank was removed. The Authority entered a gas purchase agreement with the Township of Middletown Sewerage Authority which continues today. The Authority also installed an electric gate as required by Homeland Security.

In 2008, the Authority was approved for two rebates from the New Jersey Office of Clean Energy under its CORE rebate program for the potential construction of solar facilities. The rebates are in the amount of $1.279 M for the Belford Facility and $1.464 M for the Union Beach Facility. During 2009 the Authority determined that it was technically and financially feasible to construct a solar facility at the Belford site and was successful in getting a one year extension for the CORE rebate. However, with respect to the Union Beach site it was determined that it was not financially feasible to utilize solar energy at the Union Beach plant due to the layout, the proximity of the neighbors and the construction cost so that rebate was returned.

In 2010, the Authority completed an inspection of the Equalization Basin Liner at the Union Beach Facility as required by the Authority's NJPDES permit. Cathodic testing, as required by the NJDEP and NJUAJIF was completed on both the Union Beach and Belford underground storage tanks. Authority personnel also refurbished the offices and conference room at the Belford Facility and purchased a storage shed to house equipment in order to make room in the garage for the two inverters the Solar system requires.

In 2011 the Authority completed a Solar Project at the Belford facility securing financing through a temporary $3.5M note. Upon completion of the project, the Authority utilized the rebate and permanent financing of $1.8 M obtained through the Monmouth County Improvement Authority, to pay back the note. The Authority Solar Project went online in January and the Authority earned 660 Solar Renewable Energy Credits (SREC's) during 2011. The SREC's were auctioned off publicly through an agreement with FLETT Exchange and generated $251K which helped reduce the annual charges to our customers. The Authority was awarded two awards for the Solar Energy Project. The NJDEP awarded the project a Stewardship Award and The Association of Environmental Authorities awarded it a Green Energy Award. In addition to the Solar Project the Authority also joined the New Jersey Sustainable Energy Joint Meeting to purchase electricity as a group and therefore reduce electricity costs for all sites.

Inspections were preformed on the outfall pipe and also the slump block area. The outside laboratory contract was put out to bid and Garden State Laboratories was awarded a two year contract. The Borough of Keansburg completed their tap in to the Authority's pipeline for their desalination plant project and it is now online. In October 2011, Lab employee Joseph Gielbeda retired. The Authority is currently interviewing candidates for the position. The Foreman and Lead Operator obtained their C4 license and the contracted C4 operator, Joseph Martone resigned.

The Authority continues to stress training and safety with all the employees and for 2011, was awarded a seven year accident free award from the NJUA Joint Insurance Fund. Quarterly Safety Meetings are held and employees continue to attend training classes and seminars. Two employees attended the NJUAJIF Safety Expo and took courses in snow plow safety, slip and fall prevention and a lock out/tag out refresher.

Major projected expense for 2012 includes a pipe repair project in the area of Coe Place. The area consists of a 90° elbow that was leaking due to joint movement. An internal seal was placed to stop the leak however it was discovered that the outside condition of this section of pipe as well as the inside is deteriorating and therefore its integrity compromised. Plans are currently being discussed as to the best option for this repair. Also, the Authority's NJPDES permit is up for renewal this year.

The Authority was very strict with budgeting and limiting expenses for 2012 and chose to not purchase a new vehicle. By utilizing the proceeds from the sale of SREC's the Authority was able to offer its customer authorities a reduction of almost 3% for the 2012 Budget.

The Authority is guided by or accountable to state government and the rules and regulations that govern the Monmouth County Bayshore Outfall Authority. The Authority is accountable to the Department of Community Affairs, Division of Local Government Services and the Department of Environmental Protection, and the United States Environmental Protection Agency.

The governing body of the Monmouth County Bayshore Outfall Authority consists of a 9 member board that is appointed by the Monmouth County Board of Chosen Freeholders to represent each of the municipalities served.

The Authority's Board members are:

Michael C. Sachs- Chairman
Paul J. Smith- Vice Chairman
Commissioners:
- Harry Aumack
- Alan Bateman
- Mary Foley
- Thomas J. Knox
- Elizabeth Loud-Hayward
- Robert A. Schoeffling
- J. Timothy Sodon

A resolution of the Authority's Board assigned Barbara Vilanova financial management and Board Secretary duties and Edward M. Tuberion, Jr., Foreman the lead with all operational and planning issues after the resignation of the Authority's Executive Director. The Authority employs a staff of 8 employees and an annual operating budget of $1,821,668.

BASIC FINANCIAL STATEMENTS

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY

COMPARATIVE STATEMENT OF NET ASSETS
DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Unrestricted assets:		
Cash and cash equivalents	$ 1,211,278.76	$ 791,912.52
Accounts receivable	28,735.08	14,106.80
Inventory	1,420.06	
Total unrestricted assets	1,241,433.90	806,019.32
Restricted assets:		
Bond service fund:		
Cash and cash equivalents	130,173.51	550.32
Bond reserve fund:		
Cash and cash equivalents	278,666.43	414,800.06
Renewal and replacement fund:		
Cash and cash equivalents	228,601.34	228,353.64
Construction fund:		
Project account - Cash and cash equivalents		695,307.35
Debt service account - Cash and cash equivalents		16,101.10
Due from N.J. Environmental Infrastructure Trust		2,681.00
Construction fund - Cash and cash equivalents	3,095.91	
Total restricted assets	640,537.19	1,357,793.47
Property, plant and equipment-net	8,440,768.66	9,061,038.66
Other assets:		
Unamortized debt issue costs-net	123,723.16	44,921.71
	$ 10,446,462.91	$ 11,269,773.16

See notes to financial statements.

