

SOUTHEAST MONMOUTH MUNICIPAL UTILITIES AUTHORITY

YEARS ENDED DECEMBER 31, 2020 AND 2019

FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

WITH

INDEPENDENT AUDITOR'S REPORTS

AND

COMMENTS AND RECOMMENDATIONS

ROBERT A. HULSART AND COMPANY
Certified Public Accountants

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SOUTHEAST MONMOUTH MUNICIPAL UTILITIES AUTHORITY

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

1.

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Southeast Monmouth Municipal Utilities Authority
Wall, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the Southeast Monmouth Municipal Utilities Authority (the "Authority"), in the County of Monmouth, State of New Jersey, as of and for the year ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District'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.

Auditors Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, in the County of Monmouth, State of New Jersey, as of December 31, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed on 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 Government 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and supplemental information, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

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

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

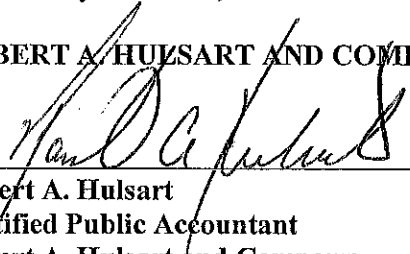
The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is 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 April 30, 2021 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 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.

Respectfully submitted,

ROBERT A. HULSART AND COMPANY



Robert A. Hulsart
Certified Public Accountant
Robert A. Hulsart and Company
Wall Township, New Jersey

April 30, 2021

SOUTHEAST MONMOUTH MUNICIPAL**UTILITIES AUTHORITY**

**c/o Wall Township
2700 Allaire Road
Wall, New Jersey 07719**

April 30, 2021

Board of Commissioners of
Southeast Monmouth Municipal Utilities Authority
Wall, New Jersey 07719

The Management's Discussion and Analysis (MD&A) is an element of required supplementary information specified in the Governmental Accounting Standard Boards (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 in this report are the Balance Sheets, Statement of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows as of and for the years ended December 31, 2020 and 2019.

The balance sheets show the financial position of the Southeast Monmouth Municipal Utilities Authority (the "Authority") at December 31st of each year. Assets are compared with Liabilities and Net Position are the result.

The Statements of Revenues, Expenses, and Changes in Net Position measure performance for each year and how this performance impacts Net Position.

Finally, the Statements of Cash Flows demonstrates why cash balances increased or decreased during the year.

Financial Analysis

In September 2009, the Authority issued water treatment facilities revenue bonds and assumed the New Jersey Infrastructure Trust Loans of Monmouth County Improvement Authority to acquire the Manasquan water treatment plant and transmission system.

At December 31, 2020 and 2019 the Authority had total assets of \$24.3 million and \$24.2 million, respectively. Cash increased by \$939,054, accounts receivable decreased by \$253,513 and accumulated depreciation increased by \$566,302.

The Authority's operating revenues of \$4.3 million was primarily treated water revenue from its members under the treated water purchase contracts. Operating expenses were made up of costs and operations and depreciation totaling \$3.6 million. This resulted in operating income of \$996,699.

Condensed Financial Information

Key Authority financial information for the year includes the following:

ASSETS

	<u>2020</u>	<u>2019</u>
Unrestricted Currents Assets	\$ 915,143	1,165,561
Restricted Non-Current Assets	6,330,790	5,387,831
Capital Assets, Net of Accumulated Depreciation	<u>17,047,293</u>	<u>17,601,175</u>
Total Assets	<u>\$ 24,293,226</u>	<u>24,154,567</u>

LIABILITIES AND NET POSITION

Current Liabilities Payable from Current Assets	\$ 12,000	12,000
Current Liabilities Payable from Restricted Assets	732,889	722,888
Non-Current Liabilities	5,007,471	5,806,361
Net Position:		
Invested in Capital Assets, Net of Related Debt	11,306,933	11,071,926
Unrestricted	<u>7,233,933</u>	<u>6,541,392</u>
Total Liabilities and Net Position	<u>\$ 24,293,226</u>	<u>24,154,567</u>

Other Financial Information

Total Operating Revenue	\$ 4,262,540	4,359,089
Total Operating Expenses	<u>3,265,841</u>	<u>3,565,764</u>
Operating Income	996,699	793,325
Adjustments – Schedule B	(84,213)	1,035,539
Non-Operating Revenues	<u>15,062</u>	<u>80,283</u>
Change in Net Position	<u>\$ 927,548</u>	<u>1,909,147</u>

The Authority's financial report is designated 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 2700 Allaire Road, Wall, New Jersey during the Authority's business hours.

