

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)

Financial Statements and Supplementary Information

For the years ended December 31, 2020 and 2019

(With Independent Auditor's Report thereon)

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township Jackson, County of Ocean, State of New Jersey)
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For the years ended December 31, 2020 and 2019

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JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
of the Jackson Township Municipal Utilities Authority
County of Ocean
Jackson Township, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities of the Jackson Township Municipal Utilities Authority (hereafter referred to as the "Authority"), a component unit of the Township of Jackson, County of Ocean, State of New Jersey, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of December 31, 2020 and 2019 and the respective changes in financial position and cash flows thereof for the years then ended in accordance 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 other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jackson Township Municipal Utilities Authority's basic financial statements. The other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance is also presented for purposes of additional analysis as required by New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* and is not a required part of the basic financial statements.

The accompanying supplementary information and the schedule of expenditures of state financial assistance, as listed in the table of contents, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information as listed in the table of contents schedule of revenues and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2022 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* in considering the Authority's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

March 9, 2022
Lakewood, New Jersey



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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) is an element of required supplementary information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" issued in June 1999.

Financial Statements

The financial statements included on this report are the statement of net position, statement of revenues, expenses and changes in net position and statement of cash flows as of and for the years ended December 31, 2020 and 2019.

The statement of net position show the financial position of the Jackson Township Municipal Utilities Authority (Authority) at December 31st of each year. Assets are compared with liabilities and net position is the result.

The statement of revenues, expenses, and changes in net position measure performance for each year and how this performance impacts the Authority's net position.

Finally, the statement of cash flows demonstrates why cash balances increased or decreased during the year.

Financial Analysis

The Authority, at December 31, 2020, had total assets and deferred outflow of resources of \$121,277,756 compared to \$118,875,442 at December 31, 2019. The total assets and deferred outflow of resources increased by \$2,402,314 from 2019 to 2020 primarily due to an increase in construction in progress related to the New Jersey Infrastructure Bank project which include: the Six Flag Great Adventure Water Treatment Plant replacement to be owned and operated by the Authority currently under construction. The Authority, at December 31, 2019, had total assets and deferred outflow of resources of \$118,875,442 compared to \$110,662,000 at December 31, 2018. The total assets and deferred outflow of resources increased by \$8,213,442 from 2018 to 2019 primarily due to an increase in construction in progress related to New Jersey Infrastructure Bank projects which include: a replacement 2 Million Gallon Water Tank, Warehouse, Booster Station, Western Water Main Extension and the Six Flag Great Adventure Water Treatment Plant replacement to be owned and operated by the Authority that were under construction.

The Authority's liabilities and deferred inflow of resources of \$59,205,621 at year end December 31, 2020 increased from the December 31, 2019 balance of \$57,101,437 primarily due to the Authority obtaining new construction loans through New Jersey Infrastructure Bank for the above-mentioned capital improvement projects that were under construction in the amount of \$2,302,538. The Authority's liabilities and deferred inflow of resources of \$57,101,437 at year end December 31, 2019 increased from the December 31, 2018 balance of \$50,356,986 due primarily to the Authority obtaining new construction loans through New Jersey Infrastructure Bank for the above-mentioned capital improvement projects that were under construction in the amount of \$9,923,895.

In summary, the Authority's net position for the year ended December 31, 2020 reflects an increase of \$298,130 from 2019, which was primarily due to a net gain of \$190,089 in addition to \$108,041 worth of capital contributions. The Authority's net position for the year ended December 31, 2019 reflects an increase of \$1,468,991 from 2018, which was

primarily due to a net loss of \$235,264 offset by \$1,704,255 worth of capital contributions. The Authority's activity for the year improved from 2019 to 2020, with the exception of capital contributions received. The Authority's net gain for 2020 was \$190,089 which includes \$3,838,432 for annual depreciation and amortization. The increase in the net income of \$425,353 before contributions from 2019 to 2020 was due primarily to a decrease in operating/non-operating expenses of \$132,986, while operating/non-operating revenues increased by \$292,367. The capital contributions received for the year, which represent water and sewer infrastructure that is accepted by the Authority, totaled \$108,041 in 2020 compared to \$1,704,255 in 2019.

The Authority's net loss for 2019 was \$235,264 which includes \$3,645,731 for annual depreciation and amortization. The decrease in the net loss of \$409,199 from 2018 to 2019 was due primarily to a decrease in operating/non-operating expenses of \$354,223, while operating/non-operating revenues increased by \$54,976. The capital contributions received for the year, which represent water and sewer infrastructure that is accepted by the Authority, totaled \$1,074,255 in 2019 compared to \$1,021,234 in 2018.

Condensed Financial Information

Key Authority financial information for the years 2020, 2019, and 2018 include the following balances:

ASSETS			
	2020	2019	2018
Unrestricted current assets	\$ 10,529,171	\$ 11,283,019	\$ 9,605,708
Restricted current assets	3,728,078	3,619,059	6,010,874
Property, plant and equipment, net of depreciation	102,768,631	102,817,313	93,198,216
Total assets	<u>117,025,880</u>	<u>117,719,391</u>	<u>108,814,798</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows related to pensions	995,837	1,028,810	1,701,410
Deferred outflows related to other postemployment benefits	3,256,039	127,241	145,792
Total deferred outflow of resources	<u>4,251,876</u>	<u>1,156,051</u>	<u>1,847,202</u>
Total assets and deferred outflow of resources	<u>\$ 121,277,756</u>	<u>\$ 118,875,442</u>	<u>\$ 110,662,000</u>
LIABILITIES			
Current liabilities payable from current unrestricted assets	\$ 1,037,160	\$ 1,217,876	\$ 2,222,569
Current liabilities payable from current restricted assets	22,308,387	26,942,837	16,909,352
Non-current liabilities	27,772,325	20,463,606	23,847,958
Total liabilities	<u>51,117,872</u>	<u>48,624,319</u>	<u>42,979,879</u>
DEFERRED INFLOW OF RESOURCES			
Deferred inflows related to pensions	2,400,450	2,275,678	2,243,477
Deferred inflows related to other postemployment benefits	5,345,299	5,812,440	4,697,630
Gain on loan refundings, net of accumulated amortization	342,000	389,000	436,000
Total deferred inflow of resources	<u>8,087,749</u>	<u>8,477,118</u>	<u>7,377,107</u>
NET POSITION			
Net investment in capital assets	69,158,259	68,384,416	67,551,984
Restricted for bond service fund	1,121,024	860,227	858,215
Restricted for bond reserve fund	-	516,684	518,548
Closure account	50,000	50,000	50,000
Unrestricted	(8,257,148)	(8,037,322)	(8,673,733)
Total net position	<u>62,072,135</u>	<u>61,774,005</u>	<u>60,305,014</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 121,277,756</u>	<u>\$ 118,875,442</u>	<u>\$ 110,662,000</u>

OTHER FINANCIAL INFORMATION:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total operating and non-operating revenues	\$ 13,228,065	\$ 12,935,698	\$ 12,880,722
Total operating and non-operating expenses	<u>13,037,976</u>	<u>13,170,962</u>	<u>13,525,185</u>
Deficiency of revenues over expenses	<u>\$ 190,089</u>	<u>\$ (235,264)</u>	<u>\$ (644,463)</u>
Capital additions	\$ 3,750,114	\$ 12,252,298	\$ 13,695,527
Capital contributions	\$ 108,041	\$ 1,704,255	\$ 1,021,234
Connection fees - non-cash	\$ 422,211	\$ 453,506	\$ 862,708
Bonds and notes paid down	\$ 2,958,202	\$ 1,090,230	\$ 1,062,547
Bonds and notes received	\$ 2,302,538	\$ 9,923,896	\$ 9,801,877
Bonds and notes payable	\$ 33,268,372	\$ 34,043,897	\$ 25,210,232

The Authority's 2020 operating revenues were below budget expectations by \$1,646,428 mainly due to lower than expected water usage, as well as fewer than expected connection fees which were lower in 2020 compared to 2019 due to various projects still under construction. Authority 2019 operating revenues were below budget expectations by \$1,453,102 for similar reasons as 2020.

The Authority's total 2020 operating expenses were under budget by \$1,029,328 for the year due to lower employee benefits, pension expense, OCUA charges, repair and maintenance, utilities, field salaries and payroll taxes. Some of which related to COVID restrictions as well as capitalizing staff time associated with the Authority's NJIB Western Water Main Extension and the Six Flag Great Adventure Water Treatment Plant replacement projects during 2020. Various other expense lines make up the remainder of the savings.

The Authority's total 2019 operating expenses were under budget by \$523,541 for the year due to lower employee benefits, pension expense, field salaries and payroll taxes due to capitalizing staff time related to the Authority's NJIB projects during 2019. Various other expense lines make up the remainder of the savings.

The Authority's financial report is designed to provide users of the financial statements with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. The financial statements of the Authority are a matter of public record and may be examined at 135 Manhattan Street, Jackson, New Jersey during the Authority's business hours.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Statements of Net Position
December 31, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
Current unrestricted assets:		
Cash and cash equivalents	\$ 6,190,153	\$ 7,627,359
Accounts receivable	4,101,957	3,484,550
Insurance receivable	8,486	-
Inventory	227,316	162,416
Other assets	1,259	8,694
Total current unrestricted assets	<u>10,529,171</u>	<u>11,283,019</u>
Current restricted assets:		
Cash and cash equivalents	2,673,882	1,832,893
NJIB loan funds receivable	1,054,196	1,786,166
Total current restricted assets	<u>3,728,078</u>	<u>3,619,059</u>
Total current assets	<u>14,257,249</u>	<u>14,902,078</u>
Capital assets:		
Non-depreciable	19,721,565	30,085,994
Depreciable	138,595,841	124,481,297
Accumulated depreciation	<u>(55,548,775)</u>	<u>(51,749,978)</u>
Net capital assets	<u>102,768,631</u>	<u>102,817,313</u>
Total assets	<u>117,025,880</u>	<u>117,719,391</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflows related to pensions	995,837	1,028,810
Deferred outflows related to other postemployment benefits	3,256,039	127,241
Total deferred outflow of resources	<u>4,251,876</u>	<u>1,156,051</u>
Total assets and deferred outflow of resources	<u>\$ 121,277,756</u>	<u>\$ 118,875,442</u>

The accompanying notes are an integral part of these financial statements.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Statements of Net Position (continued)
December 31, 2020 and 2019