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY

COMPARATIVE STATEMENT OF NET ASSETS
DECEMBER 31, 2011 AND 2010

	2011	2010
LIABILITIES		
Current liabilities payable from unrestricted assets:		
Accounts payable-operations	$ 119,174.14	$ 107,871.37
Current liabilities payable from restricted assets:		
Revenue bonds payable-current portion	331,232.32	411,720.96
Accrued interest payable	50,364.07	16,076.04
Project notes payable		3,500,000.00
Accounts payable-construction		58,250.78
Accrued interest payable-construction		53,666.67
Total current liabilities payable from restricted assets	381,596.39	4,039,714.45
Long-term liabilities:		
Outfall sewer bonds payable	3,143,907.56	1,720,628.52
Less current portion	331,232.32	411,720.96
	2,812,675.24	1,308,907.56
Unamortized bond premium - net	142,862.42	11,426.97
Reserve for compensated absences	86,824.62	88,963.73
Total long-term liabilities	3,042,362.28	1,409,298.26
Total liabilities	3,543,132.81	5,556,884.08
NET ASSETS		
Unrestricted:		
Unreserved net assets	2,870,535.70	1,517,250.76
Unreserved net assets-appropriated	100,000.00	100,000.00
Restricted:		
Future debt service	278,637.50	349,625.00
System reserve	100,000.00	100,000.00
Capital projects	3,095.91	714,089.45
Invested in capital assets, net of related debt	3,551,060.99	2,931,923.87
Total net assets	6,903,330.10	5,712,889.08
	$ 10,446,462.91	$ 11,269,773.16

See notes to financial statements.

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Operating revenues:		
Annual service charges:		
Township of Middletown Sewerage Authority	$ 791,623.15	$ 813,842.56
Bayshore Regional Sewerage Authority	978,553.85	924,394.44
Sale of Solar Renewable Energy Certificates (SRECs)	251,008.43	
County of Monmouth-Belford Ferry Terminal	1,200.00	1,000.00
	2,022,385.43	1,739,237.00
Operating expenses:		
Costs of providing services	1,012,591.87	1,096,798.75
Administrative and general expenses	259,437.41	217,811.35
Depreciation	322,980.20	214,503.00
	1,595,009.48	1,529,113.10
Operating income	427,375.95	210,123.90
Interest and other income (expenses):		
Interest on investments	2,521.82	3,882.55
Interest expense	(134,685.57)	(71,640.98)
Amortization of debt issue costs	(17,366.12)	(9,452.50)
Amortization of bond premium	15,997.65	1,800.25
	(133,532.22)	(75,410.68)
Capital contribution - New Jersey Clean Energy Rebate	1,267,512.00	
Increase (decrease) in net assets	1,561,355.73	134,713.22
Net assets - beginning of year	5,712,889.08	5,864,589.77
Depreciation on assets purchased with contributed capital	(370,914.71)	(286,413.91)
Net assets - end of year	$ 6,903,330.10	$ 5,712,889.08

See notes to financial statements.

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY

COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Cash flows from operating activities:		
Cash received from customers	$ 1,770,177.00	$ 1,738,237.00
Cash received from sales of Solar Renewable Energy Certificates	231,508.12	
Cash received from customers	1,200.00	
Cash paid to suppliers and employees	(1,259,413.65)	(1,338,034.77)
Interest paid on notes and bonds	(100,397.54)	(73,915.56)
	643,073.93	326,286.67
Cash flows from capital and related financing activities:		
Proceeds from project notes payable		3,500,000.00
Proceeds from Outfall Sewer Bonds (Series 2011)	1,835,000.00	
Proceeds from New Jersey Clean Energy Rebate	1,267,512.00	
Outfall Sewer Bonds (Series 2011) bond premium net of debt issue costs	51,265.53	
Proceeds from New Jersey Environmental Infrastructure Trust	2,681.00	
Acquisition of property, plant and equipment	(185,542.36)	(2,706,109.50)
Principal paid on Bonds, Trust and Project Notes	(3,911,720.96)	(389,653.89)
Net cash provided (used) by capital and related financing activities	(940,804.79)	404,236.61
Cash flows from investing activities:		
Interest on investments	2,521.82	3,882.55
Net cash provided by investing activities	2,521.82	3,882.55
Net increase (decrease) in cash and cash equivalents	(295,209.04)	734,405.83
Cash and cash equivalents-beginning of year	2,147,024.99	1,412,619.16
Cash and cash equivalents-end of year	1,851,815.95	2,147,024.99
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	1,561,355.73	134,713.22
Adjustments to reconcile net income to net cash provided by operating activities:		
Interest on investments	(2,521.82)	(3,882.55)
Depreciation of property, plant and equipment	322,980.20	214,503.00
Amortization of debt issue costs and bond premium	1,368.47	7,652.25
(Increase) in accounts receivable	(14,628.28)	(8,098.12)
(Increase) in inventory	(1,420.06)	
Increase (decrease) in accounts payable	11,302.77	(30,597.86)
Increase (decrease) in accrued interest payable	34,288.03	(2,274.58)
Proceeds from New Jersey Clean Energy Rebate	(1,267,512.00)	
Increase (decrease) in reserve for compensated absences	(2,139.11)	14,271.31
Net cash provided by operating activities	643,073.93	326,286.67
Supplemental disclosures of cash flow information:		
Cash and cash equivalents-unrestricted	1,211,278.76	791,912.52
Cash and cash equivalents-restricted	640,537.19	1,355,112.47
	$ 1,851,815.95	$ 2,147,024.99

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. GENERAL

Authorizing legislation -- The Monmouth County Bayshore Outfall Authority, a body politic and corporate, was created on March 18, 1969 by a resolution of the Board of Chosen Freeholders of the County of Monmouth pursuant to Chapter 123 of the Laws of 1946 of the State of New Jersey, as amended, N.J.S.A. 40:36-1 et seq. On April 8, 1978, due to the repeal of the aforementioned statutes, the Authority was reorganized as a county utilities authority pursuant to provisions of the Municipal Utilities Authority Law, constituting Chapter 183 of the Laws of 1957 of the State of New Jersey, as amended, N.J.S.A. 40:14B-1 et seq. The Authority is limited to construction and operation of a mainland trunk line, pumping stations, and an outfall sewer line in a district comprised of certain municipalities in the Bayshore area of Monmouth County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Financial Statements

The financial statements of the Authority have been prepared on the accrual basis and in accordance with generally accepted accounting principles in the United States of America applicable to enterprise funds of state and local governments. Revenues are recognized when earned and measurable and expenses are recognized when incurred.

b. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

c. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

New Jersey Statutes and the Authority's General Bond Resolution authorize the Authority to invest in obligations that are obligations of or guaranteed by the Federal Government and certain State managed funds whose investments are primarily in Federal securities and certain banking institutions. All marketable securities with a maturity date of more than ninety (90) days from the date of purchase are deemed to be investments of the Authority as defined in GASB #40.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Cash, Cash Equivalents (continued)

Statutes and the Authority's General Bond Resolution authorize the Authority to invest in obligations of the U.S. Treasury, certain other government backed securities, and the New Jersey Cash Management Fund. At December 31, 2011 and 2010, all cash and certificates of deposits were deemed cash and cash equivalents for the purposes of the Statement of Cash Flows.