FINANCIAL STATEMENTS

STATEMENT OF NET POSITIONAS OF DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 106,027	105,932
Accounts Receivable	809,116	1,059,629
Total Current Assets	<u>915,143</u>	<u>1,165,561</u>
Non-Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents	6,330,790	5,387,831
Total Non-Current Assets	<u>6,330,790</u>	<u>5,387,831</u>
Capital Assets:		
Property, Plant and Equipment	21,395,834	21,383,414
Less: Accumulated Depreciation	(4,348,541)	(3,782,239)
Total Net Capital Assets	<u>17,047,293</u>	<u>17,601,175</u>
Total Assets	<u>\$ 24,293,226</u>	<u>24,154,567</u>
<u>Liabilities and Net Position</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 12,000	12,000
Total Current Liabilities	<u>12,000</u>	<u>12,000</u>
Current Liabilities Payable from Restricted Assets:		
Prepaid Projects		
Current Portion of Loans and Bonds Payable - NJEIT	732,889	722,888
Total Current Liabilities Payable from Restricted Assets:	<u>732,889</u>	<u>722,888</u>
Non-Current Liabilities:		
Long-Term Portion of Loans and Bonds Payable - NJEIT	5,007,471	5,806,361
Total Non-Current Liabilities	<u>5,007,471</u>	<u>5,806,361</u>
Total Liabilities	<u>5,752,360</u>	<u>6,541,249</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	11,306,933	11,071,926
Unrestricted	7,233,933	6,541,392
Total Net Position	<u>18,540,866</u>	<u>17,613,318</u>
Total Liabilities and Net Position	<u>\$ 24,293,226</u>	<u>24,154,567</u>

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

SOUTHEAST MONMOUTH MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED DECEMBER 31, 2020 AND 2019

Exhibit B

	<u>2020</u>	<u>2019</u>
Operating Revenue:		
Treated Water Revenue	\$ 4,262,540	4,359,089
Operating Expenses:		
Cost of Operations	2,699,539	3,000,899
Depreciation	566,302	564,865
Total Operating Expenses	<u>3,265,841</u>	<u>3,565,764</u>
Operating Income	<u>996,699</u>	<u>793,325</u>
Non-Operating Revenues (Expenses):		
Interest Income	15,062	80,283
Total Non-Operating Revenues (Expenses)	<u>15,062</u>	<u>80,283</u>
Adjustments:		
Capital Assets	(84,213)	(296,087)
Cancel Prepaid Projects		1,331,626
Total Adjustments	<u>(84,213)</u>	<u>1,035,539</u>
Change in Net Position	927,548	1,909,147
Total Net Position - Beginning of Year	<u>17,613,318</u>	<u>15,704,171</u>
Total Net Position - End of Year	<u>\$ 18,540,866</u>	<u>17,613,318</u>

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

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Cash Received from Members	\$ 4,513,053	4,264,259
Payments to Suppliers	(2,699,539)	(3,000,897)
Net Cash Provided by Operating Activities	<u>1,813,514</u>	<u>1,263,362</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets		(85,277)
Principal Payments - Bonds	(404,490)	(399,394)
Principal Payments - Loans	(318,394)	(313,394)
Interest Payments	(167,515)	(135,830)
Net Cash Used in Capital and Related Financing Activities	<u>(890,399)</u>	<u>(933,895)</u>
Cash Flows from Investing Activities:		
Interest Income	<u>15,062</u>	<u>80,283</u>
Net (Decrease) Increase in Cash and Cash Equivalents	943,054	409,750
Cash and Cash Equivalents - Beginning of Year	<u>5,493,763</u>	<u>5,084,013</u>
Cash and Cash Equivalents - End of Year	<u>\$ 6,436,817</u>	<u>5,493,763</u>
Cash and Cash Equivalents Per Financial Statements:		
Unrestricted Cash and Cash Equivalents	\$ 106,027	105,932
Restricted Cash and Cash Equivalents	<u>6,330,790</u>	<u>5,387,831</u>
Total Cash and Cash Equivalents Per Financial Statements	<u>\$ 6,436,817</u>	<u>5,493,763</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 996,699	793,325
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	566,302	564,865
Changes in Assets and Liabilities:		
Accounts Receivable	<u>250,513</u>	<u>(94,828)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,813,514</u>	<u>1,263,362</u>