	2020	2019
LIABILITIES		
Current liabilities payable from current unrestricted assets:		
Accounts payable	\$ 559,546	\$ 762,673
Accrued expenses	113,506	149,129
Pensions payable	364,108	306,074
Total current liabilities payable from current unrestricted assets	1,037,160	1,217,876
Current liabilities payable from current restricted assets:		
Current portion of bond's payable	-	410,000
Current portion of loan's payable - NJIB	901,107	681,619
Current portion of loan payable - other	30,000	30,000
Construction loans - NJIB	20,773,835	25,348,099
Accrued interest payable	79,131	71,610
Developer and customer deposits	524,314	401,509
Total current liabilities payable from current restricted assets	22,308,387	26,942,837
Total current liabilities	23,345,547	28,160,713
Non-current liabilities:		
Long-term portion of bonds payable	-	1,840,000
Long-term portion of loans payable - NJIB	11,443,430	5,584,179
Long-term portion of loan payable - other	120,000	150,000
Compensated absences payable	275,050	194,151
Net pension liability	5,427,718	5,669,742
Net other postemployment benefit liability	10,506,127	7,025,534
Total non-current liabilities	27,772,325	20,463,606
Total liabilities	51,117,872	48,624,319
DEFERRED INFLOW OF RESOURCES		
Deferred inflows related to pensions	2,400,450	2,275,678
Deferred inflows related to other postemployment benefits	5,345,299	5,812,440
Gain on loan refundings, net of accumulated amortization	342,000	389,000
Total deferred inflow of resources	8,087,749	8,477,118
NET POSITION		
Net investment in capital assets	69,158,259	68,384,416
Restricted and unrestricted net position:		
Restricted for debt service fund	1,121,024	860,227
Restricted for bond reserve fund	-	516,684
Closure account	50,000	50,000
Unrestricted	(8,257,148)	(8,037,322)
Total restricted and unrestricted net position	(7,086,124)	(6,610,411)
Total net position	62,072,135	61,774,005
Total liabilities, deferred inflow of resources and net position	\$ 121,277,756	\$ 118,875,442

The accompanying notes are an integral part of these financial statements.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Statements of Revenue, Expenses and Changes in Net Position
For the years ended December 31, 2020 and 2019

	2020	2019
Operating revenues:		
Water and sewer charges	\$ 11,811,361	11,568,378
Connection fees	523,568	539,782
Antenna lease	353,734	338,950
Miscellaneous	233,457	213,609
Total operating revenues	12,922,120	12,660,719
Operating expenses:		
Cost of providing services	8,956,502	8,668,659
Depreciation	3,838,432	3,645,731
Total operating expenses	12,794,934	12,314,390
Operating income	127,186	346,329
Non-operating revenues/(expenses):		
Interest income	121,663	208,768
Interest expense	(218,515)	(278,867)
Insurance reimbursement	8,857	16,870
Gain on sale of assets	8,564	2,341
Loss on disposal of assets	-	(558,226)
Trustees' fees	(22,027)	(19,479)
NJIB loan issuance costs	(2,500)	-
Amortization of gain on refunding	47,000	47,000
Debt service reimbursement	119,861	-
Total non-operating revenue/(expenses)	62,903	(581,593)
Net income/(loss) before contributions	190,089	(235,264)
Capital contributions	108,041	1,704,255
Total capital contributions	108,041	1,704,255
Net income	298,130	1,468,991
Net position, January 1	61,774,005	60,305,014
Net position, December 31	\$ 62,072,135	\$ 61,774,005

The accompanying notes are an integral part of these financial statements.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Statements of Cash Flows
For the years ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Cash received from service users	\$ 13,028,197	\$ 15,060,509
Cash paid to suppliers and employees	(9,075,042)	(8,315,099)
Net cash provided by operating activities	3,953,155	6,745,410
Cash flows from investing activities:		
Interest income	121,663	208,768
Trustees' fees	(22,027)	(19,479)
Net cash provided by investing activities	99,636	189,289
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(3,789,750)	(13,264,828)
Insurance reimbursement	8,857	16,870
Principal repayment on debt	(2,958,202)	(1,090,230)
Interest paid on debt	(218,515)	(278,867)
Proceeds received from NJIB loan funds receivable	2,302,538	9,923,896
NJIB loan issuance costs	(2,500)	-
Loss from sale of assets	8,564	(555,885)
Net cash used by capital and related financing activities	(4,649,008)	(5,249,044)
Net change in cash and cash equivalents	(596,217)	1,685,655
Unrestricted and restricted cash and cash equivalents, January 1	9,460,252	7,774,597
Unrestricted and restricted cash and cash equivalents, December 31	\$ 8,864,035	\$ 9,460,252
 Reconciliation to statement of net position:		
Current unrestricted assets:		
Cash and cash equivalents	\$ 6,190,153	\$ 7,627,359
Current restricted assets:		
Cash and cash equivalents	2,673,882	1,832,893
Unrestricted and restricted cash, December 31	\$ 8,864,035	\$ 9,460,252

The accompanying notes are an integral part of these financial statements.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Statements of Cash Flows (continued)
For the years ended December 31, 2020 and 2019

	2020	2019
Reconciliation of operating (loss)/income to cash flows from operating activities:		
Operating income	\$ 127,186	\$ 346,329
Adjustments to reconcile operating (loss)/income to net cash provided by operating activities:		
Items which did not use cash:		
Depreciation	3,838,432	3,645,731
Contributed capital	108,041	1,704,255
Budgeted pension expense	-	230,504
Unbudgeted pension credit	(26,245)	(219,405)
Unbudgeted OPEB expense	(115,346)	(463,856)
Working capital changes which (used)/provided cash:		
Accounts receivable	(617,407)	(40,242)
Inventory	(64,900)	6,108
Insurance receivable	(8,486)	9,090
Other assets	7,435	(5,739)
Accounts payable	(203,127)	(843,500)
Accrued expenses	(28,102)	(153,976)
Developer and customer deposits	122,805	85,638
Compensated absences	80,899	13,531
NJIB loan funds receivable	731,970	2,430,942
Net cash provided by operating activities	\$ 3,953,155	\$ 6,745,410

The accompanying notes are an integral part of these financial statements.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements
For the years ended December 31, 2020 and 2019

NOTE 1: ORGANIZATION

The Jackson Township Municipal Utilities Authority (hereafter referred to as the “Authority”) was created by Ordinance 1-64 of the Township of Jackson, dated March 3, 1964. The Authority has a service contract with the Township of Jackson dated December 7, 1995, under which the Township has agreed to pay annual charges, if necessary, to supplement the Authority’s income to pay debt service on certain obligations of the Authority.

The purposes for which the Authority was created include the acquisition and/or construction of plants and distribution systems to provide an adequate supply of water and the acquisition and/or construction of sewer facilities for the disposition and treatment of sewerage for the relief of waters from pollution.

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 wastewater and sewerage sludge. The statutes were enacted as the “Municipal and Counties Utilities Authorities Law”, and are codified in New Jersey Statutes Annotated as *N.J.S.A. 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 *N.J.S.A. 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.

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

The Authority is considered to be a “Component Unit” of the Township of Jackson under accounting principles generally accepted in the United States of America (“GAAP”). This determination is based on the oversight responsibility of the Township, which manifests itself primarily in the selection of members of the Authority and on accountability for fiscal matters as evidenced by the Deficiency Advance Contract dated December 7, 1995, which obligates the Township to provide for any deficits of the Authority which will be refunded to the Township through subsequent collection of user fees.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and deferred inflow or outflow of resources associated with the operations are included on the statement of net position.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Net position (i.e., total assets net of total liabilities) are segregated into invested capital assets, net of related debt; restricted for capital activity; restricted for debt service; and unrestricted components.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenue Exchange and Non-Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Water and sewer service charges are recognized as revenue when services are provided. Connection fees are collected in advance or utilizing time payments in accordance with Jackson Township Ordinance 23-07 (Water Connections) and 38-01 (Sewer Connections). The Authority bills water and/or sewer service/usage charges upon the installation of a meter in accordance with the Authority's Rules & Regulations.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Expenses – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with *N.J.A.C. 5:31-2*. *N.J.A.C. 5:31-2* requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt no later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the year by resolution of the Board of Commissioners. The budgetary basis of accounting is utilized to determine the Authority has sufficient cash to operate and pay debt service. As such, bond payments are included in the budgetary expenses as well as depreciation which is not required but necessary as good practice to account for the Authority's Renewal and Replacement initiatives.

The legal level of budgetary control is established at the detail shown on the Statements of Revenues, Expenses and Changes in Net Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance.

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Notes to Financial Statements (continued)
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash in banks and may include petty cash and change funds. It may also include all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey Authorities are required by *N.J.S.A. 40A:5-14* to deposit public funds into a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States of America or State of New Jersey or the New Jersey Cash Management Fund. *N.J.S.A. 40A:5-15.1* provides a list of securities which may be purchased by New Jersey Authorities. The Authority is required by *N.J.S.A. 17:9-41* to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

Additionally, the Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of GUPDA. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

Accounts Receivable

The Authority bills its customers quarterly based on actual usage. A portion of the revenue recognized and related accounts receivable is based on estimated usage for the fourth quarter of the year that had been billed but not yet collected. Any difference between estimated revenue and actual revenue is recognized in the first quarterly billing of the following year for actual consumption charges.

Inventory

Inventory consists principally of chemicals (for the treatment of sewerage, water and sludge), meters and supplies. All are stated at lower of cost (determined by the average cost method, which approximates the first in, first out method) or market.

Prepaid Expenses

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the Authority's fiscal year end.

Capital Assets

Costs of the water and sewer systems incurred to date consist of facilities constructed or acquired, cost of acquisition of land, easements and rights-of-way, costs incidental to such construction or acquisitions, including engineering and inspection fees, costs of equipment, administrative and legal expenses, facilities

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

contributed to the Authority by sub-dividers, the excess of value over cost of acquired facilities as determined by the Authority's consulting engineer, and interest on bonds incurred during the period of construction (less income earned on unexpended construction funds).

Depreciation is calculated utilizing the straight-line method for financial reporting purposes. Depreciation is provided over the following estimated useful lives:

Building, WTP and improvements	10-39 years
Land improvements	10-39 years
Machinery and equipment	5-7 years
Meters	10 years
Wells, pumping stations, water and sewer main extensions	40 years

Statement of Cash Flows

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

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ.

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measureable and the Authority is eligible to realize the revenue.

Operating and Non-Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities or result from non-exchange transactions or ancillary activities.