All bank deposits as of the Statement of Net Assets date are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act.

Operating cash, in the form of checking and money market accounts, is held in the Authority's name by commercial banking institutions. At December 31, 2011, the carrying amount of the Authority's deposits was $610,778.04 and the bank balance was $615,510.85. Of the bank balance, $253,245.91 was insured with the Federal Deposit Insurance Corporation.

As of December 31, 2011, the Authority had funds invested in the State of New Jersey Cash Management Fund, the carrying value of which was $1,241,037.91.

There were no securities that met the definition of an investment under GASB #40. Credit risk and interest rate risk were therefore mitigated.

Concentration of Credit Risk:
Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have concentration of credit risk. The Authority places no limit on the amount the Authority may invest with any one issuer.

d. Grants

Grants externally restricted for non-operating purpose are recorded as contributed capital and identified as grants-in-aid. It is the policy of the Authority to record grants when cash is received.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Inventory

Inventory of supplies, estimated to be immaterial at year-end, is recorded as an expense when purchased and is not included in the comparative statement of net assets. High value repair parts are inventoried and expensed when utilized.

f. Property, Plant and Equipment

Costs of the system incurred to date consist of facilities constructed or acquired, cost of acquisition of land, easements and rights-of-way, and costs incidental to such construction or acquisitions, including engineering and inspection fees, costs of equipment, administrative and legal expenses, and interest on bonds incurred during the period of construction (less income earned on unexpended construction funds).

System construction costs are charged to construction in progress until such time as given segments of the system are completed and put into operation. Depreciation is provided for property owned by the Authority using the straight-line method. In accordance with the National Council of Government Accounting Statement 2, depreciation on assets acquired with capital contributions in aid of construction is recorded as a reduction of contributed capital (Note 4). The cost of property, plant and equipment is depreciated over the following estimated useful lives:

Pumping stations, outfall sewer line, monitoring station and maintenance garage	40 years
Office furniture and equipment	5-10 years
Vehicles	5 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Property, Plant and Equipment (continued)

Details of property, plant and equipment as of December 31, 2010 and 2009 are as follows:

	Balance December 31, 2010	Additions	Reclassification/ Dispositions	Balance December 31, 2011
Non-Depreciable Assets:				
Land and easements	$ 715,750.85	$	$	$ 715,750.85
Construction in progress	2,910,939.00	73,624.91	(2,984,563.91)	
Depreciable Assets:				
Pumping stations and	18,603,588.34			18,603,588.34
outfall sewer lines	101,454.68			101,454.68
Monitoring station			2,984,563.91	2,984,563.91
Maintenance garage	40,635.75			40,635.75
Office furniture and plant equipment	218,479.11			218,479.11
Vehicles	64,297.67			64,297.67
	22,655,145.40	73,624.91		22,728,770.31
Less accumulated depreciation	13,594,106.74	693,894.91		14,288,001.65
Property plant and equipment - net	$ 9,061,038.66	$ (620,270.00)	$	$ 8,440,768.66

Grants-in-Aid of construction/ as of December 31, 2011 and 2010 are as follows:

	Balance December 31, 2010	Additions	Dispositions	Balance December 31, 2011
United States Environmental Protection Agency	$ 7,681,561.00	$	$	$ 7,681,561.00
New Jersey Department of Environmental Protection	2,985,217.00			2,985,217.00
County of Monmouth	663,567.14			663,567.14
Reimbursements of cost:				
Upgrade pumps:				
Atlantic Highlands/ Highlands Regional Sewerage Auth.	126,211.34			126,211.34
New Jersey Clean Energy Rebate		1,267,512.00		1,267,512.00
	11,456,556.48	1,267,512.00		12,724,068.48
Less accumulated deprecation	10,626,492.92	370,914.71		10,997,407.63
Grants-in-Aid - net	$ 830,063.56	$ 896,597.29	$	$ 1,726,660.85

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Restricted Funds

In accordance with the 1972 Bond Resolution, the Authority has established the following cash and investment accounts for the deposit, in the priority of the order listed, of all revenue received by the Authority:

Account	Amount	Use for Which Restricted
Revenue	All revenue received by the Authority.	Authorized operating expenses and, as of the last day of each quarter, transfers to various accounts described below.
Construction	Proceeds of debt issued and construction grants-in-aid.	Construction costs of the project.
Bond Service (Current debt service)	Amount needed to pay matured principal and interest plus principal and interest due on the next payment dates, respectively.	Principal and interest on the bonds.
Bond Reserve (Future debt service)	Amount needed to equal the greatest amount of debt service due in any year.	Transfers to meet minimum levels required in the bond service account. Any excess may be transferred into the revenue account.
Renewal and Replacement (Maintenance reserve)	Amount needed to increase the balance to equal the renewal and replacement requirements as defined by the resolution.	Transfers to meet minimum levels required in the bond service or bond reserve accounts or major repairs, renewals and extensions of the system.
General	All remaining moneys after meeting all requirements of funds listed above.	At the discretion of the Authority, funds may be transferred to the Revenue Fund and used for any lawful purpose.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Unamortized Debt Issue Costs and Bond Premium

Deferred debt issue costs and bond premium incurred in connection with the 1972, 1994, 2002, 2003, 2005 and 2011 bond issues are being amortized over the life of the issues based on the interest method. Details of unamortized debt issue costs and bond premium as of December 31, 2011 and 2010 are as follows:

	Balance December 31, 2010	Additions	Balance December 31, 2011
Unamortized debt issue costs	$ 341,632.48	$ 96,167.57	$ 437,800.05
Less amortization	296,710.77	17,366.12	314,076.89
Debt issue cost-net	44,921.71	78,801.45	123,723.16
Unamortized bond premium	28,871.30	147,433.10	176.304.40
Less amortization	17,444.33	15,997.65	33,441.98
Bond premium-net	$ 11,426.97	$ 131,435.45	$ 142,862.42

i. Pension - Plan Description and Funding Policy

The Authority contributes to the Public Employees' Retirement System (PERS); a cost-sharing multiple-employer defined benefit pension plan administered by the Division of Pensions in the Department of the Treasury, State of New Jersey. The plan provides retirement, death, disability benefits and medical benefits to certain qualifying plan members and beneficiaries. The Public Employees' Retirement System was established January 1, 1955 under the provisions of N.J.S.A. 43:15A.