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

SOUTHEAST MONMOUTH MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020 AND 2019

NOTE 1: General

The Southeast Monmouth Municipal Utilities Authority (the "Authority"), a public body, was created in 2008 and began operations in August 2009 to purchase and operate the Manasquan Water Treatment Plant and Transmission System (the "System") in order to maintain, operate and improve the System and to foster and promote the provision and distribution of an adequate supply of water for public and private use. The Authority serves the Borough of Brielle, the Borough of Sea Girt, the Borough of Spring Lake, the Borough of Spring Lake Heights, and the Township of Wall. Each participated municipality is defined as a "Member". The Authority entered into a Treated Water Purchase Contract with each of its Members, obligating each Member to make payments to the Authority for its proportionate share of the Authority's operating expenses, debt service and required reserves.

The Authority was established pursuant to parallel ordinances adopted by each of the Member municipalities as a body corporate and politic of the State of New Jersey, organized and existing under and pursuant to the Municipal Utilities Authorities Law (N.J.S.A. 40:14B-1, et seq.).

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 sewage sludge. The statutes were enacted as the "Municipal and Counties Utilities Authorities Act", 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 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 conditions of local authorities.

The Board of Commissioners of the Authority consists of five members, appointed by each of the Member municipalities.

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

A. Reporting Entity

The Authority is considered to be a legally separate entity, stand-alone governmental unit under accounting principles generally accepted in the United States of America (GAAP). This determination is based on three factors; the Authority is able to determine its budget without another government having the authority to approve and modify that budget, the Authority is able to set rates without approval from another government, and the Authority has the ability to issue debt without the approval of another government.

NOTE 1: General (Continued)**B. Basis of Presentation**

The financial statements of the Authority have been prepared in accordance with GAAP applicable to enterprise funds of state and local governments. Enterprise funds are used to account for operations:

- (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges; or
- (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, accountability or other purposes.

NOTE 2: Summary of Significant Accounting Policies**A. Basis of Accounting**

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to government entities. The Government Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. As permitted by accounting principles generally accepted in the United States of America, the Authority has elected to apply only Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989.

The Authority prepares its financial statements on an Enterprise Fund basis. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private businesses where the intent is that all costs of providing certain goods and services to the general public be financed or recovered primarily through user charges, or where it has been deemed that periodic determination of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Accordingly, the Authority's financial statements are presented on the accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned and expenses are recorded when liabilities are incurred.

B. Cash and Cash Equivalents

Cash and Cash Equivalents include interest-bearing accounts and short-term investments with an original maturity of three months or less, carried at market value.

C. Accounts Receivable

The Authority's Members make quarterly payments to the Authority based on the annual Treated Water Purchase Contract. Due to the bill paying methods of Members, the final quarterly payment for the year may not be received by the Authority prior to year end. These amounts are reflected as accounts receivable in the accompanying balance sheet. No allowance for doubtful accounts has been established since all balances are deemed collectible.

NOTE 2: Summary of Significant Accounting Policies (Continued)

D. Restricted Assets

The Authority is operating under a bond resolution adopted March 26, 2009.

Pursuant to the bond resolution, the Authority established the following funds:

Revenue Fund – assets held by the Bond Trustee consisting of all revenues received by the Authority. Withdrawals are made for payment to the Authority's other funds for authorized operating expenses and transfers to the other funds subject to limitations.

Operating Fund – assets held by the Authority for reasonable and necessary operating expenses. The Trustee transfers necessary funds from the Revenue Fund to meet the Operating Fund requirement quarterly, no later than the tenth business day of the first month of the quarter.

Bond Service Fund – assets held by the Trustee sufficient to meet the next succeeding interest payment, principal payment and sinking fund installment. The Trustee transfers necessary funds from the Revenue Fund to meet the Bond Service requirement.

Sinking Fund – assets held by the Trustee to meet the sinking fund requirements on outstanding bonds, as required by the applicable bond resolutions.

Bond Reserve Fund – assets held by the Trustee in an amount equal to or exceeding: i. bond reserve requirement, ii. any unpaid interest which is then due and payable on outstanding bonds plus the interest to become due on outstanding bonds on or before the next succeeding interest payment date plus the principal amount of outstanding bonds maturing at or before the next succeeding principal maturity date of the bonds.

