

SOUTHEAST MONMOUTH MUNICIPAL UTILITIES AUTHORITY

YEARS ENDED DECEMBER 31, 2022 AND 2021

FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

WITH INDEPENDENT AUDITOR'S REPORTS

AND COMMENTS AND RECOMMENDATIONS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Southeast Monmouth Municipal Utilities Authority (the "Authority"), as of and for the year ended December 31, 2022 and 2021, and the related Notes to the Financial Statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2022 and 2021, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently know information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error; a fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

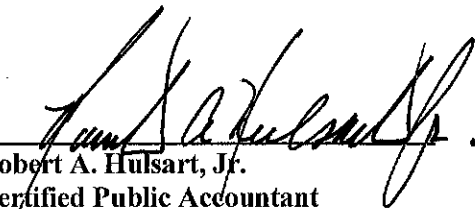
Accounting principles generally accepted in the United States require that the management's discussion and analysis and budgetary comparison information as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2023, 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 solely 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 effectiveness of the Authority's 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.

Robert A. Hulsart and Company

Independent Auditors


Robert A. Hulsart, Jr.
Certified Public Accountant

Wall Township, New Jersey
August 15, 2023

SOUTHEAST MONMOUTH MUNICIPAL

UTILITIES AUTHORITY

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

July 20, 2023

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, 2022 and 2021.

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, 2022 and 2021 the Authority had total assets of \$32 million and \$24.5 million, respectively. Cash increased by \$7,954,979, accounts receivable were unchanged and accumulated depreciation increased by \$528,895.

The Authority's operating revenues of \$4.2 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 \$558,058.

Condensed Financial Information

Key Authority financial information for the year includes the following:

ASSETS

	<u>2022</u>	<u>2021</u>
Unrestricted Currents Assets	\$ 1,143,867	1,026,347
Restricted Non-Current Assets	14,420,280	6,591,499
Capital Assets, Net of Accumulated Depreciation	<u>16,479,726</u>	<u>16,869,433</u>
Total Assets	<u>\$ 32,043,873</u>	<u>24,487,279</u>

LIABILITIES AND NET POSITION

Current Liabilities Payable from Current Assets	\$ 12,000	12,000
Current Liabilities Payable from Restricted Assets	4,912,889	741,889
Non-Current Liabilities	6,912,695	4,274,582
Net Position:		
Invested in Capital Assets, Net of Related Debt	4,654,142	11,852,962
Unrestricted	<u>15,552,147</u>	<u>7,605,846</u>
Total Liabilities and Net Position	<u>\$ 32,043,873</u>	<u>24,487,279</u>

Other Financial Information

Total Operating Revenue	\$ 4,217,984	4,203,518
Total Operating Expenses	<u>3,659,926</u>	<u>3,924,588</u>
Operating Income	558,058	278,930
Adjustments – Schedule B	104,661	638,007
Non-Operating Revenues	<u>84,762</u>	<u>1,005</u>
Change in Net Position	<u>\$ 747,481</u>	<u>917,942</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 343,429	217,231
Accounts Receivable	800,438	809,116
Total Current Assets	<u>1,143,867</u>	<u>1,026,347</u>
Non-Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents	14,420,280	6,591,499
Total Non-Current Assets	<u>14,420,280</u>	<u>6,591,499</u>
Capital Assets:		
Construction in Progress	401,206	222,577
Property, Plant and Equipment	21,502,655	21,542,096
Less: Accumulated Depreciation	(5,424,135)	(4,895,240)
Total Net Capital Assets	<u>16,479,726</u>	<u>16,869,433</u>
Total Assets	<u>\$ 32,043,873</u>	<u>24,487,279</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:		
Current Portion of Loans and Bonds Payable - NJEIT	757,889	741,889
Current Portion of Water Revenue Notes	4,035,000	
Current Portion of Water Revenue Bonds	120,000	
Total Current Liabilities Payable from Restricted Assets:	<u>4,912,889</u>	<u>741,889</u>
Non-Current Liabilities:		
Long-Term Portion of Loans and Bonds Payable - NJEIT	3,567,695	4,274,582
Long-Term Portion of Water Revenue Bonds	3,345,000	
Total Non-Current Liabilities	<u>6,912,695</u>	<u>4,274,582</u>
Total Liabilities	<u>11,837,584</u>	<u>5,028,471</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	4,654,142	11,852,962
Unrestricted	15,552,147	7,605,846
Total Net Position	<u>20,206,289</u>	<u>19,458,808</u>
Total Liabilities and Net Position	<u>\$ 32,043,873</u>	<u>24,487,279</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, 2022 AND 2021