Employee contributions are based on employee's age at the time of enrollment. Employer's contributions are actuarially determined annually by the Division of Pensions.

Year Ended	Authority Contribution	Employee Contribution
2009	$ 33,248.00	$ 22,646.76
2010	38,032.00	22,588.18
2011	45,500.00	23,037.75

3. LONG-TERM REVENUE BONDS PAYABLE

Pursuant to a General Bond Resolution adopted March 23, 1972, as amended and supplemented by resolutions adopted December 29, 1972 and January 25, 1973, the Monmouth County Bayshore Outfall Authority authorized the issuance of its Outfall Sewer Bonds, Series 1972, in the principal amount of $2,200,000.00. The Bonds were issued to finance the costs of construction of sewerage disposal facilities, including an ocean outfall, a land section force main and pumping stations, to serve the Bayshore area of Monmouth County. Revenues and certain of the funds as set forth in the Resolution are pledged to secure the principal or redemption price of and interest on the bonds.

Pursuant to the 1994 Supplemental Bond Resolution adopted October 31, 1994, the Monmouth County Bayshore Outfall Authority authorized the issuance of its Outfall Sewer Bonds (Series 1994) in the principal amount of $2,465,000.00. The Bonds were issued to finance the costs of construction of a dechlorination/dissolved oxygen facility and the renovation of the Authority's pumping stations.

The Series 1994 Bonds due on and after December 31, 2006 are subject to redemption prior to maturity at the redemption prices (expressed as percentages of principal) shown in the following table:

Redemption Period (Both Dates Inclusive)		Redemption
From	To	Price
December 1, 2006	Thereafter	100%

2002 New Jersey Environmental Infrastructure Trust Bonds

On November 7, 2002, the Authority issued $ 970,000.00 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust 2002 financing program. The Trust Loan Bonds, in the amount of $ 475,000.00, mature annually from 2004 through 2022 and carry interest rates ranging from 3.00% to 5.25%. The Fund Loan Bonds, in the amount of $ 495,000.00 mature semi-annually from August 2003 through August 2022 and were issued on an interest free basis.

3. LONG-TERM REVENUE BONDS PAYABLE (continued)

2003 New Jersey Environmental Infrastructure Trust Bonds

On November 6, 2003, the Authority issued $ 241,297.00 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust 2003 financing program. The Trust Loan Bonds, in the amount of $ 125,000.00, mature annually from 2005 through 2022 and carry interest rates ranging from 3.00% to 5.00%. The Fund Loan Bonds, in the amount of $ 116,297.00 mature semi-annually from August 2004 through August 2022 and were issued on an interest free basis.

2005 New Jersey Environmental Infrastructure Trust Bonds

On November 10, 2005, the Authority issued $607,655 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust 2005 financing program. The Trust Loan Bonds, in the amount of $310,000.00 mature annually from 2007 through 2025 and carry interest rates ranging from 4.00% to 5.00%. The Fund Loan Bonds, in the amount of $297,655.00 mature semi-annually from August 2006 through 2025 and were issued on an interest free basis.

Outfall Sewer Bonds (Series 2011)

On January 24, 2011, The Authority issued $1,835,000.00 in Revenue Bonds to the Monmouth County Improvement Authority (MCIA) pursuant to the MCIA's 2011 Governmental Loan Program. The bonds mature annually from 2012 through 2026 and carry interest rates from 2.00% to 5.00%. The bonds were issued to finance the net cost of the construction of a solar power generating system and repay the project notes payable.

Bonds maturing on or before January 15, 2021 are not subject to redemption prior to their stated maturity dates. Bonds maturing on or after January 15, 2022, are subject to redemption commencing on January 15, 2021 at redemption prices equal to 100% of the principal amount of the bonds to be redeemed.

3. LONG-TERM REVENUE BONDS PAYABLE (continued)

Schedule of Aggregate Annual Debt Service for the Next Five Years and in Five Year Increments Thereafter:

Year	Bond Principal	Interest*	Total Debt Service
2012	$ 283,702.32	$ 114,765.00	$ 398,467.32
2013	187,271.45	105,690.00	292,961.45
2014	190,799.98	100,452.50	291,252,48
2015	189,328.50	95,430.00	284,758.50
2016	209,281.80	90,686.25	299,968.05
2017-2021	1,127,409.16	336,595.00	1,464,004.16
2022-2026	956,114.35	109,803.76	1,065,918.11
	$ 3,143,907.56	$ 953,422.51	$ 4,097,330.07

*Interest on 2002 Trust Bonds is net of Estimated Savings Credits

In the year ended December 31, 2008, unexpended construction funds due from the N.J. Environmental Infrastructure Trust were applied as a reduction of the final 2005 Fund Loan Bonds in the amount of $25,191.00. Starting with the February 1, 2009 payments, unexpended construction funds in the amount of $25,191.00 will be applied to the Trust Loan Bonds until fully utilized in 2010. Interest earned on unexpended construction funds will be applied to future payments.

4. PROJECT NOTE (Series 2010)

On March 25, 2010, the Authority issued $3,500,000 of Project Notes. The notes matured on March 1, 2011 and carried interest at the rate of 2.00%. At December 31, 2010 the Authority had unexpended construction funds of $695,307.35 and a debt service account of $16,101.10 from a premium on the sale of the notes and interest.

5. AMOUNTS REQUIRED BY BOND RESOLUTION

The following cash and investment accounts are required by the 1972 Bond Resolution and the 1994 Supplemental Bond Resolution as of December 31, 2010:

	Amount Required	Balance on Hand	Excess (Deficit)
Bond Service Fund	$ 232,393.75	$ 130,173.51	$ (102,220.24)
Bond Reserve Fund	278,637.50	278,666.43	28.93
Renewal and Replacement Fund	100,000.00	228,601.34	128,601.34

The deficit is available from the Revenue Fund and the General Fund-Unrestricted Accounts.