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For the years ended December 31, 2020 and 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating and Non-Operating Revenues and Expenses (continued)

When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Authority's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

Pension & Other Post-employment Benefits Section

For purposes of measuring the net pension and other post-employment benefits liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits ("OPEB"), and pension and OPEB expenses, information about the fiduciary net position of the Public Employees' Retirement System ("PERS"), OPEB and additions to/deductions from the PERS's and OPEB's fiduciary net position have been determined on the same basis as they are reported by the plan. For these purposes, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

In accordance with the provisions of GASB Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Authority has classified its net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

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Notes to Financial Statements (continued)
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Authority operates as defined by Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

Impact of Recently Issued Accounting Pronouncements

Recently Issued Accounting Pronouncements Adopted in the Current Year

The following GASB Statements became effective for the fiscal year ended December 31, 2020:

GASB Statement No. 95, *Postponement of The Effective Dates of Certain Authoritative Guidance*, provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Recently Issued Accounting Pronouncements Not Yet Adopted

Statement No. 87, *Leases*. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. Statement No. 87 is effective for reporting periods beginning after June 15, 2021. Management has not yet determined the potential impact on the Authority's financial statements.

Subsequent Events

The Authority has evaluated subsequent events occurring after December 31, 2020 through March 9, 2022, which is the date the financial statements were available to be issued. See Note 19 for additional information.

NOTE 3: SIGNIFICANT TRUST AGREEMENT AND BOND RESOLUTION REQUIREMENTS

Required Cash and Investment Accounts

In accordance with the Authority's Bond Resolutions, the Authority has established the following cash and investment accounts for the deposit, in priority of order listed, of all revenue received by the Authority from operations or other sources. Cash and investment accounts on the balance sheets have been classified accordingly.

Unrestricted Assets:

Operating Fund

Amount – Transfers from Revenue Fund in the amount necessary to meet operating expenses.

Use – Payment of operating expenses.

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Notes to Financial Statements (continued)
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NOTE 3: SIGNIFICANT TRUST AGREEMENT AND BOND RESOLUTION REQUIREMENTS

Required Cash and Investment Accounts (continued)

Restricted:

Debt Service

Amount – The Debt Service Fund is to be an amount equal to the debt service requirements for the following fiscal year not covered by the amount in the Bond Reserve Fund. This includes subordinated indebtedness and NJIB loans payable.

Use - Payment for future principal and interest on bonds and loans payable.

Bond Reserve

Amount – The Bond Reserve Fund is to be an amount equal to Bond Reserve Requirements. The Bond Reserve Requirement as of any particular date of calculation is equal to the lesser of 10% of the aggregate principal amount of the Bonds upon original issuance or the amount equal to the maximum annual debt service on the bonds.

Use – As further security for payment of the bonds.

Construction Fund

Amount – Any proceeds derived from the issuance of any bonds and of the proceeds of any condemnation award and which are to be applied by the Authority for the acquisition of construction of any portion of the system and any other monies.

Use – Payment for cost of the system.

Closure Account

Amount – The principle balance of \$300,000 was reduced by \$250,000 in 2018. Balance of \$50,000 is maintained. The balance of \$50,000 will be returned to Six Flags Theme Park, Inc. (“Great Adventure”) in accordance with the Authority’s Water Service Agreement dated October 24, 2014 (and amended February 28, 2018) and Sewer Service Agreement dated November 20, 2018 with Great Adventure.

Use – a.) Paying costs and expenses which may hereafter be incurred due to any closure of Great Adventure Facilities. b.) Paying costs and expenses related to Great Adventure facilities repair and/or replacement in advance of receipt of payment therefore by Great Adventure.

Revenue Fund

Amount – Required by the Trustee to have the amount estimated to be necessary for operating expenses as set forth in a certificate of Authority Officer or an amount which is consistent with the Annual Budget for the succeeding three-month period commencing on such withdrawal date.

Use – Fund operations in the event of a revenue shortfall; transfers to various accounts.

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Notes to Financial Statements (continued)
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NOTE 3: SIGNIFICANT TRUST AGREEMENT AND BOND RESOLUTION REQUIREMENTS
(continued)

Required Cash and Investment Accounts (continued)

Capital Reserves

Amount – Amount needed to fund future capital projects.

Use – Payment for the cost of future capital projects.

Trust Agreement Requirements

In accordance with the Trust Agreement, the Authority should require the following:

- That the security (market value basis) be provided by depositories for all funds held by them. At the balance sheet dates, federal insurance and the par value of securities pledged were in excess of the deposits at all depositories used by the Authority with the exception of unremitted payroll withholdings.
- That all invested monies be pre-invested in direct obligation of the United States Government. All investments made by the depositories during the year were in accordance with this provision.
- That while any of the bonds or interest remain outstanding, the Authority covenants that it will at all times keep insured such parts of the system against:
 - Physical loss or damage, however caused, with such exceptions as are ordinarily required, in the amount recommended by the Consulting Engineer and,
 - Against such risks as the Consulting Engineer may recommend and as are customarily insured by other operating facilities of a similar type.
- That any profit realized from or interest accruing on investments shall belong to the account from which the monies for such investments were taken other than noted in the required cash and investment accounts above.

NOTE 4: CASH AND CASH EQUIVALENTS

The Authority is governed by the deposit and investment limitations of New Jersey state law. The deposits held at December 31, 2020 and 2019, and reported at fair value are shown below.

	<u>2020</u>	<u>2019</u>
Deposits:		
Demand deposits	\$8,864,035	\$9,460,252
Total deposits	<u>\$8,864,035</u>	<u>\$9,460,252</u>
 Reconciliation to Statements of Net Position:		
Current unrestricted assets:		
Cash and cash equivalents	\$6,190,153	\$7,627,359
Current restricted assets:		
Cash and cash equivalents	<u>2,673,882</u>	<u>1,832,893</u>
Total deposits	<u>\$8,864,035</u>	<u>\$9,460,252</u>

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For the years ended December 31, 2020 and 2019

NOTE 4: CASH AND CASH EQUIVALENTS (continued)

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, *N.J.S.A. 17:9-41* et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUDPA. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule below.

As of December 31, 2020 and 2019, the Authority's bank balances were insured or exposed to credit risk as follows:

	<u>2020</u>	<u>2019</u>
Insured by FDIC	\$ 975,766	\$ 94,823
Uninsured and Collateralized with securities held by the pledging banks' trust department but not in the Authority's name	<u>8,044,480</u>	<u>8,567,150</u>
Total	<u>\$ 9,020,246</u>	<u>\$ 9,561,973</u>

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Accounts receivable – billed	\$ 1,822,881	\$ 1,729,003
Accounts receivable – unbilled	1,707,694	1,649,366
Accounts receivable – Six Flags Great Adventure	366,340	58,993
Accounts receivable – other	<u>205,042</u>	<u>47,188</u>
Total	<u>\$ 4,101,957</u>	<u>\$ 3,484,550</u>

The Authority believes that all receivables are collectible and has not established an allowance for doubtful accounts.

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NOTE 6: CAPITAL ASSETS

The activity in capital assets for the year ended December 31, 2020 is as followed:

	Balance December 31, <u>2019</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2020</u>
Capital assets				
Capital assets not being depreciated:				
Land	\$ 2,677,642	\$ -	\$ -	\$ 2,677,642
Construction in progress	<u>27,408,352</u>	<u>3,722,640</u>	<u>(14,087,070)</u>	<u>17,043,922</u>
Total capital assets not being depreciated	<u>30,085,994</u>	<u>3,722,640</u>	<u>(14,087,070)</u>	<u>19,721,564</u>
Capital assets being depreciated:				
Wells, pumping stations, water and sewer main extension	99,260,260	10,667,117	(8,524)	109,918,853
Land improvements	81,047	1,342,298	-	1,423,345
Machinery and equipment	6,512,860	207,761	(31,112)	6,689,509
Building, water treatment plant, and improvements	14,427,415	1,772,028	-	16,199,443
Meters	<u>4,199,715</u>	<u>164,976</u>	<u>-</u>	<u>4,364,691</u>
Total capital assets being depreciated	<u>124,481,297</u>	<u>14,154,180</u>	<u>(39,636)</u>	<u>138,595,841</u>
Less: accumulated depreciation	<u>(51,749,978)</u>	<u>(3,838,432)</u>	<u>39,636</u>	<u>(55,548,774)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>72,731,319</u>	<u>10,315,748</u>	<u>-</u>	<u>83,047,067</u>
Total capital assets, net	<u>\$ 102,817,313</u>	<u>\$ 1,464,000</u>	<u>\$ (1,844,904)</u>	<u>\$ 102,768,631</u>

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Notes to Financial Statements (continued)
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NOTE 6: CAPITAL ASSETS (continued)

The activity in capital assets for the year ended December 31, 2019 is as followed:

	Balance December 31, <u>2018</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2019</u>
Capital assets				
Capital assets not being depreciated:				
Land	\$ 2,677,642	\$ -	\$ -	\$ 2,677,642
Construction in progress	<u>6,509,211</u>	<u>2,154,749</u>	<u>(1,255,608)</u>	<u>27,408,352</u>
Total capital assets not being depreciated	<u>9,186,853</u>	<u>12,154,749</u>	<u>(1,255,608)</u>	<u>30,085,994</u>
Capital assets being depreciated:				
Wells, pumping stations, water and sewer main extension	98,130,442	2,731,643	(1,601,826)	99,260,260
Land improvements	81,047	-	-	81,047
Machinery and equipment	6,445,668	67,192	-	6,512,860
Building, water treatment plant, and improvements	14,427,415	-	-	14,427,415
Meters	<u>4,043,568</u>	<u>156,147</u>	<u>-</u>	<u>4,199,715</u>
Total capital assets being depreciated	<u>23,128,140</u>	<u>2,954,983</u>	<u>(1,601,826)</u>	<u>124,481,297</u>
Less: accumulated depreciation	<u>(49,116,777)</u>	<u>(3,645,731)</u>	<u>1,012,530</u>	<u>(51,749,978)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>74,011,363</u>	<u>(690,748)</u>	<u>(589,296)</u>	<u>72,731,319</u>
Total capital assets, net	<u>\$ 93,198,216</u>	<u>\$ 1,464,000</u>	<u>\$ (1,844,904)</u>	<u>\$ 102,817,313</u>

NOTE 7: LIABILITIES

During the years ended December 31, 2020 and 2019, the following changes occurred in long-term obligations:

	Balance December 31, <u>2019</u>	<u>Accrued/ increases</u>	<u>Retired/ decreases</u>	Balance December 31, <u>2020</u>	<u>Due within One Year</u>
Bonds payable					
Bonds payable	\$ 2,250,000	\$ -	2,250,000	\$ -	\$ -
Total bonds payable	<u>2,250,000</u>	<u>-</u>	<u>2,250,000</u>	<u>-</u>	<u>-</u>
Loans payable:					
Loans payable – NJIB	6,265,798	6,876,802	798,063	12,344,537	901,107
Loans payable – other	<u>180,000</u>	<u>-</u>	<u>30,000</u>	<u>150,000</u>	<u>30,000</u>
Total loans payable	<u>6,445,798</u>	<u>6,876,802</u>	<u>828,063</u>	<u>12,494,537</u>	<u>930,107</u>
Compensated absences	194,151	80,899	-	275,050	-
Net pension liability	5,669,742	-	242,024	5,427,718	-
Net OPEB liability	7,025,534	3,480,593	-	10,506,127	-
Construction loans	<u>25,348,099</u>	<u>2,403,896</u>	<u>6,978,160</u>	<u>20,773,835</u>	<u>20,773,835</u>
Total	<u>\$ 46,933,324</u>	<u>\$12,842,190</u>	<u>\$ 10,298,247</u>	<u>\$ 49,477,267</u>	<u>\$21,704,942</u>

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For the years ended December 31, 2020 and 2019

NOTE 7: LIABILITIES (continued)

	Balance December 31, 2018	Accrued/ increases	Retired/ decreases	Balance December 31, 2019	Due within One Year
Bonds payable					
Bonds payable	\$ 2,645,000	\$ -	395,000	\$ 2,250,000	\$ 410,000
Total bonds payable	<u>2,645,000</u>	<u>-</u>	<u>395,000</u>	<u>2,250,000</u>	<u>410,000</u>
Loans payable:					
Loans payable – NJIB	6,931,029	-	665,230	6,265,798	681,619
Loans payable – other	<u>210,000</u>	<u>-</u>	<u>30,000</u>	<u>180,000</u>	<u>30,000</u>
Total loans payable	<u>7,141,029</u>	<u>-</u>	<u>695,230</u>	<u>6,445,798</u>	<u>711,619</u>
Compensated absences	180,620	13,531	-	194,151	-
Net pension liability	6,348,789	-	679,047	5,669,742	-
Net OPEB liability	8,622,750	-	1,597,216	7,025,534	-
Construction loans	<u>15,424,203</u>	<u>9,923,896</u>	<u>-</u>	<u>25,348,099</u>	<u>25,348,099</u>
Total	<u>\$ 40,362,391</u>	<u>\$ 9,937,427</u>	<u>\$ 3,366,493</u>	<u>\$ 46,933,324</u>	<u>\$26,469,718</u>

Net Pension Liability

For details on the net pension liability, see the Pension Obligations in Note 9. The Authority's annual required contribution to the Public Employees' Retirement System is budgeted and paid on an annual basis.

Net OPEB Liability

For details on the net other postemployment benefit liability, see the Post-Employment Benefits Other Than Pension Benefits Obligation in Note 10.

Construction Loans Payable

In order to finance the Manhattan Street complex water storage improvements and warehouse project construction, the Authority has been drawing down on a construction loan granted by NJIB in 2016 to be utilized as work progresses through the completion of such construction. As of December 31, 2020 and 2019, the amount borrowed and outstanding under such loan was \$0 and \$6,978,160, respectively. As of December 31, 2020, the construction loan was drawn to a close and was converted into a loan payable through NJIB and reflected as long-term debt. As of 2019, the entire amount was reflected as a current liability.

In order to finance the Western Water Main Extension the Authority has been drawing down on a construction loan granted by NJIB in 2018 to be utilized as work in progresses through the completion of such construction. As of December 31, 2020 and 2019, the amount borrowed and outstanding under such loan was \$5,899,114 and \$5,501,343, respectively. As of December 31, 2020 and 2019, the entire amount is reflected as a current liability, however, once payment terms are identified, a portion will be reflected as long-term debt.

In order to Finance the Six Flags Great Adventure Water Treatment Plant replacement the Authority has been drawing down on a construction loan granted by NJIB in 2018 to be utilized as work in progresses through the completion of such construction. As of December 31, 2020 and 2019, the amount borrowed and outstanding under such loan was \$14,874,721 and \$12,868,596, respectively. As of December 31, 2020 and 2019, the entire amount is reflected as a current liability, however, once payment terms are identified, a portion will be reflected as long-term debt.

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Notes to Financial Statements (continued)
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NOTE 7: LIABILITIES (continued)

Bonds and Loans Payable

Bonds and NJIB loans payable at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Series 2004A Bonds, varying interest rates of 3.00% to 4.75 % maturity dates annually beginning December 1, 2008 and ending December 1, 2024, Interest payable semiannually on June 1 and December 1. Bonds are subject to redemption at the option of the Authority prior to their stated maturity. The Authority redeemed these bonds as of December 31, 2020.	\$ -	\$ 2,250,000
2007 New Jersey Environmental Trust Fund loan of \$5,901,000 (Fund Loan) maturity dates semiannually beginning August 1, 2008 and ending August 1, 2027, no interest payable.	2,206,839	2,523,308
2007 New Jersey Infrastructure Bank (2015A-R1 NJEIT Refunding Bonds) of \$3,646,000 (Trust Loan), net interest cost of 2.32%, maturity dates annually beginning August 2017 and ending August 2027. Interest paid semiannually on February 1 and August 1, on the Trust loan.	2,538,000	2,836,000
2013 (CW) New Jersey Environmental Infrastructure Bank loan, maturity Trust loan of \$142,099 (Trust loan) and \$409,901 (Fund loan) varying interest rates of 0.25% to 3.32% on the semiannually beginning August 1, 2013 and ending August 1, 2032. Interest paid semiannually on February 1 and August 1, on the Trust loan and no interest payable on the Fund loan.	345,760	373,420
2013 (DW) New Jersey Infrastructure Bank loan of \$202,851 (Trust loan) and \$585,149 (Fund loan), varying interest rates of 0.25% to 3.32% on the Trust loan, maturity dates semi-annually beginning August 1, 2013 and ending August 1, 2032. Interest paid semiannually on February 1 and August 1, on the Trust loan and no interest payable on the Fund loan.	493,581	533,070
2020 A-1 New Jersey Infrastructure Bank loan of \$1,695,000 (Trust loan) and \$5,181,802 (Fund loan), varying interest rates of 2.125% to 5.00% on the Trust loan, maturity dates semi-annually beginning August 1, 2020 and Ending August 1, 2049. Interest paid semi-annually on February 1 and August 1, on the Trust loan and no interest payable on the Fund loan.	<u>6,760,357</u>	<u>-</u>
Subtotal	12,344,537	8,515,798
Less: current portion	<u>(901,107)</u>	<u>(1,091,619)</u>
Loans payable – long-term portion	<u>\$ 11,443,430</u>	<u>\$ 7,424,179</u>

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NOTE 7: LIABILITIES (continued)

Bonds and Loans Payable (continued)

Reconciliation to Statements of Net Position:

	<u>2020</u>	<u>2019</u>
Current Portion:		
Bonds payable	\$ -	\$ 410,000
Loans payable – NJIB	<u>901,107</u>	<u>681,619</u>
Total current portion	<u>901,107</u>	<u>1,091,619</u>
Long-term portion:		
Bonds payable	-	1,840,000
Loans payable – NJIB	<u>11,443,430</u>	<u>5,584,179</u>
Total long-term portion	<u>11,443,430</u>	<u>7,424,179</u>
Total	<u>\$ 12,344,537</u>	<u>\$ 8,515,798</u>

Revenues and certain funds as set forth in the Bond Resolution are pledged to secure the principal or redemption price and interest on the outstanding bonds.

Schedule of annual debt service for principal and interest for bonds and loans payable, over the next five years and thereafter are as follows:

For the Year Ended

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 901,107	\$ 189,915	\$ 1,091,022
2022	920,879	172,345	1,093,224
2023	939,052	153,832	1,092,884
2024	954,301	134,428	1,088,729
2025	979,740	114,190	1,093,930
2026 – 2030	2,900,077	294,196	3,194,273
2031 – 2035	1,299,037	166,036	1,465,073
2036 – 2040	1,188,337	127,600	1,315,937
2041 – 2045	1,233,337	82,175	1,315,512
2046 – 2049	<u>1,028,670</u>	<u>25,403</u>	<u>1,053,173</u>
Total	<u>\$ 12,344,537</u>	<u>\$ 1,459,760</u>	<u>\$ 13,804,297</u>

Loan Payable – other

The Authority has an agreement with Six Flags Great Adventure under which the Authority must reimburse Six Flags Great Adventure for depreciation charged to them in previous years. The original principal sum of the debt was \$1,600,000. As of December 31, 2020 and 2019, the balance due is \$150,000 and \$180,000, respectively, which will be paid in annual installments of \$30,000 due August 1 of each year. The loan bears interest at the rate established by the State of New Jersey Board of Regulatory Commission for customers' deposits less 0.25%*.

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NOTE 7: LIABILITIES (continued)

Loan Payable – other (continued)

The balance of the loan payable - other at December 31, 2020 and 2019 was:

Current Portion:	<u>2020</u>	<u>2019</u>
Loan payable – other	\$ 30,000	\$ 30,000
Total current portion	<u>30,000</u>	<u>30,000</u>
Long-term portion:		
Loan payable – other	<u>120,000</u>	<u>150,000</u>
Total long-term portion	<u>120,000</u>	<u>150,000</u>
Total	<u>\$ 150,000</u>	<u>\$ 180,000</u>

Schedule of annual debt service for principal and interest for Six Flags Great Adventure, over the next five years and thereafter are as follows:

For the year ended				
December 31,	Principal	Interest		Total
2021	\$ 30,000	\$ -	\$	30,000
2022	30,000	-		30,000
2023	30,000	-		30,000
2024	30,000	-		30,000
2025	<u>30,000</u>	-		<u>30,000</u>
Total	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$</u>	<u>150,000</u>

**As of December 31, 2020 and 2019, the customer deposit rate established by the State of New Jersey Board of Regulatory Commission is less than .25%, therefore future minimum interest rate calculated to be 0%.*

Refunding of 2007 New Jersey Infrastructure Trust Loan

On November 10, 2015, the Authority issued Series 2015A-R1 NJIB Refunding Bonds in the amount of \$3,646,000. The proceeds of this issuance were utilized to refund the 2007 NJIB trust loan outstanding. The Refunding Bonds issued resulted in a net gain on refunding of \$524,000 in the year ended December 31, 2015. The refunding is expected to produce a new savings of approximately \$593,373 over the life of the new bond series. The entire amount of \$524,000 was recorded as a deferred inflow and as of December 31, 2020 and 2019, deferred inflows totaled \$342,000 and \$389,000, respectively.