Renewal and Replacement Fund – assets held to be used for the payment of extraordinary operation and maintenance costs and contingencies.

Rebate Fund – assets held to be used for amounts which are required to be rebated to the United States government.

General Fund – assets held, which, if free and clear of any lien or pledge created by the Resolution, may be spent for any lawful purpose.

E. Property, Plant and Equipment

Property, Plant and Equipment is stated at cost and includes direct construction costs, other expenditures related to construction, and certain professional and administrative costs. System construction costs are charged to construction in progress until such time as each segment of the system is completed and put into operation.

Depreciation is determined on a straight-line basis for all plant and equipment. Present policy is to record half year depreciation in the year of purchase. Acquisitions and improvements greater than \$10,000 are capitalized. Depreciation is provided over 40 year for the water treatment and transmission system and 10 years for equipment.

NOTE 2: Summary of Significant Accounting Policies (Continued)**F. Restricted Net Position**

Net position is restricted for specific uses as required by the Authority's bond resolutions. The purpose for each is indicated on the face of the balance sheet and is explained in Note 2D.

NOTE 3: Cash and Cash Equivalents and Investments

The Authority's investment practices are governed by New Jersey State Statute 40A:5-15.

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

N.J.S.A. 17:9-42 requires New Jersey governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits based on specific criteria outlined in the statutes.

The following is a summary of the Authority's deposits:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2020</u>	<u>2019</u>
Insured:		
FDIC	\$ 606,027	714,260
Collateralized:		
GUDPA	<u>5,830,790</u>	<u>4,727,735</u>
	<u>\$ 6,436,817</u>	<u>5,441,995</u>

The carrying amount of the Authority's cash and cash equivalents as of December 31, 2020 was \$6,436,817 and the bank balance was \$6,436,817. Of the bank balance, \$606,027 was covered by federal depository insurance and \$5,830,790 was invested in Government Money Market Mutual Funds.

Custodial Credit Risk Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. GUDPA does not protect intermingled trust funds such as salary withholdings. The Authority had no such trust funds at December 31, 2020 and 2019.

Investments

As of December 31, 2020 and 2019, the Authority had no investments.

NOTE 4: Capital Assets

Capital Asset activity for the year ended December 31, 2020 was as follows:

	Jan. 1, 2019				Dec. 31, 2020
	Beginning				Ending
	Balance	Additions	Retirements	Adjustments	Balance
Water Treatment and Transition System	\$ 20,495,980				20,495,980
Equipment	<u>887,434</u>	<u>12,420</u>	—	—	<u>899,854</u>
	<u>21,383,414</u>	<u>12,420</u>	—	—	<u>21,395,834</u>
Accumulated Depreciation:					
Water Treatment and Transition System	(3,094,843)	(512,399)			(3,607,242)
Equipment	<u>(687,396)</u>	<u>(53,903)</u>	—	—	<u>(741,299)</u>
	<u>(3,782,239)</u>	<u>(566,302)</u>	—	—	<u>(4,348,541)</u>
Capital Assets (Net)	<u>\$ 17,601,175</u>	<u>(553,882)</u>	—	—	<u>17,047,293</u>

NOTE 5: Long-Term Debt**Loans/Bonds Payable – New Jersey Environmental Infrastructure Trust**

In 2010, the Authority obtained a loan from NJEIT for instrumentation improvements in the water treatment plan and for ozone upgrade at the water treatment plant. The loan consists of a trust portion and a fund portion payable through August 2026. The trust loan of \$1,435,000 has an interest rate of 3.38%. Repayments of the trust loan include a New Jersey Department of Environmental Protection fee of \$75,845 being repaid over a period of four years and an annual NJEIT fee of \$5,850 for the life of the loan. The fund loan of \$4,307,029 is interest free. Future principal payments on this loan are:

	Principal	Fees and Interest	Total
2021	\$ 409,494	28,850	438,344
2022	414,494	25,700	440,194
2023	419,495	21,300	440,795
2024	<u>420,605</u>	<u>35,500</u>	<u>456,105</u>
	<u>\$ 1,664,088</u>	<u>111,350</u>	<u>1,775,438</u>

NOTE 5: Long-Term Debt (Continued)**Loans/Bonds Payable – New Jersey Environmental Infrastructure Trust (Continued)**