6. COMMITTMENTS AND CONTINGENCIES

In the fall of 2011, a leak in the area of Coe Place was discovered. The installation of internal seals did not resolve the problem and after investigation, a repair project was designed and advertised for bids. In November 2011, a contract was awarded to the apparent low bidder in the amount of $324,280. The contract included the construction of a thrust block to minimize joint movement

7. SUBSEQUENT EVENTS

When proceeding with the Coe Place repair project, it was determined that the condition of the pipe precluded the repairs anticipated in the original contract. Revised alternative plans were investigated and preliminary estimates of the repair approximate $750,000. The Authority has evaluated subsequent events through March 20, 2012, the date which the financial statements were available to be issued and no additional items were noted for discloser.

SUPPLEMENTARY INFORMATION

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY

Schedule 1

REVENUES, EXPENSES AND CHANGES IN NET ASSETS-RESERVED AND UNRESERVED
YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE TOTAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2010

	Unreserved		Bond Service Fund	Bond Reserve Fund	Renewal & Replacement Fund	Totals (Memo)	
	Unappropriated	Appropriated				2011	2010
Operating revenues:							
Annual service charges	$ 2,022,385.43	$	$	$	$	$ 2,022,385.43	$ 1,739,237.00
Budget appropriation-2010	85,000.00	(85,000.00)					
	2,107,385.43	(85,000.00)				2,022,385.43	1,739,237.00
Operating expenses:							
Costs of providing services	1,012,591.87					1,012,591.87	1,096,798.75
Administrative and general	259,437.41					259,437.41	217,811.35
Depreciation	322,980.20					322,980.20	214,503.00
	1,595,009.48					1,595,009.48	1,529,113.10
Operating income (loss)	512,375.95	(85,000.00)				427,375.95	210,123.90
Non-operating revenue (expenses):							
Interest on investments	1,491.98		175.17	606.97	247.70	2,521.82	3,882.55
Interest expense	(134,685.57)					(134,685.57)	(71,640.98)
Amortization of debt issue costs	(17,366.12)					(17,366.12)	(9,452.50)
Amortization of bond premium	15,997.65					15,997.65	1,800.25
	(134,562.06)		175.17	606.97	247.70	(133,532.22)	(75,410.68)
New Jersey Clean Energy Rebate	1,267,512.00					1,267,512.00	
Net income (loss) before transfers	1,645,325.89	(85,000.00)	175.17	606.97	247.70	1,561,355.73	134,713.22
Transfers:							
Budget appropriation-2011	(100,000.00)	100,000.00					
From (to) unrestricted assets	310,878.10			(310,878.10)			
From (to) restricted assets	(208,250.36)		34,112.86	174,137.50			
Increase (decrease) in net assets	1,647,953.63	15,000.00	34,288.03	(136,133.63)	247.70	1,561,355.73	134,713.22
Net assets January 1	4,968,659.34	85,000.00	16,076.04	414,800.06	228,353.64	5,712,889.08	5,864,589.77
Depreciation on assets purchased with contributed capital	(370,914.71)					(370,914.71)	(286,413.91)
Net assets December 31	$ 6,245,698.26	$ 100,000.00	$ 50,364.07	$ 278,666.43	$ 228,601.34	$ 6,903,330.10	$ 5,712,889.08

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY

Schedule 2

SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH AND CASH EQUIVALENTS
UNRESTRICTED ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2011

			General Funds				
	Trustee Revenue Account	Revenue Operating Account	General Fund	2002 Junior Lien Bond Service Account	2003 Junior Lien Bond Service Account	2005 Junior Lien Bond Service Account	Total
Cash and investments January 1, 2011	$ 312,202.30	$ 183,184.76	$ 296,525.46	$	$	$	$ 791,912.52
Cash receipts:							
Annual service charges	1,770,177.00						1,770,177.00
Solar project rebate		1,267,512.00					1,267,512.00
Sale of SRECs	231,508.12						231,508.12
Shared services agreement - Ferry Terminal	1,200.00						1,200.00
Interest on investments	286.12	860.81	321.60				1,468.53
Insurance proceeds		121.47					121.47
Cost reimbursement - N.J. Natural Gas project		13,111.62					13,111.62
Transfers from unrestricted account	56,119.94	310,878.10					366,998.04
Transfers from (to) unrestricted account	(1,494,034.33)	1,372,358.39		62,050.70	15,067.64	44,557.60	
Total cash and investments available	877,459.15	3,148,027.15	296,847.06	62,050.70	15,067.64	44,557.60	4,444,009.30
Cash disbursements:							
Operations		1,272,846.76					1,272,846.76
Construction in progress	53,500.00						53,500.00
Bond principal payments				44,234.83	10,642.12	31,844.01	86,720.96
Interest				17,287.50	4,370.00	12,000.00	33,657.50
Earnings,savings and project fund credits				(896.63)	(319.48)	(216.41)	(1,432.52)
Trust administration fees				1,425.00	375.00	930.00	2,730.00
Transfers to restricted assets	517,209.58	1,267,498.26					1,784,707.84
	570,709.58	2,540,345.02		62,050.70	15,067.64	44,557.60	3,232,730.54
Cash and investments December 31, 2011	306,749.57	607,682.13	296,847.06				1,211,278.76
Balance comprised of:							
Cash and cash equivalents:							
Cash		607,682.13					607,682.13
New Jersey Cash Management Fund	306,749.57		296,847.06				603,596.63
	$ 306,749.57	$ 607,682.13	$ 296,847.06	$	$	$	$ 1,211,278.76