Exhibit B

	<u>2022</u>	<u>2021</u>
Operating Revenue:		
Treated Water Revenue	\$ 4,217,984	4,203,518
Operating Expenses:		
Cost of Operations	3,098,250	3,377,889
Depreciation (Net)	561,676	546,699
Total Operating Expenses	<u>3,659,926</u>	<u>3,924,588</u>
Operating Income	<u>558,058</u>	<u>278,930</u>
Non-Operating Revenues (Expenses):		
Interest Income	84,762	1,005
Total Non-Operating Revenues (Expenses)	<u>84,762</u>	<u>1,005</u>
Adjustments:		
Capital Assets	104,661	638,007
Total Adjustments	<u>104,661</u>	<u>638,007</u>
Change in Net Position	747,481	917,942
Total Net Position - Beginning of Year	<u>19,458,808</u>	<u>18,540,866</u>
Total Net Position - End of Year	<u>\$ 20,206,289</u>	<u>19,458,808</u>

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

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Cash Received from Members	\$ 4,217,984	4,214,947
Payments to Suppliers	(2,993,399)	(3,033,631)
Net Cash Provided by Operating Activities	<u>1,224,585</u>	<u>1,181,316</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets		(84,401)
Bond Proceeds	3,465,000	
Note Proceeds	4,035,000	
Principal Payments - Bonds	(270,000)	(409,494)
Principal Payments - Loans	(477,888)	(323,395)
Interest Payments	(106,480)	(115,630)
Net Cash Used in Capital and Related Financing Activities	<u>6,645,632</u>	<u>(932,920)</u>
Cash Flows from Investing Activities:		
Interest Income	84,762	1,005
Net (Decrease) Increase in Cash and Cash Equivalents	7,954,979	249,901
Cash and Cash Equivalents - Beginning of Year	<u>6,808,730</u>	<u>6,436,817</u>
Cash and Cash Equivalents - End of Year	<u>\$ 14,763,709</u>	<u>6,808,730</u>
Cash and Cash Equivalents Per Financial Statements:		
Unrestricted Cash and Cash Equivalents	\$ 343,429	217,231
Restricted Cash and Cash Equivalents	<u>14,420,280</u>	<u>6,591,499</u>
Total Cash and Cash Equivalents Per Financial Statements	<u>\$ 14,763,709</u>	<u>6,808,730</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 558,058	278,930
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	561,676	546,669
Changes in Assets and Liabilities:		
Accounts Receivable	8,678	
Construction in Progress/Capital	96,173	355,717
Net Cash Provided by Operating Activities	<u>\$ 1,224,585</u>	<u>1,181,316</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, 2022 AND 2021

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>2022</u>	<u>2021</u>
Insured:		
FDIC	\$ 566,839	217,231
Collateralized:		
GUDPA	<u>14,198,220</u>	<u>6,591,499</u>
	<u>\$ 14,765,059</u>	<u>6,808,730</u>

The carrying amount of the Authority's cash and cash equivalents as of December 31, 2022 was \$14,763,709 and the bank balance was \$14,765,059. Of the bank balance, \$566,839 was covered by federal depository insurance and \$14,198,220 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, 2022 and 2021.

Investments

As of December 31, 2022 and 2021, the Authority had no investments.

NOTE 4: Capital Assets

Capital Asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance				Ending Balance
	<u>Jan. 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adj.</u>	<u>Dec. 31, 2022</u>
Construction in Progress	\$ 222,577				222,577
Water Treatment and Transition System	20,495,980				20,495,980
Equipment	<u>1,046,116</u>	<u> </u>	(21,286)	(18,155)	<u>1,006,675</u>
	<u>21,764,673</u>	<u> </u>	<u>(21,286)</u>	<u>(18,155)</u>	<u>21,725,232</u>
Accumulated Depreciation:					
Water Treatment and Transition System	(4,119,641)	(512,399)			(4,632,040)
Equipment	<u>(775,599)</u>	<u>(37,782)</u>	<u>21,286</u>	<u> </u>	<u>(792,095)</u>
	<u>(4,895,240)</u>	<u>(550,181)</u>	<u>21,286</u>	<u> </u>	<u>(5,424,135)</u>
Capital Assets (Net)	<u>\$ 16,869,433</u>	<u>(550,181)</u>	<u> </u>	<u>(18,155)</u>	<u>16,301,097</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:

	<u>Principal</u>	<u>Fees and Interest</u>	<u>Total</u>
2023	\$ 419,495	21,300	440,795
2024	265,606	16,700	282,306
2025	125,000	11,900	136,900
2026	<u>30,000</u>	<u>6,900</u>	<u>36,900</u>
	<u>\$ 840,101</u>	<u>56,800</u>	<u>896,901</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 payments on this loan are:

	<u>Principal</u>	<u>Fees and Interest</u>	<u>Total</u>
2023	\$ 338,395	74,380	412,775
2024	343,395	66,130	409,525
2025	353,395	57,630	411,025
2026	358,395	52,230	410,625
2027	363,395	46,680	410,075
2028-2032	<u>1,728,511</u>	<u>143,400</u>	<u>1,871,911</u>
	<u>\$ 3,485,486</u>	<u>440,450</u>	<u>3,925,936</u>