NOTE 8: OCUA CREDIT/DEFICIENCY

The Authority makes quarterly payments to the Ocean County Utilities Authority (OCUA) for the treatment of its sewerage. These payments are based on gallons sent for treatment and are estimated billings. After the calendar year is over, in accordance with a service agreement executed by the parties, a final invoice is sent by the OCUA based upon actual flows. At the end of the year, the OCUA is required to provide the Authority with a “Deficiency Notification” in accordance with Articles V and IX of the Service Agreement. The credit or (deficiency) is computed by taking the actual flows for the year and comparing this number to the estimated flows. Credits are recorded as revenue when received and deficiencies are recorded as expenses when billed. Due to unresolved OCUA sewer metering/billing issues, the 2019 Deficiency Notification remains held in abeyance. The Authority has recorded a credit in the amount of \$173,992 for the year ended December 31, 2020.

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NOTE 9: PENSION OBLIGATIONS

Public Employees' Retirement System (PERS)

Plan Description - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at <http://www.state.nj.us/treasury/pensions/annual-reports.shtml>. The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

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

Basis of Presentation - The schedules of employer and nonemployer allocations and the schedules of pension amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2020, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009.

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Notes to Financial Statements (continued)
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NOTE 9: PENSION OBLIGATIONS (continued)

PERS (continued)

Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2020, the Authority's contractually required contribution to PERS plan was \$364,108.

Components of Net Pension Liability – At December 31, 2020, the Authority's proportionate share of the PERS net pension liability was \$5,427,718. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2020. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2020. The Authority's proportion measured as of June 30, 2020, was 0.0332838014% which was an increase of 0.0018175436% from its proportion measured as of June 30, 2019.

Balances at December 31, 2020 and December 31, 2019

	<u>12/31/2020</u>	<u>12/31/2019</u>
Actuarial valuation date (including roll forward)	June 30, 2020	June 30, 2019
Deferred Outflows of Resources	\$ 995,837	\$ 1,028,810
Deferred Inflows of Resources	2,400,450	2,275,678
Net Pension Liability	5,427,718	5,669,742
Authority's portion of the plan's total Net Pension Liability	0.03328%	0.03147%

Pension Expense and Deferred Outflows/Inflows of Resources – At December 31, 2020, the Authority's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2020 measurement date is \$279,827. At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 98,830	\$ 19,195
Changes of Assumptions	176,081	2,272,637
Net difference between projected and actual earnings on pension plan investments	185,524	-
Changes in proportion and differences between the Authority's contributions and proportion share of contributions	<u>535,402</u>	<u>108,618</u>
	<u>\$ 995,837</u>	<u>\$ 2,400,450</u>

The Authority will amortize the above sources of deferred outflows and inflows related to PERS over the following number of years:

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NOTE 9: PENSION OBLIGATIONS (continued)

PERS (continued)

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience		
Year of pension plan deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	5.63	-
June 30, 2019	5.21	-
June 30, 2020	5.16	-
Changes in assumptions		
Year of pension plan deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
June 30, 2020	-	5.16
Net difference between projected and actual earnings on pension plan investments		
Year of pension plan deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
June 30, 2020	5.00	-

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NOTE 9: PENSION OBLIGATIONS (continued)

PERS (continued)

Changes in proportion and differences between
The Authority's contributions and
proportionate share of contributions

Year of Pension Plan Deferral:

June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21
June 30, 2020	5.16	5.16

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

Fiscal Year(s) Ending	December 31,	<u>Amount</u>
2020		\$ (351,906)
2021		(590,048)
2022		(319,267)
2023		(125,034)
2024		<u>(18,358)</u>
Total		<u>\$ (1,404,613)</u>

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Inflation:

Price	2.75%
Wage	3.25%

Salary Increases:

Through 2026	2.00% - 6.00% Based on Age
Thereafter	3.00% - 7.00% Based on Age

Investment Rate of Return 7.00%

Mortality Rate Table

Pub-2010 General classification
headcount weighted mortality with fully
generational mortality improvement
projections from the central year using
Scale MP-2020

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Notes to Financial Statements (continued)
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NOTE 9: PENSION OBLIGATIONS (continued)

PERS (continued)

Period of Actuarial Experience

Study upon which Actuarial

Assumptions were Based

July 1, 2014 - June 30, 2020

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period June 30, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long -Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Credit	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	<u>3.00%</u>	3.40%
	<u>100.00%</u>	

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NOTE 9: PENSION OBLIGATIONS (continued)

PERS (continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the Authority’s proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Authority’s proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1 % Decrease (6.00 %)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority’s proportionate share of the Net Pension Liability	<u>\$ 6,886,318</u>	<u>\$ 5,427,718</u>	<u>\$ 4,268,951</u>

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits’ (the Division) annual financial statements, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission.

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NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

General Information about the OPEB Plan (continued)

Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Basis of Presentation

The schedule of employer and nonemployer allocations and the schedule of OPEB amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of its participating employers or the State as a nonemployer contributing entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the participating employers or the State. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the Plan to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense (benefit). The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the total OPEB liabilities for the year ended June 30, 2020 were \$5,512,481,278 and \$12,598,993,950, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are further allocated to employers based on the ratio of the plan members of an

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Notes to Financial Statements (continued)
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NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

Allocation Methodology (continued)

individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2019 through June 30, 2020. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

Net OPEB Liability

The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.50%
Salary Increases*:	
Public Employees' Retirement System (PERS)	
Through 2026	2.00% to 6.00%
Thereafter	3.00% to 7.00%
Police and Firemen's Retirement System (PFRS)	
For all future periods	3.25% to 15.25%
Mortality Rate Table:	
PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2020
PFRS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2020

* Salary increases are based on years of service within the respective plan

OPEB Obligation and OPEB (Benefit) Expense

The Authority's proportionate share of the total Other Post-Employment Benefits Obligations was \$10,506,127. The OPEB Obligation was measured as of June 30, 2020, and the total OPEB Obligation used to calculate the OPEB Obligation was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The State's proportionate share of the OPEB Obligation associated with the Authority was based on projection of the State's long-term contributions to the OPEB plan associated with the Authority relative to the projected contributions by the State associated with all participating entities, actuarially determined. At June 30, 2020, the State proportionate share of the OPEB Obligation attributable to the Authority was 0.058541%, which was an increase of 0.006677% from its proportion measured as of June 30, 2019.

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NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Obligation and OPEB (Benefit) Expense (continued)

For the fiscal year ended June 30, 2020, the State of New Jersey recognized an OPEB (benefit) expense in the amount of \$76,327 for the State's proportionate share of the OPEB (benefit) expense attributable to the Authority. This OPEB (benefit) expense was based on the OPEB plans June 30, 2020 measurement date.

Actuarial assumptions used in the July 1, 2019 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

100% of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 through 2022 are reflected. The rates used for 2023 and 2024 are 21.83% and 18.53%, respectively, trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7% decreasing to a 4.5% long-term trend rate after seven years.

Discount Rate

The discount rate for June 30, 2020 was 2.21%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate:

The following presents the net OPEB liability as of June 30, 2020, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rate	1% increase
State of New Jersey's Proportionate Share of Total OPEB Obligation Associated with The Authority	\$ 8,693,831	\$ 10,506,127	\$ 12,879,353
State of New Jersey's Total Nonemployer OPEB Liability	\$ 14,850,840,718	\$ 17,946,612,946	\$ 22,000,569,109

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Obligation and OPEB (Benefit) Expense (continued)

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the collective net OPEB liability of the participating employers as of June 30, 2020, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	At 1% Decrease (1.21%)	At Discount Rate (2.21%)	At Discount Rate (3.21%)
State of New Jersey's Proportionate Share of Total OPEB Obligation Associated with The Authority	\$ 9,169,104	\$ 10,506,127	\$ 6,923,074
State of New Jersey's Total Nonemployer OPEB Liability	\$ 15,662,704,137	\$ 17,946,612,946	\$ 11,826,026,995

Additional Information – The following is a summary of the deferred outflows of resources, deferred inflows of resources, and net OPEB liability balances as of June 30, 2020:

Balances at December 31, 2020 and December 31, 2019

	<u>12/31/2020</u>	<u>12/31/2019</u>
Actuarial valuation date (including roll forward)	June 30, 2020	June 30, 2019
Deferred Outflows of Resources	\$ 3,256,039	\$ 127,241
Deferred Inflows of Resources	5,345,299	5,812,440
Net OPEB Liability	10,506,127	7,025,534
Authority's portion of the Plan's total net OPEB Liability	0.05854%	0.05186%

OPEB Deferred Outflows/Inflows of Resources – At December 31, 2020, the Authority's proportionate share of the OPEB outflows and inflows, calculated by the plan as of the June 30, 2020 measurement date is \$3,256,039 and \$5,345,299, respectively. At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 276,723	\$ 1,956,437
Changes of Assumptions	1,571,386	2,336,400
Net Difference between Projected and Actual Earnings on Pension	6,672	-
Changes in Proportion	1,401,258	1,052,462
	\$ 3,256,039	\$ 5,345,299

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to OPEB that will be recognized in future periods:

Year Ending <u>Dec 31,</u>	
2021	\$ (507,430)
2022	(507,512)
2023	(508,684)
2024	(509,354)
2025	(221,299)
2025-2029	165,019
	\$ (2,089,260)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 7.87, 8.05, 8.14 and 8.04 years for the 2020, 2019, 2018 and 2017 amounts, respectively.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Membership

At June 30, 2019, the Program membership consisted of the following:

Active Plan Members	62,547
Retirees Currently Receiving Benefits	<u>30,614</u>
 Total Plan Members	 <u><u>93,161</u></u>

Changes in the Total OPEB Liability

The change in the State's Total OPEB liability for the fiscal year ended June 30, 2020 (measurement date June 30, 2019) is as follows:

Service Cost	\$ 605,949,339
Interest on the Total OPEB Liability	497,444,533
Changes of Benefit Terms	1,034,142
Differences Between Expected and Actual Experience	541,506,395
Changes of Assumptions	3,074,968,821
Contributions from the Employer	(292,404,377)
Contributions from Non-Employer Contributing Entities	(35,011,940)
Net Investment Income	(2,858,334)
Administrative Expenses	<u>9,913,267</u>
 Net Change in Total OPEB Liability	 4,400,541,846
 Total OPEB Liability (Beginning)	 <u>13,546,071,100</u>
 Total OPEB Liability (Ending)	 <u><u>\$ 17,946,612,946</u></u>

NOTE 11: DEFERRED COMPENSATION PROGRAM

The Authority offers its employees a Deferred Compensation Plan (“Plan”) created in accordance with Internal Revenue Code Section 457. The Plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The Authority does not make contributions to the Plan for the benefit of its employees.