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY

Schedule 3

SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH AND CASH EQUIVALENTS
RESTRICTED ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Bond Service Fund	Bond Reserve Fund	Renewal & Replacement Fund	2010 Project Account	2010 Debt Service Account	2011 Construction Fund	Total
Cash and investments January 1, 2010	$ 550.32	$ 414,800.06	$ 228,353.64	$ 695,307.35	$ 16,101.10	$	$ 1,355,112.47
Cash receipts:							
Serial bond proceeds					1,886,265.53		1,886,265.53
Interest received	175.17	606.97	247.70	19.45	17.74		1,067.03
Transfers from restricted assets		174,137.50		(572,684.11)	395,450.70	3,095.91	
Transfers (to) from unrestricted assets	517,209.58	(310,878.10)		(56,119.94)	1,267,498.26		1,417,709.80
Total cash and investments available	517,935.07	278,666.43	228,601.34	66,522.75	3,565,333.33	3,095.91	4,660,154.83
Cash disbursements:							
Construction in progress				66,522.75			66,522.75
Project note principal payment					3,500,000.00		3,500,000.00
Bond principal payments	325,000.00						325,000.00
Interest paid	62,761.56				65,333.33		128,094.89
	387,761.56			66,522.75	3,565,333.33		4,019,617.64
Cash and investments December 31, 2010	130,173.51	278,666.43	228,601.34			3,095.91	640,537.19
Balance comprised of:							
Cash and cash equivalents:							
Bank of New York Mellon						3,095.91	3,095.91
New Jersey Cash Management Fund	130,173.51	278,666.43	228,601.34				637,441.28
	$ 130,173.51	$ 278,666.43	$ 228,601.34	$	$	$ 3,095.91	$ 640,537.19

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY

Schedule 4

OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Cost of providing services:		
Operating labor	$ 371,411.47	$ 354,406.28
Employee benefits	191,758.47	180,633.84
Insurance	32,724.52	34,468.77
Repairs and supplies	108,970.62	81,652.55
Laboratory supplies	3,242.91	2,584.12
Outside licensed operator and technician	9,261.28	13,391.92
Outside laboratory services	62,328.51	62,942.68
Electricity	134,990.10	260,826.53
Fuel oil	10,590.00	9,894.86
Water and sewer	2,868.22	2,933.36
Truck maintenance and gasoline	7,658.59	4,752.05
Permit fees	76,787.18	88,311.79
	1,012,591.87	1,096,798.75
Administrative and general expenses:		
Salaries	93,478.72	95,916.10
Employee benefits	48,262.74	48,886.53
Telephone	5,248.25	5,487.05
Office supplies and expenses	9,143.37	7,070.53
Legal, engineering and accounting fees	84,852.26	44,240.65
Trustee fees	12,512.50	7,262.50
Other	5,939.57	8,947.99
	259,437.41	217,811.35
Depreciation	693,894.91	500,916.91
TOTAL	$ 1,965,924.19	$ 1,815,527.01

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY

Schedule 5

SCHEDULE OF OPERATING REVENUES AND EXPENSES FUNDED BY OPERATING REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2010

	2011 Budget	2011 Actual	2010 Actual
Revenues:			
Annual service charges	$ 1,770,177.00	$ 1,770,177.00	$ 1,738,237.00
County of Monmouth - Belford Ferry Terminal		1,200.00	1,000.00
Sale of Solar Renewable Energy Certificates	356,000.00	251,008.43	
Interest on Investments	4,000.00	2,521.82	3,882.55
Retained earnings appropriated-operations	100,000.00	100,000.00	85,000.00
	2,230,177.00	2,124,907.25	1,828,119.55
Expenses:			
Costs of providing services:			
Operating labor	371,273.00	371,411.47	354,406.28
Employee benefits	191,687.00	191,758.47	180,633.84
Insurance	47,000.00	32,724.52	34,468.77
Repairs and supplies	156,208.00	108,970.62	81,652.55
Laboratory supplies	3,000.00	3,242.91	2,584.12
Outside laboratory services and operator	70,000.00	71,589.79	76,334.60
Electricity	147,792.00	134,990.10	260,826.53
Fuel oil	10,000.00	10,590.00	9,894.86
Water and sewer	3,000.00	2,868.22	2,933.36
Truck maintenance and gasoline	3,500.00	7,658.59	4,752.05
Permit fees	100,000.00	76,787.18	88,311.79
	1,103,460.00	1,012,591.87	1,096,798.75
Administrative and general:			
Salaries	108,005.00	93,478.72	95,916.10
Employee benefits	42,921.00	48,262.74	48,886.53
Telephone	5,000.00	5,248.25	5,487.05
Office supplies and expenses	15,500.00	9,143.37	7,070.53
Legal, engineering and accounting fees	72,500.00	84,852.26	44,240.65
Trustee fees	14,000.00	12,512.50	7,262.50
Other	7,000.00	5,939.57	8,947.99
	264,926.00	259,437.41	217,811.35
Interest expense	128,360.00	134,685.57	71,640.98
Capital outlays:			
Construction in progress		73,624.91	2,806,940.75
Outfall sewer bonds issued		(1,835,000.00)	
Bond proceeds transferred to Bond Reserve Fund		174,137.50	
New Jersey Clean Energy Rebate		(1,267,512.00)	
Project notes payable - paid (issued)		3,500,000.00	(3,500,000.00)
Plant and office furniture and equipment			11,086.20
Sludge removal	400,000.00		
Renewal and Replacement Fund	(200,000.00)		
	200,000.00	645,250.41	(681,973.05)
Other costs funded by operating revenues:			
Principal maturity	533,431.00	411,720.96	389,653.89
	533,431.00	411,720.96	389,653.89
Total expenditures	2,230,177.00	2,463,686.22	1,093,931.92
Excess of revenues over (costs)		(338,778.97)	734,187.63
	$ 2,230,177.00	$ 2,124,907.25	$ 1,828,119.55

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY

Schedule 6

SCHEDULE OF REVENUE SERIAL BONDS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2011

Purpose	Date of Maturity	Annual Interest Rate	Outstanding December 31, 2010	Paid	Outstanding December 31, 2011
Original principal amount - $2,200,000.00	12/1/11	5.50%	$ 100,000.00	$ 100,000.00	$ -
Date of issue - 12/01/1972	12/1/12	4.50%	100,000.00		100,000.00
To finance the costs of construction of sewerage disposal facilities, including an ocean outfall, a land section force main and pumping stations.			$ 200,000.00	$ 100,000.00	$ 100,000.00

Purpose	Date of Maturity	Annual Interest Rate	Outstanding December 31, 2010	Paid	Outstanding December 31, 2011
Original principal amount - $2,465,000.00	12/1/11	6.45%	$ 225,000.00	$ 225,000.00	$ -
Date of issue - 12/29/1994					
To finance the costs of construction of a dechlorination/dissolved oxygen facility and the renovation of the Authority's pumping stations.					