In May 2013, the Authority Water Revenue bonds, Series G (Trust Fund) for \$3,160,000 for Infrastructure Trust Improvements from NJEIT payable through August 2032. The bonds consist of a trust portion and a fund portion with the trust portion at a rate of 3% to 5%. Repayments on the trust loan include a New Jersey Department of Environmental Protection fee of \$83,723 being repaid over five years and an annual NJEIT fee of \$9,480 for the life of the loan. The fund loan of \$3,221,630 is interest free. Future principal payments on this loan are:

	<u>Principal</u>	<u>Fees and Interest</u>	<u>Total</u>
2021	\$ 323,395	86,780	410,175
2022	333,395	80,780	414,175
2023	338,394	74,380	412,774
2024	343,395	66,130	409,525
2025	353,395	57,630	411,025
2026-2030	1,856,975	203,700	2,060,675
2031-2032	<u>527,326</u>	<u>38,610</u>	<u>565,936</u>
	<u>\$ 4,076,275</u>	<u>608,010</u>	<u>4,684,285</u>

The following summarizes activity in long-term debt for the year ended December 31, 2020.

	<u>Beginning Balance</u>	<u>Repayments</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Bonds Payable	\$ 2,068,582	(404,494)	1,664,088	409,494
NJEIT Loans	<u>4,460,667</u>	<u>(318,394)</u>	<u>4,142,273</u>	<u>323,395</u>
Total Bonds and Notes Payable	<u>\$ 6,529,249</u>	<u>(722,888)</u>	<u>5,806,361</u>	<u>732,889</u>

NOTE 6: Subsequent Events

The Authority approved an authorization to make an application to the local finance board pursuant to N.J.S.A. 40A:5A-6 in connection with the assurance of not exceeding \$7,500,000 with water revenue bonds consisting of water revenue bonds series 2021 J or water revenue project notes for the water tower project in the Township of Wall and certain professional services.

No action has been taken to date of our audit in relation to the financing of this project and this would have no material effect on the December 31, 2020 financial statements.

OTHER SUPPLEMENTARY INFORMATION

SOUTHEAST MONMOUTH MUNICIPAL UTILITIES AUTHORITY
WALL, NEW JERSEY

SCHEDULE OF NJEIT DEBT SERVICE REQUIREMENTS, BY YEARS
SERIES 2010A
Loan #1352005-002-03

Schedule 1
 Sheet 1 of 2

<u>Due During Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 409,494	28,850	438,344
2022	414,494	25,700	440,194
2023	419,495	21,300	440,795
2024	420,605	35,500	456,105
	<u>\$ 1,664,088</u>	<u>111,350</u>	<u>1,775,438</u>

SOUTHEAST MONMOUTH MUNICIPAL UTILITIES AUTHORITY
WALL, NEW JERSEY

SCHEDULE OF NJET DEBT SERVICE REQUIREMENTS, BY YEARS

SERIES 2013A
Loan #1352005-005
\$6,508,924

Schedule 1
Sheet 2 of 2

<u>Due During Years Ending December 31,</u>	<u>Principal</u>	<u>Fees & Interest</u>	<u>Total</u>
2021	\$ 323,395	86,780	410,175
2022	333,395	80,780	414,175
2023	338,394	74,380	412,774
2024	343,395	66,130	409,525
2025	353,395	57,630	411,025
2026-2330	1,856,975	203,700	2,060,675
2031-2332	527,326	38,610	565,936
	<u>\$ 4,076,275</u>	<u>608,010</u>	<u>4,684,285</u>

SOUTHEAST MONMOUTH MUNICIPAL UTILITIES AUTHORITY
WALL, NEW JERSEY

COMPARISON OF REVENUES AND COSTS
(BUDGETARY BASIS)