During December 1998, the Authority, in accordance with Internal Revenue Code 457, amended the Deferred Compensation Plan to establish an exclusive benefit trust whereby all Plan investments are held for the exclusive benefit of the Plan’s participants and beneficiaries and are not subject to the claims of the Authority’s general creditors. As such, the Deferred Compensation Plan amounts as of December 31, 2020 and 2019 are not reflected on the Authority’s statements of net position.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 12: COMPENSATED ABSENCES

Authority employees are entitled to sick leave. Employees hired after December 12, 1993 are eligible to receive payment for 50% of all accumulated sick days upon retirement up to a maximum of \$15,000. Amounts are calculated on the employee's average earnings for the last three years excluding overtime pay, and all other supplemental compensation. Vacation days not used during the year by Authority employees may not be carried forward for more than two calendar years. The liability for vested compensated absences is recorded as a non-current liability in the accompanying financial statements. The current portion of the compensated absence balance is not considered material and is therefore not shown separately from the long-term liability balance of compensated absences. As of December 31, 2020 and 2019, accumulated compensated absences amount to \$275,050 and \$194,151, respectively and are reported as non-current liabilities on the statements of net position.

NOTE 13: CREDITED CONNECTION FEES

The Authority has entered into agreements with various developers which entitles them to a credit for water and sewer connection fees. In exchange for the credited connection fees, the developers have agreed to design, construct and install various infrastructures with no cash outlay by the Authority. The developers are granted the connection fee credits based on the percentage of completion method. During the years ending December 31, 2020 and 2019, these non-cash connection fees which are recognized as revenues amounted to \$422,211 and \$453,506, respectively. The corresponding assets are recorded in construction in progress until they are received.

NOTE 14: CONTRIBUTED CAPITAL

In 2020 and 2019, various property owners constructed and donated water and sewer mains to the Authority. The total value of the dedicated water and sewer mains are \$108,041 and \$1,704,255, respectively. Ownership was assumed, recorded and acceptance of the maintenance bond was authorized at the completion of each project.

All of these donated properties were treated as non-operating revenue in the statement of revenues, expenses and changes in net position and capitalized on the Authority's statement of net position for the years ended December 31, 2020 and 2019.

NOTE 15: RISK MANAGEMENT

The Authority is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Authority is a member of the New Jersey Utilities Authorities Joint Insurance Fund (JIF). The joint insurance pool is both an insured and self-administered group of 80 authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The JIF will be self-sustaining through member premiums. The JIF participates in the Municipal Excess Liability Insurance program which has a contract for excess insurance. There were no settlements in excess of insurance coverage for 2016-2020.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 16: CONSTRUCTION COMMITMENTS

On February 22, 2018, the Authority entered into a contract with P&A Construction (P&A) for the Western Water Main Extension. The total amount of the contract was \$5,497,343. On June 27, 2019 the Authority approved Change Order No. 1 in the amount of \$202,171 decreasing P&A's contract to \$5,295,172. Payments through December 31, 2020 totaled \$5,206,224 resulting in a remaining balance left on the contract of \$291,119.

On February 22, 2018, the Authority entered into a contract with Coppola Services, Inc. (Coppola) for the Six Flags Great Adventure Water Treatment Plant replacement. The total amount of the contract was \$13,538,890. On December 13, 2018 the Authority approved Change Order No. 1 in the amount of \$67,137 decreasing Coppola's contract to \$13,471,753. Payments through December 31, 2020 totaled \$12,124,234 resulting in a remaining balance left on the contract of \$1,414,656.

NOTE 17: PENDING LITIGATION

There are actions, which have been instituted against the Authority. The outcomes of these cases cannot be determined at the present time. The final outcomes if unavailable to the Authority, will be covered through insurance or the budgetary process.

NOTE 18: DEFICIT UNRESTRICTED NET POSITION

The Authority had a deficit in unrestricted net position in the amount of \$(8,257,148) and \$(8,037,322) at December 31, 2020 and 2019, respectively. The primary cause of this deficit is due to the recording of the net pension liability and other net postemployment benefit liability, as required by generally accepted accounting principles. If this was not required, the unrestricted net position before the net pension liability and net other postemployment benefit liability and deferred outflows and inflows related to pensions and other postemployment benefits would be \$11,170,570 and \$11,590,021 as of December 31, 2020 and 2019. This deficit in unrestricted net position does not indicate that the Authority is facing financial difficulties.

NOTE 19: SUBSEQUENT EVENT

In January 2021, the Board authorized the issuance of not to exceed \$6,400,000 water and sewer revenue bonds, series 2021A and the issuance of not to exceed \$15,750,000 water and sewer revenue bonds, series 2021B, through the New Jersey Infrastructure bank financing program. The proceeds will be used for the construction, acquisition, improvement or replacement of certain parts of the Authority's water and sewer systems and the issuance of obligations to provide for the payment of the cost of construction of certain projects. The Authority issued the series 2021 bonds in May 2021.

JACKSON MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System
Last Eight Fiscal Years *

	Measurement Date Ended June 30,							
	2020	2019	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability (asset)	0.03328%	0.03147%	0.03224%	0.03082%	0.03060%	0.02848%	0.03057%	0.02950%
Authority's proportionate share of the net pension liability (asset)	\$ 5,427,718	\$ 5,669,742	\$ 6,348,789	\$ 7,176,555	\$ 9,064,242	\$ 6,348,789	\$ 5,724,411	\$ 5,637,973
Authority's covered-employee payroll	\$ 2,405,680	\$ 2,153,895	\$ 2,259,915	\$ 2,111,404	\$ 2,073,896	\$ 1,971,536	\$ 2,099,873	\$ 2,022,428
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	225.62%	263.23%	280.93%	339.89%	437.06%	322.02%	272.61%	278.77%
Plan fiduciary net position as a percentage of the total pension liability	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 (A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
 Schedule of Authority Contributions
 Public Employees' Retirement System
 Last Eight Fiscal Years *

	Year Ended December 31,							
	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 364,108	\$ 364,108	\$ 320,729	\$ 285,600	\$ 271,888	\$ 244,861	\$ 252,053	\$ 222,274
Contributions in relation to the contractually required contribution	(364,108)	(364,108)	(320,729)	(285,600)	(271,888)	(244,861)	(252,053)	(222,274)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 2,492,631	\$ 2,405,680	\$ 2,153,895	\$ 2,259,915	\$ 2,111,404	\$ 2,073,896	\$ 1,971,536	\$ 2,099,873
Contributions as a percentage of covered-employee payroll	14.61%	15.14%	14.89%	12.64%	12.88%	11.81%	12.78%	10.59%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of the Authority's Proportionate Share of the Net Other Postemployment Benefit Liability
Local Government Retired Employees Plan
Last Five Fiscal Years *

	Measurement Date Ended June 30,				
	2020	2019	2018	2017	2016
Authority's proportion of the other postemployment benefit liability (asset)	0.058541%	0.051864%	0.055039%	0.054329%	0.058985%
Authority's proportionate share of the net other postemployment benefit liability (asset)	\$ 10,506,127	\$ 7,025,534	\$ 8,622,750	\$ 11,091,694	\$ 12,810,046
Authority's covered-employee payroll	\$ 2,405,680	\$ 2,153,895	\$ 2,259,915	\$ 2,111,404	\$ 2,073,896
Authority's proportionate share of the net other postemployment benefit liability (asset) as a percentage of its covered-employee payroll	436.72%	326.18%	381.55%	525.32%	617.68%
Plan fiduciary net position as a percentage of the total other postemployment benefit liability	0.91%	1.98%	1.97%	1.03%	0.69%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to the Other Required Supplementary Information
For the year ended December 31, 2020

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate changed from 6.28% as of June 30, 2019, to 7.00% as of June 30, 2020.

State Health Benefit Local Retired Employees Plan (OPEB)

Changes of Benefit Terms

The increase in benefit terms from June 30, 2019 to June 30, 2020 was a result of employers adopting new Chapter 48 provisions which provide different levels of subsidy than in the prior year.

Differences Between Expected and Actual Experiences

The increase in differences between expected and actual experiences from June 30, 2019 to June 30, 2020 was a result of changes to the census, claims and premiums experience.

Changes of Assumptions

The discount rate changed from 3.50% as of June 30, 2019, to 2.21% as of June 30, 2020, as well as changes in the trend, repealment of the excise tax and updated mortality improvement assumptions.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 (A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
 Schedule of Operating Revenues and Costs Funded by
 Operating Revenues (Budget vs. Actual)
 For the years ended December 31, 2020 and 2019