Purpose	Date of Maturity	Annual Interest Rate	Outstanding December 31, 2010	Paid	Outstanding December 31, 2011
New Jersey Environmental	8/1/11	5.00%	$ 20,000.00	$ 20,000.00	$ -
Infrastructure Trust 2002	8/1/12	5.00%	25,000.00		25,000.00
Trust Loan Bonds	8/1/13	5.25%	25,000.00		25,000.00
Original principal amount - $475,000.00	8/1/14	5.25%	25,000.00		25,000.00
Date of issue - 11/07/2002	8/1/15	5.00%	25,000.00		25,000.00
To finance the cost of replacement of the basin liner at the Union Beach pumping station.	8/1/16	5.00%	30,000.00		30,000.00
	8/1/17	5.00%	30,000.00		30,000.00
	8/1/18	5.00%	30,000.00		30,000.00
	8/1/19	5.00%	30,000.00		30,000.00
	8/1/20	5.00%	35,000.00		35,000.00
	8/1/21	5.00%	35,000.00		35,000.00
	8/1/22	4.75%	34,304.00		34,304.00
			$ 344,304.00	$ 20,000.00	$ 324,304.00

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY

Schedule 6

SCHEDULE OF REVENUE SERIAL BONDS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2011

Purpose	Date of Maturity	Annual Interest Rate	Outstanding December 31, 2010	Paid	Outstanding December 31, 2011
New Jersey Environmental Infrastructure Trust 2002 Fund Loan Bonds Original principal amount - $495,000.00 Date of Issue - 11/07/2002 To finance the cost of replacement of the basin liner at the Union Beach pumping station.	2/1/11	Interest Free	$ 5,617.96	$ 5,617.96	$ -
	8/1/11		18,616.87	18,616.87	-
	2/1/12		5,292.99		5,292.99
	8/1/12		21,541.62		21,541.62
	2/1/13		4,886.77		4,886.77
	8/1/13		21,135.41		21,135.41
	2/1/14		4,460.25		4,460.25
	8/1/14		20,708.88		20,708.88
	2/1/15		4,033.72		4,033.72
	8/1/15		20,282.36		20,282.36
	2/1/16		3,627.50		3,627.50
	8/1/16		23,125.87		23,125.87
	2/1/17		3,140.04		3,140.04
	8/1/17		22,638.41		22,638.41
	2/1/18		2,652.58		2,652.58
	8/1/18		22,150.95		22,150.95
	2/1/19		2,165.13		2,165.13
	8/1/19		21,663.49		21,663.49
	2/1/20		1,677.67		1,677.67
	8/1/20		24,425.76		24,425.76
	2/1/21		1,108.96		1,108.96
	8/1/21		23,857.06		23,857.06
	2/1/22		540.26		540.26
	8/1/22		22,592.54		22,592.54
			$ 301,943.05	$ 24,234.83	$ 277,708.22

Purpose	Date of Maturity	Annual Interest Rate	Outstanding December 31, 2010	Paid	Outstanding December 31, 2011
New Jersey Environmental Infrastructure Trust 2003 Trust Loan Bonds Original principal amount - $125,000.00 Date of Issue - 11/06/2003 To finance the additional cost of replacement of the basin liner at the Union Beach pumping station.	8/1/11	5.00%	$ 5,000.00	$ 5,000.00	$ -
	8/1/12	5.00%	5,000.00		5,000.00
	8/1/13	5.00%	5,000.00		5,000.00
	8/1/14	5.00%	5,000.00		5,000.00
	8/1/15	4.00%	5,000.00		5,000.00
	8/1/16	4.00%	10,000.00		10,000.00
	8/1/17	4.20%	10,000.00		10,000.00
	8/1/18	4.25%	10,000.00		10,000.00
	8/1/19	5.00%	10,000.00		10,000.00
	8/1/20	5.00%	10,000.00		10,000.00
	8/1/21	4.50%	10,000.00		10,000.00
	8/1/22	4.75%	10,000.00		10,000.00
			$ 95,000.00	$ 5,000.00	$ 90,000.00

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY

Schedule 6

SCHEDULE OF REVENUE SERIAL BONDS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2011

Purpose	Date of Maturity	Annual Interest Rate	Outstanding December 31, 2010	Paid	Outstanding December 31, 2011
New Jersey Environmental	2/1/11	Interest	$ 1,315.69	$ 1,315.69	$ -
Infrastructure Trust 2003	8/1/11	Free	4,326.43	4,326.43	-
Fund Loan Bonds	2/1/12		1,240.42		1,240.42
Original principal amount - $116,297.00	8/1/12		4,251.16		4,251.16
Date of issue - 11/06/2003	2/1/13		1,165.15		1,165.15
To finance the additional cost of	8/1/13		4,175.89		4,175.89
replacement of the basin liner at the	2/1/14		1,089.88		1,089.88
	8/1/14		4,100.62		4,100.62
	2/1/15		1,014.61		1,014.61
	8/1/15		4,025.35		4,025.35
	2/1/16		954.40		954.40
	8/1/16		6,975.88		6,975.88
	2/1/17		833.97		833.97
	8/1/17		6,855.45		6,855.45
	2/1/18		707.52		707.52
	8/1/18		6,729.00		6,729.00
	2/1/19		579.56		579.56
	8/1/19		6,601.04		6,601.04
	2/1/20		429.03		429.03
	8/1/20		6,450.50		6,450.50
	2/1/21		278.49		278.49
	8/1/21		6,299.97		6,299.97
	2/1/22		143.01		143.01
	8/1/22		6,164.65		6,164.65
			$ 76,707.67	$ 5,642.12	$ 71,065.55

Purpose	Date of Maturity	Annual Interest Rate	Outstanding December 31, 2010	Paid	Outstanding December 31, 2011
New Jersey Environmental	8/1/11	5.00%	$ 15,000.00	$ 15,000.00	$ -
Infrastructure Trust 2005	8/1/12	5.00%	15,000.00		15,000.00
Trust Loan Bonds	8/1/13	5.00%	15,000.00		15,000.00
Original principal amount - $310,000.00	8/1/14	5.00%	15,000.00		15,000.00
Date of issue - 11/10/2005	8/1/15	4.00%	15,000.00		15,000.00
To finance the cost of repairs to	8/1/16	4.00%	15,000.00		15,000.00
the ocean outfall	8/1/17	4.00%	15,000.00		15,000.00
	8/1/18	4.25%	15,000.00		15,000.00
	8/1/19	4.25%	20,000.00		20,000.00
	8/1/20	4.50%	20,000.00		20,000.00
	8/1/21	4.38%	20,000.00		20,000.00
	8/1/22	4.38%	20,000.00		20,000.00
	8/1/23	4.38%	20,000.00		20,000.00
	8/1/24	4.38%	25,000.00		25,000.00
	8/1/25	4.38%	25,000.00		25,000.00
			$ 270,000.00	$ 15,000.00	$ 255,000.00