Bond Payable – Series 2022 Water Revenue Bonds

In September 2022, the Authority authorized a bond issue for \$3,465,000, Series 2022, for a water tower project. The bonds have variable interest rates from 4.125% to 5% with a balance of \$3,465,000 at December 31, 2022. Future payments on the bond issue are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 120,000	144,709	264,709
2024	115,000	151,388	266,388
2025	120,000	145,638	265,638
2026	125,000	139,638	264,638
2027	130,000	133,388	263,388
2028-2032	705,000	564,437	1,269,437
2033-2037	970,000	381,255	1,351,255
2038-2042	<u>1,180,000</u>	<u>159,687</u>	<u>1,339,687</u>
	<u>\$ 3,465,000</u>	<u>1,820,140</u>	<u>5,285,140</u>

Notes Payable – Series 2022 Water Revenue Project Notes

In September 2022, the Authority authorized a note for \$4,035,000, Series 2022, for a water tower project. The note has an interest rate of 4%. The note is due on September 29, 2023.

NOTE 5: Long-Term Debt (Continued)

The following summarizes activity in long-term debt for the year ended December 31, 2022.

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Repayments</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Bonds Payable	\$ 1,254,594	3,465,000	(270,000)	4,449,594	280,000
NJEIT Loans	3,761,877		(477,888)	3,283,989	477,889
Notes Payable	<u> </u>	<u>4,035,000</u>	<u> </u>	<u>4,035,000</u>	<u>4,035,000</u>
Total Bonds and Notes Payable	<u>\$ 5,016,471</u>	<u>7,500,000</u>	<u>(747,888)</u>	<u>11,768,583</u>	<u>4,792,889</u>

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>
2023	\$ 419,495	21,300	440,795
2024	265,606	16,700	282,306
2025	125,000	11,900	136,900
2026	30,000	6,900	36,900
	<u>\$ 840,101</u>	<u>56,800</u>	<u>896,901</u>

SOUTHEAST MONMOUTH MUNICIPAL UTILITIES AUTHORITY
WALL, NEW JERSEY

SCHEDULE OF NJEIT 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>
2023	\$ 338,395	74,380	412,775
2024	343,395	66,130	409,525
2025	353,395	57,630	411,025
2026	358,395	52,230	410,625
2027	363,395	46,680	410,075
2028-2332	<u>1,728,511</u>	<u>143,400</u>	<u>1,871,911</u>
	<u>\$ 3,485,486</u>	<u>440,450</u>	<u>3,925,936</u>

SOUTHEAST MONMOUTH MUNICIPAL UTILITIES AUTHORITY
WALL, NEW JERSEY

Schedule 2

COMPARISON OF REVENUES AND COSTS
(BUDGETARY BASIS)

YEAR ENDED DECEMBER 31, 2022

	<u>2022</u> <u>Budget</u>	<u>2022</u> <u>Actual</u>	<u>Favorable/</u> <u>(Unfavorable)</u>
Revenues:			
Treated Water Revenue	\$ 4,217,985	4,217,984	
Costs of Providing Services:			
Operations	2,588,616	2,140,618	447,998
Other Reserves	710,000		710,000
Administrative	65,000	109,167	(44,167)
Total Costs of Providing Services	<u>3,363,616</u>	<u>2,249,785</u>	<u>1,113,831</u>
Other Costs Funded by Revenues:			
Principal Maturity	747,889	747,889	-
Interest Expense	106,480	100,576	5,904
Total Other Costs Funded by Revenues	<u>854,369</u>	<u>848,465</u>	<u>5,904</u>
Total Costs Funded by Operating Revenues	<u>4,217,985</u>	<u>3,098,250</u>	<u>1,119,735</u>
Budgetary Revenues Over Expenditures	<u>\$ -</u>	<u>1,119,734</u>	<u>1,119,735</u>
 <u>Reconciliation of Budgetary Basis to Net</u>			
<u>Change in Net Position</u>			
Budgetary Revenues Over Expenses		\$ 1,119,734	
Adjustments to Budgetary Basis:			
Other		104,661	
Principal Maturities			
Interest Income		84,762	
Depreciation		(561,676)	
Total Adjustments		<u>(372,253)</u>	
Net Change in Net Position		<u>\$ 747,481</u>	

SOUTHEAST MONMOUTH MUNICIPAL UTILITIES AUTHORITY
WALL, NEW JERSEY

BOARD OF COMMISSIONERS AND MANAGEMENT

Schedule 3

DECEMBER 31, 2022

Bryan Dempsey, Spring Lake	Chairman and Executive Director
James Gant, 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

Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1958-1992)
ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
ROBERT A. HULSART, 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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 15, 2023

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

Purpose of this Report

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

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

Robert A. Hulsart

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

August 15, 2023

SOUTHEAST MONMOUTH MUNICIPAL UTILITIES AUTHORITY

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2022

None noted.