	2020					2019						
	Original Water Budget	Original Sewer Budget	Original Budget Total	Final Budget Total	Actual	Variance Favorable/ (Unfavorable)	Original Water Budget	Original Sewer Budget	Original Budget Total	Final Budget Total	Actual	Variance Favorable/ (Unfavorable)
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:	6,997,752	5,728,927	12,726,679	12,726,679	11,811,361	(915,318)	6,698,681	5,714,038	12,412,719	12,412,719	11,568,378	(844,341)
Water and sewer charges	894,600	390,390	1,284,990	1,284,990	523,568	(761,422)	863,310	367,080	1,230,390	1,230,390	539,782	(690,608)
Connection fees	175,134	175,134	350,268	350,268	353,734	3,466	170,614	170,614	341,228	341,228	338,950	(2,278)
Antenna lease	152,050	63,125	215,175	215,175	242,021	26,846	93,550	38,275	131,825	131,825	215,950	84,125
Miscellaneous	8,219,536	6,357,576	14,577,112	14,577,112	12,930,684	(1,646,428)	7,826,155	6,290,007	14,116,162	14,116,162	12,663,060	(1,453,102)
Total operating revenues												
Cost of Providing Services:												
Operation Control:												
Ads and notices	7,000	1,500	8,500	8,500	3,811	4,689	7,500	3,500	11,000	9,958	7,254	2,704
Bank and other fees	12,200	5,200	17,400	21,286	21,284	2	10,750	4,680	15,430	19,073	19,073	-
Chemicals	127,500	40,000	167,500	160,888	153,821	7,067	130,000	40,000	170,000	180,850	169,288	11,562
Communications costs	63,547	27,234	90,781	113,131	113,113	18	57,515	24,650	82,165	105,713	105,713	-
Community relations	5,000	1,500	6,500	6,300	4,626	1,674	5,000	1,500	6,500	5,122	3,001	2,121
Dues/subscriptions/membership	7,000	4,000	11,000	11,000	9,649	1,351	7,500	3,500	11,000	11,000	9,523	1,477
Education and training	15,000	7,800	22,800	19,073	12,857	6,216	15,000	7,000	22,000	20,258	16,235	4,023
Employee benefits	1,052,440	469,798	1,522,238	1,522,238	1,369,053	153,185	1,031,714	442,163	1,473,877	1,486,766	1,315,888	170,878
Pension expense	205,000	89,000	294,000	294,000	-	294,000	204,299	87,557	291,856	291,856	230,504	61,352
Equipment rental	1,000	100	1,100	3,679	3,678	1	5,000	850	5,850	5,850	2,000	3,850
Insurance	111,300	47,700	159,000	164,760	164,760	-	111,300	47,700	159,000	156,977	152,254	4,723
Laboratory services	37,200	1,220	38,420	52,344	51,124	1,220	37,200	1,220	38,420	23,200	22,908	292
License permits	34,401	4,335	38,736	41,286	38,626	2,660	50,803	3,965	54,768	25,378	24,940	438
Meter testing	4,003	-	4,003	4,003	1,809	2,194	2,500	-	2,500	2,957	2,957	-
NJA Sewer fees	-	16,000	16,000	16,000	14,516	1,484	-	16,000	16,000	14,606	14,606	-
OCUA Regional Sewer fee	-	3,095,250	3,095,250	3,069,666	2,801,935	267,731	-	2,963,275	2,963,275	2,974,705	2,974,705	-
Toms River Sewer fees	69,170	27,943	97,113	76,488	72,191	4,297	67,611	27,169	94,780	26,681	26,680	703
Outside services	200	100	300	300	25	275	500	100	600	600	50	550
Penalty and fines	18,690	5,100	23,790	23,790	17,839	5,951	10,000	5,000	15,000	15,518	15,253	265
Personal safety equipment	22,000	9,000	31,000	31,000	22,413	8,587	27,000	11,000	38,000	35,010	35,010	-
Postage	71,800	28,050	99,850	142,285	137,907	4,378	83,341	29,397	112,738	91,146	87,193	3,953
Professional fees	229,800	157,190	386,990	383,771	313,464	70,307	240,300	190,000	430,300	446,171	445,739	432
Repairs and maintenance	2,000	1,000	3,000	3,797	3,795	2	2,000	1,000	3,000	3,000	3,078	152
Shipping	60,000	19,000	79,000	81,889	73,631	8,258	55,000	19,000	74,000	69,505	68,964	541
Supplies	11,000	-	11,000	11,000	9,582	1,418	11,000	-	11,000	11,000	8,838	2,162
Taxes - Water use	56,100	41,550	97,650	101,081	92,345	8,736	60,600	48,050	108,650	86,709	83,418	3,291
Transportation	8,955	2,195	11,150	10,150	9,750	400	8,955	2,195	11,150	11,150	11,150	-
Trustee fees - Administration	12,000	5,140	17,140	17,140	15,174	1,966	12,000	5,140	17,140	17,140	14,097	3,043
Uniforms												

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Operating Revenues and Costs Funded by
Operating Revenues (Budget vs. Actual) (continued)
For the years ended December 31, 2020 and 2019

	2020						2019					
	Original Water Budget	Original Sewer Budget	Original Budget Total	Final Budget Total	Actual	Variance/ Favorable/ (Unfavorable)	Original Water Budget	Original Sewer Budget	Original Budget Total	Final Budget Total	Actual	Variance/ Favorable/ (Unfavorable)
Cost of Providing Services:												
Operation Control (continued):												
Utilities	425,540	96,000	521,540	467,176	417,741	49,435	424,000	96,000	520,000	467,048	432,926	34,122
Write-offs	5,000	5,000	10,000	10,000	7,017	2,983	5,000	5,000	10,000	2,600	2,531	69
Payroll Taxes	173,782	76,451	250,233	250,233	209,874	40,359	171,373	73,445	244,818	237,562	203,877	33,685
Administration Control:												
Salaries	432,100	185,186	617,286	615,946	619,934	(3,988)	400,524	171,653	572,177	591,600	590,348	1,252
Sick/vacation buyback	7,000	3,000	10,000	3,500	994	2,506	7,000	3,000	10,000	10,000	7,151	2,849
Executive (Management) Control:												
Salaries	217,314	93,135	310,449	322,811	324,954	(2,143)	210,225	90,097	300,322	301,170	301,168	2
Member Salaries	14,700	6,300	21,000	21,000	20,709	291	14,700	6,300	21,000	21,002	21,000	2
Field Control:												
Salaries	1,315,884	586,633	1,902,517	1,894,949	1,838,726	56,223	1,326,851	568,650	1,895,501	1,876,714	1,721,053	155,661
Sick/vacation buyback	10,500	4,500	15,000	18,046	18,044	2	10,500	4,500	15,000	15,770	15,768	2
Water Six Flags Great Adventure Control:												
Chemicals	20,000	8,000	28,000	28,000	14,123	13,877	20,000	8,000	28,000	23,900	23,829	71
Equipment rental	1,000	-	1,000	1,000	-	1,000	1,000	-	1,000	-	-	-
Laboratory services	17,000	-	17,000	16,578	12,104	4,474	17,000	-	17,000	17,000	16,191	809
License permits	800	610	1,410	1,860	1,859	1	1,115	1,020	2,135	2,151	1,908	243
Outside services	1,020	550	1,570	1,570	1,131	439	1,020	550	1,570	1,554	1,175	379
OCUA Regional sewer fee	-	250	250	222	-	222	-	250	250	250	-	250
Repairs and maintenance	5,000	1,000	6,000	5,991	646	5,345	20,000	10,000	30,000	20,926	9,723	11,203
Shipping	100	75	175	49	19	30	100	75	175	175	35	140
Supplies	500	500	1,000	1,481	1,481	-	500	1,000	1,500	1,574	625	949
Taxes - Water use	1,500	-	1,500	570	568	2	1,500	-	1,500	1,500	1,045	455
Utilities	1,200	100	1,300	1,200	1,002	198	1,250	100	1,350	1,350	978	372
Maple Glen Control:												
Ads and notices	-	250	250	-	-	-	-	250	250	250	-	250
Chemicals	-	200	200	79	79	-	-	200	200	200	-	200
Laboratory services	-	4,800	4,800	4,730	4,730	-	-	4,800	4,800	4,800	4,345	455
License permits	-	4,000	4,000	3,660	3,659	1	-	4,000	4,000	4,000	3,416	584
Outside services	-	400	400	1,630	1,630	-	-	600	600	600	80	520
Repairs and maintenance	-	8,000	8,000	7,676	7,676	-	-	8,000	8,000	8,000	7,888	112
Shipping	-	130	130	23	23	-	-	130	130	130	-	130
Supplies	-	1,000	1,000	836	835	1	-	1,000	1,000	1,000	141	859
Utilities	-	16,200	16,200	17,489	17,488	1	-	21,200	21,200	17,997	17,744	253
Wastewater and sludge removal	-	4,000	4,000	3,541	3,540	1	-	4,000	4,000	1,219	1,219	-
Total Costs of Providing Services	4,894,246	5,233,175	10,127,421	10,127,421	9,098,093	1,029,328	4,888,046	5,089,431	9,977,477	9,876,311	9,351,920	524,391

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Operating Revenues and Costs Funded by
Operating Revenues (Budget vs. Actual) (continued)
For the years ended December 31, 2020 and 2019

	2020					2019						
	Original Water Budget	Original Sewer Budget	Original Budget Total	Final Budget Total	Actual	Variance Favorable/ (Unfavorable)	Original Water Budget	Original Sewer Budget	Original Budget Total	Final Budget Total	Actual	Variance Favorable/ (Unfavorable)
Other Costs Funded By Revenues:												
Principal Maturity	1,168,211	180,661	1,348,872	1,348,872	1,238,064	110,808	914,162	176,068	1,090,230	1,090,230	1,090,230	-
Total Costs Funded By Operating Revenues	6,062,457	5,413,836	11,476,293	11,476,293	10,336,157	1,140,136	5,802,208	5,265,499	11,067,707	10,966,541	10,442,150	524,391
Net Operating Revenues	2,157,079	943,740	3,100,819	3,100,819	2,594,527	(506,292)	2,023,947	1,024,508	3,048,455	3,149,621	2,220,910	(1,977,493)
Non-Operating Revenues/(Expenses):												
Interest Income and Other Income	94,750	67,397	162,147	162,147	130,520	(31,627)	67,700	49,770	117,470	117,470	225,638	(108,168)
Interest Expense and Other Expense	(314,720)	(37,518)	(352,238)	(352,238)	(240,542)	111,696	(263,849)	(40,026)	(303,875)	(306,715)	(298,346)	(8,369)
Renewal and Replacement Reserve	(2,516,859)	(1,147,491)	(3,664,350)	(3,664,350)	-	3,664,350	(2,269,780)	(1,307,729)	(3,577,509)	-	-	-
Depreciation and Amortization	-	-	-	-	(3,838,432)	(3,838,432)	-	-	-	(3,676,695)	(3,645,731)	(30,964)
Amortization of gain on refunding	47,000	-	47,000	47,000	47,000	-	47,000	-	47,000	47,000	47,000	-
NJIB loan issuance costs	-	-	-	-	(2,500)	(2,500)	-	-	-	-	(558,226)	558,226
Loss on disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-
Debt service reimbursement	-	-	-	-	119,861	119,861	-	-	-	-	-	-
Total Non-Operating Revenues/(Expenses):	(2,689,829)	(1,117,612)	(3,807,441)	(3,807,441)	(3,784,093)	23,348	(2,418,929)	(1,297,985)	(3,716,914)	(3,818,940)	(4,229,665)	410,725
Deficiency Revenues Over Expenses	\$ (532,750)	\$ (173,872)	\$ (706,622)	\$ (706,622)	\$ (1,189,566)	\$ (482,944)	\$ (394,982)	\$ (273,477)	\$ (668,459)	\$ (669,319)	\$ (2,008,755)	\$ (1,566,768)

Reconciliation of Budgetary Basis to Net Income

Deficiency Revenues Over Credits/(Expenses)	\$ (1,189,566)
Adjustments to Budgetary Basis:	
Principal Maturities	1,238,064
Unbudgeted Pension Credit/(Expense)	26,245
Unbudgeted OPEB Credit/(Expense)	115,346
Net Income/(Loss) Before Contributions	\$ 190,089

Schedule V

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2020

NJIB 2007 Loans Payable			
For the year ended December 31,	Principal	Interest	Total
2021	\$ 314,014	\$ -	\$ 314,014
2022	315,468	-	315,468
2023	316,276	-	316,276
2024	315,121	-	315,121
2025	316,122	-	316,122
2026	313,312	-	313,312
2027	316,526	-	316,526
Total	\$ 2,206,839	\$ -	\$ 2,206,839