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY

Schedule 6

SCHEDULE OF REVENUE SERIAL BONDS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2011

Purpose	Date of Maturity	Annual Interest Rate	Outstanding December 31, 2010	Paid	Outstanding December 31, 2011
New Jersey Environmental	2/1/11	Interest	$ 3,743.11	$ 3,743.11	$ -
Infrastructure Trust 2005	8/1/11	Free	13,100.90	13,100.90	-
Fund Loan Bonds	2/1/12		3,509.17		3,509.17
Original principal amount - $297,655.00	8/1/12		12,866.96		12,866.96
Date of issue - 11/10/2005	2/1/13		3,275.22		3,275.22
To finance the cost of repairs to	8/1/13		12,633.01		12,633.01
the ocean outfall	2/1/14		3,041.28		3,041.28
	8/1/14		12,399.07		12,399.07
	2/1/15		2,807.33		2,807.33
	8/1/15		12,165.13		12,165.13
	2/1/16		2,620.18		2,620.18
	8/1/16		11,977.97		11,977.97
	2/1/17		2,433.02		2,433.02
	8/1/17		11,790.81		11,790.81
	2/1/18		2,245.87		2,245.87
	8/1/18		11,603.66		11,603.66
	2/1/19		2,047.01		2,047.01
	8/1/19		14,524.07		14,524.07
	2/1/20		1,781.87		1,781.87
	8/1/20		14,258.93		14,258.93
	2/1/21		1,501.14		1,501.14
	8/1/21		13,978.20		13,978.20
	2/1/22		1,228.21		1,228.21
	8/1/22		13,705.26		13,705.26
	2/1/23		955.27		955.27
	8/1/23		13,432.33		13,432.33
	2/1/24		682.33		682.33
	8/1/24		7,366.49		7,366.49
			$ 207,673.80	$ 16,844.01	$ 190,829.79

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY

Schedule 6

SCHEDULE OF REVENUE SERIAL BONDS PAYABLE

Purpose	Date of Maturity	Annual Interest Rate	Outstanding December 31, 2010	Issued	Outstanding December 31, 2011
Outfall Sewer Bonds (Serier 2011)	1/15/12	2.00%	$ -	$ (90,000.00)	$ 90,000.00
Original principal amount - $1,835,000.00	1/15/13	3.00%	-	(95,000.00)	95,000.00
Date of issue - 1/24/2011	1/15/14	3.00%	-	(100,000.00)	100,000.00
To finance the cost of the solar power generating	1/15/15	2.50%	-	(100,000.00)	100,000.00
system and repay the project notes payable	1/15/16	2.75%	-	(105,000.00)	105,000.00
	1/15/17	5.00%	-	(105,000.00)	105,000.00
	1/15/18	5.00%	-	(110,000.00)	110,000.00
	1/15/19	5.00%	-	(120,000.00)	120,000.00
	1/15/20	5.00%	-	(125,000.00)	125,000.00
	1/15/21	5.00%	-	(130,000.00)	130,000.00
	1/15/22	5.00%	-	(135,000.00)	135,000.00
	1/15/23	5.00%	-	(145,000.00)	145,000.00
	1/15/24	5.00%	-	(150,000.00)	150,000.00
	1/15/25	5.00%	-	(160,000.00)	160,000.00
	1/15/26	5.00%	-	(165,000.00)	165,000.00
			$ -	$ (1,835,000.00)	$ 1,835,000.00
Bonds paid				411,720.96	
Bonds issued				(1,835,000.00)	
Grand Total			$ 1,720,628.52	$ (1,423,279.04)	$ 3,143,907.56

SCHEDULE OF PROJECT NOTES PAYABLE

Purpose	Date of Maturity	Annual Interest Rate	Outstanding December 31, 2010	Paid	Outstanding December 31, 2011
Monmouth County Bayshore Outfall Authority Project Notes (Series 2010) Original principal amount - $3,500,000.00 Date of issue - 3/25/2010 To finance the cost of installation of a solar power generating system	3/1/2011	2.00%	$ 3,500,000.00	$ 3,500,000.00	$ -

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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
Monmouth County Bayshore Outfall Authority
Belford, New Jersey

We have audited the financial statements of the Monmouth County Bayshore Outfall Authority (the "Authority"), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated March 20, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify any deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*

Compliance

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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the management and members of the Authority's Board and for filing with the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not intended to be and should not be used by anyone other than these specified parties.

Panis & Attner, P.A.

PANIS & ATTNER, P.A.

March 20, 2012

GENERAL COMMENTS AND RECOMMENDATIONS

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GENERAL COMMENTS AND RECOMMENDATIONS

Honorable Chairman and Members of the
Monmouth County Bayshore Outfall Authority
Belford, New Jersey

We have examined the financial statements of the Monmouth County Bayshore Outfall Authority as of December 31, 2011, and have issued our report thereon dated March 20, 2012. As part of our examination, we made a study and evaluation of the system of internal accounting control of the Authority to the extent we deemed necessary to evaluate the system as required by generally accepted auditing standards.

The purpose of our study and evaluation was to determine the nature, timing and extent of performing the auditing procedures necessary for expressing an opinion on the financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the purpose described in the second paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Authority taken as a whole. However, our study and evaluation disclosed no conditions that we believe to be material weaknesses.

This report is intended solely for the use of management and the Division of Local Government Services and should not be used for any other purpose.

GENERAL COMMENTS AND RECOMMENDATIONS (continued)

RECOMMENDATIONS

None

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

ACKNOWLEDGMENT

Authority personnel complied with all prior year recommendations contained in the corrective action plan.

We wish to express our appreciation for the cooperation from the Monmouth County Bayshore Outfall Authority officials and employees, and for the courtesies extended to us during the course of the audit.

Panis & Attner, P.A.

PANIS & ATTNER, P.A.

March 20, 2012