Schedule 2

YEAR ENDED DECEMBER 31, 2020

	<u>2020</u> <u>Budget</u>	<u>2020</u> <u>Actual</u>	<u>Favorable/</u> <u>(Unfavorable)</u>
Revenues:			
Treated Water Revenue	\$ 4,262,540	4,262,540	
Costs of Providing Services:			
Operations	2,638,221	2,637,678	543
Other Reserves	722,889		722,889
Administrative	65,000	61,861	3,139
Total Costs of Providing Services	<u>3,426,110</u>	<u>2,699,539</u>	<u>726,571</u>
Other Costs Funded by Revenues:			
Principal Maturity	710,000	722,884	(12,884)
Interest Expense	126,430	167,515	(41,085)
Total Other Costs Funded by Revenues	<u>836,430</u>	<u>890,399</u>	<u>(53,969)</u>
Total Costs Funded by Operating Revenues	<u>4,262,540</u>	<u>3,589,938</u>	<u>672,602</u>
Budgetary Revenues Over Expenditures	<u>\$ -</u>	<u>672,602</u>	<u>672,602</u>
<u>Reconciliation of Budgetary Basis to Net</u>			
<u>Change in Net Position</u>			
Budgetary Revenues Over Expenses		\$ 672,602	
Adjustments to Budgetary Basis:			
Capital Assets		(84,213)	
Principal Maturities		722,884	
Interest Income		15,062	
Depreciation		(566,302)	
Total Adjustments		<u>87,431</u>	
Net Change in Net Position		<u>\$ 760,033</u>	

SOUTHEAST MONMOUTH MUNICIPAL UTILITIES AUTHORITY
WALL, NEW JERSEY

BOARD OF COMMISSIONERS AND MANAGEMENT

Schedule 3

DECEMBER 31, 2020

Bryan Dempsey, Spring Lake	Chairman and Executive Director
Lorraine Cafara, Sea Girt	Commissioner
Tom Nolan, Brielle	Commissioner
Jeffry Bertrand, Wall Township	Commissioner
Joseph May, Spring Lake Heights	Commissioner
Steve Mayer	Chief Financial Officer
Beth Gates	NJWSA Executive Director
Susan Buckley	Director of Finance and Administration of NJWSA

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
ROBERT A. HULSART, JR., C.P.A., P.S.A.
RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

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**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**

The Board of Commissioners
Southeast Monmouth Municipal Utilities Authority
Wall, 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, the financial statements Southeast Monmouth Municipal Utilities Authority (the "Authority"), County of Monmouth, State of New Jersey as of and for the year ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 30, 2021

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

Robert A. Hulsart

**Certified Public Accountant
Robert A. Hulsart and Company
Wall Township, New Jersey**

April 30, 2021

SOUTHEAST MONMOUTH MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Trough Grant Number</u>	<u>Grant Period</u>	<u>Program or Award Amount</u>	<u>Current Year's Expenditures</u>	<u>Cumulative Expenditures</u>
New Jersey Environmental Infrastructure Financing Program						
Capitalization Grants for Drinking Water State Revolving Funds:						
2009 Capitalization Grant for NJ-DWSRF Award Number: F2992903-09						
Fund Loan 2010A	66.468	1352005-002	8/1/2010-8/1/2029	\$ 3,694,500		3,025,705
Fund Loan 2010A	66.468	1352005-003	8/1/2010-8/1/2029	2,293,889		1,398,327
Fund Loan 2013A	66.468	1352005-005	8/1/2013-8/1/2032	5,023,385		5,023,385
Total				<u>\$ 11,011,774</u>	<u>-</u>	<u>9,447,417</u>

See Independent Auditor's Report and Accompanying Notes.

SOUTHEAST MONMOUTH MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED DECEMBER 31, 2020

State and Local Grantor/Program Title	State Grant Number	Grant Period	Program or Award Amount	Current Year's Expenditures	Cumulative Expenditures
New Jersey Environmental Infrastructure Trust					
Trust Loan 2010A	1352005-002	8/1/2010-8/1/2029	\$ 1,231,500		1,008,570
Trust Loan 2010A	1352005-003	8/1/2010-8/1/2029	764,629		466,111
Trust Loan 2013A	1352005-005	8/1/2013-8/1/2032	3,348,924		3,348,924
Total			\$ 5,345,053	-	4,823,605

See Independent Auditor's Report and Accompanying Notes.

SOUTHEAST MONMOUTH MUNICIPAL UTILITIES AUTHORITY
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1: Basis of Presentation

The accompanying Schedules of Expenditures of Federal and State Awards include the federal and state grant activity of Southeast Monmouth Municipal Utilities Authority for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the Schedule presents only a selected portion of the operations of Southeast Monmouth Municipal Utilities Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Southeast Monmouth Municipal Utilities Authority. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported in accordance with accounting principles generally accepted in the United States of America ("GAAP").

SOUTHEAST MONMOUTH MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2020

A. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT

None

B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AND STATE AWARD PROGRAMS AUDIT

None

SOUTHEAST MONMOUTH MUNICIPAL UTILITIES AUTHORITY

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2020

None noted.