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2020

NJIB 2013 Loans Payable - CW			
For the year ended December 31,	Principal	Interest	Total
2021	\$ 27,775	\$ 2,692	\$ 30,467
2022	27,906	2,560	30,466
2023	28,057	2,410	30,467
2024	28,223	2,244	30,467
2025	28,404	2,063	30,467
2026	28,596	1,871	30,467
2027	28,821	1,645	30,466
2028	29,061	1,405	30,466
2029	29,314	1,152	30,466
2030	29,581	885	30,466
2031	29,863	604	30,467
2032	30,159	309	30,468
	\$ 345,760	\$ 19,840	\$ 365,600
Total	\$ 345,760	\$ 19,840	\$ 365,600

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2020

NJIB 2013 Loans Payable - DW			
For the year ended December 31,	Principal	Interest	Total
2021	\$ 39,650	\$ 3,842	\$ 43,492
2022	39,837	3,654	43,491
2023	40,051	3,441	43,492
2024	40,289	3,203	43,492
2025	40,546	2,946	43,492
2026	40,821	2,671	43,492
2027	41,144	2,348	43,492
2028	41,487	2,005	43,492
2029	41,848	1,644	43,492
2030	42,229	1,263	43,492
2031	42,629	863	43,492
2032	43,050	441	43,491
Total	\$ 493,581	\$ 28,321	\$ 521,902

**JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2020**

NJIB 2015 Loans Payable			
For the year ended December 31,	Principal	Interest	Total
2021	\$ 310,000	\$ 126,900	\$ 436,900
2022	328,000	111,400	439,400
2023	345,000	95,000	440,000
2024	361,000	77,750	438,750
2025	380,000	59,700	439,700
2026	395,000	40,700	435,700
2027	419,000	20,944	439,944
Total	\$ 2,538,000	\$ 532,394	\$ 3,070,394

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2020

NJIB 2020 A-1 Loans Payable			
For the year ended December 31,	Principal	Interest	Total
2021	\$ 209,668	\$ 56,481	\$ 266,149
2022	209,668	54,731	264,399
2023	209,668	52,981	262,649
2024	209,668	51,231	260,899
2025	214,668	49,481	264,149
2026	214,668	47,481	262,149
2027	219,668	45,481	265,149
2028	219,668	43,231	262,899
2029	224,668	40,981	265,649
2030	224,668	38,481	263,149
2031	229,668	35,981	265,649
2032	229,668	33,781	263,449
2033	229,668	32,613	262,281
2034	229,668	31,375	261,043
2035	234,667	30,069	264,736
2036	234,667	28,644	263,311
2037	234,667	27,144	261,811
2038	239,667	25,644	265,311
2039	239,667	23,938	263,605
2040	239,667	22,231	261,898
2041	244,667	20,525	265,192
2042	244,667	18,600	263,267
2043	244,667	16,500	261,167
2044	249,667	14,400	264,067
2045	249,667	12,150	261,817
2046	254,667	9,900	264,567
2047	254,667	7,500	262,167
2048	259,667	5,100	264,767
2049	259,667	2,550	262,217
Total	\$ 6,760,357	\$ 879,205	\$ 7,639,562



**INDEPENDENT AUDITOR’S 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
Jackson Township Municipal Utilities Authority
County of Ocean
Jackson Township, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Jackson Township Municipal Utilities Authority (hereafter referred to as the “Authority”), a component unit of the Township of Jackson, County of Ocean, State of New Jersey as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated March 9, 2022.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Authority's internal control over financial reporting internal control to determine the audits procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of Authority’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits 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 Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

March 9, 2022
Lakewood, New Jersey



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY NEW JERSEY OMB
CIRCULAR 15-08**

Honorable Chairman and Members
of the Jackson Township Municipal Utilities Authority
County of Ocean
Jackson, New Jersey

Report on Compliance for Each Major State Program

We have audited the Jackson Township Municipal Utilities Authority’s (hereafter referred to as the Authority), a component unit of the Township of Jackson, County of Ocean, State of New Jersey compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Authority’s major state programs for the fiscal year ended December 31, 2020. The Authority’s major 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 responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority’s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; New Jersey OMB’s Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*; and the audit requirements prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards and New Jersey OMB’s Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Authority’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the 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 Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB's Circular 15-08, 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 Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of New Jersey OMB's Circular 15-08. Accordingly, this report is not suitable for any other purpose.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

March 9, 2022
Lakewood, New Jersey

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Expenditures of State Financial Assistance
For the year ended December 31, 2020

State Grantor/Pass-through Grantor Program Title	Grant or Contact Number	Expenditures	Cumulative Total Expenditures
State of New Jersey, Department of Environmental Protection Passed through the State of New Jersey Infrastructure Bank New Jersey Infrastructure Bank *	W1511001-012	\$ 476,774	\$ 5,713,984
New Jersey Infrastructure Bank *	W1511001-013	2,659,092	13,788,663
Total State Financial Assistance		<u>\$ 3,135,866</u>	<u>\$ 19,502,647</u>

* - Denotes major program

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Schedule of Expenditures of State Financial Assistance
For the year ended December 31, 2020

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance presents the activity of all state financial assistance programs of the Jackson Township Municipal Utilities Authority (hereafter referred to as the Authority), a component unit of the Township of Jackson, County of Ocean, State of New Jersey. The Authority is defined in Note 1 of the basic financial statements. The information in this schedule is presented in accordance with the requirements of New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All state awards received directly from state agencies, as well as state financial assistance passed through other government agencies is included on the schedule of expenditures of state financial assistance.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of state financial assistance is presented using the budgetary basis of accounting. This basis of accounting is described in Note 1 to the Authority's basic financial statements. The information in this schedule is presented in accordance with the requirements of New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3: RELATIONSHIP TO THE STATE FINANCIAL REPORTS

The basic financial statements are presented on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made. Amounts reported in the accompanying schedule agree with the amounts reported in the Authority's financial statements as follows:

Reconciliation to Schedule of Expenditures of State Financial Assistance:

Add: Current year construction loans – NJIB	\$ 20,773,835
Less: Prior year construction loans – NJIB	(25,348,099)
Add: Prior year NJIB loan funds receivable	1,786,166
Less: Current year NJIB loan funds receivable	(1,054,196)
Add: Closure of prior year construction loans – NJIB	<u>6,978,160</u>
Total per Schedule of Expenditures of State Financial Assistance	<u>\$ 3,135,866</u>

NOTE 4: RELATIONSHIP TO THE FINANCIAL STATEMENTS

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

NOTE 5: NON-CASH STATE ASSISTANCE

Amounts reported in the accompanying schedule agree with the amounts reported in the related state financial reports.

NOTE 6: LOAN GUARANTEES

The Authority had outstanding state loan balances of \$33,118,372 as of December 31, 2020. The entire balance of outstanding state loans was owed to the New Jersey Infrastructure Bank.

Jackson Township Municipal Utilities Authority
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Findings and Questioned Costs
For the year ended December 31, 2020

Section I - 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 <u> X </u> None Reported
2) Significant deficiency(ies) identified?	_____ Yes <u> X </u> None Reported
Noncompliance material to financial statements noted?	_____ Yes <u> X </u> None Reported

State Financial Assistance

Dollar threshold used to determine Type A programs	\$750,000
Auditee qualified as low-risk auditee?	<u> X </u> Yes _____ No
Internal control over major programs:	
1) Material weakness(es) identified?	_____ Yes <u> X </u> None Reported
2) Significant deficiency(ies) identified?	_____ Yes <u> X </u> 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 New Jersey OMB's Circular 15-08?	_____ Yes <u> X </u> None Reported
Identification of major programs:	

State Grant/Project Number(s)	Name of State Program
NJIB - W1511001-012	New Jersey Infrastructure Bank
NJIB - W1511001-013	

Jackson Township Municipal Utilities Authority
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Findings and Questioned Costs
For the year ended December 31, 2020

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

No Current Year Findings

Section III – State Financial Assistance Finding and Questioned Costs

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of state programs, as required by New Jersey OMB's Circular 15-08.

No Current Year Findings

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County Ocean, State of New Jersey)
Summary Schedule of Prior Year Audit Findings and Questioned Costs
For the year ended December 31, 2020

This section identifies the status of prior year findings related to the financial statements, federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB's Circular 15-08.

FINANCIAL STATEMENT FINDINGS

No Prior Year Findings

FEDERAL AWARDS

N/A – No Federal Single Audit in Prior Year

STATE FINANCIAL ASSISTANCE

No Prior Year Findings

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Board of Commissioners and Management
December 31, 2020

William J. Allmann Chairman
The Late Carol Blake Vice-Chairwoman
Vicki Rickabaugh Secretary
Clara Glory Treasurer
Todd Porter Assistant Secretary/Treasurer
Lewis Wildman Alternate
David Harpell Executive Director
James R. Diaz Assistant Executive Director/Director of Finance



Honorable Chairman and Members
of the Jackson Township Municipal Utilities Authority
County of Ocean
Jackson, New Jersey

We have audited the financial accounts and transactions of the Jackson Township Municipal Utilities Authority (hereafter referred to as the Authority), a component unit of the Township of Jackson, County of Ocean, State of New Jersey for the year ended December 31, 2020. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS AND RECOMMENDATIONS

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

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

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

The minutes indicate that bids were requested by public advertising and awarded by resolution for the following items: Neptune water meter acquisitions and chemical supply.

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

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

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

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$2,625 “for the performance of any work or the furnishing or hiring of any materials or supplies”, other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (N.J.S.A.40A:11-6.1).

The supporting documentation indicated that quotes were requested for all items that required them.

Examination of Cash Receipts

A test check of cash receipts was made. The results of the examination did not disclose any discrepancies with respect to cash receipts.

Examination of Bills

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

Examination of Payroll

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

Property, Plant & Equipment

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

Budget Adoption

The State of New Jersey requires that the Authority’s operating and capital budgets be approved and adopted for each fiscal year. The Authority approved its operating budget on October 17, 2019 and adopted its operating budget on November 21, 2019.

Current Year Findings

There were no current year findings.

Follow-Up of Prior Years’ Findings

In accordance with *Government Auditing Standards* and audit requirements prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, our procedures included a review of all prior year findings. There were no prior year findings.

Acknowledgment

We received the complete cooperation of all the staff of the Authority and we greatly appreciate the courtesies extended to the members of the audit team. During our audit, we did not note any problems or weaknesses significant enough that would affect our ability to express an opinion on the financial statements taken as a whole.

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

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

March 9, 2022
Lakewood, New Jersey