

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY

Financial Statements and Supplementary Information

For the years ended December 31, 2020 and 2019

(With Independent Auditor's Report thereon)

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
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December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

The Chairman and Members
of the Monmouth County Bayshore Outfall Authority
Belford, New Jersey 07718

Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities of the Monmouth County Bayshore Outfall Authority 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Monmouth County Bayshore Outfall Authority as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the year 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.

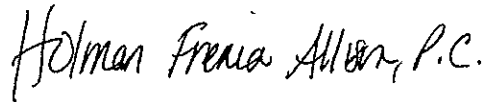
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Monmouth County Bayshore Outfall Authority's basic financial statements. The accompanying schedule of revenues and expenses – budget to actual is presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the basic financial statements.

The accompanying schedule of revenues and expenses – budget to actual is 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 accompanying schedule of revenues and expenses – budget to actual 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 February 27, 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

February 27, 2022
Lakewood, New Jersey



Certified Public Accountants + Advisors

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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 Chairman and Members
of the Monmouth County Bayshore Outfall Authority
Belford, New Jersey 07718

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 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 Monmouth County Bayshore Outfall Authority (herein referred to as “the Authority”), 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 February 27, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Authority’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 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 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of Monmouth County Bayshore Outfall Authority's (the Authority) financial activities for the fiscal years ended December 31, 2020 and 2019. It should be read in conjunction with the accompanying financial statements.

Financial Statements

The financial statements included on this report are the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows as of and for the year ended December 31, 2020 and 2019.

The Statements of Net Position show the financial position of the Authority at December 31st of each year. Assets and Deferred Outflow of Resources are compared with liabilities and Deferred Inflow of Resources and Net Position is the result.

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

Finally, the Statements of Cash Flows demonstrates why cash balances increased or decreased during the three years shown on this report.

Financial Analysis

The Authority at December 31, 2020 has total assets and deferred outflow of resources of \$10,615,431 compared to \$10,165,764 at December 31, 2019. The increase from 2019 to 2020 can be primarily attributed to the increase in cash related to net income in 2020. The Authority at December 31, 2019 has total assets and deferred outflow of resources of \$10,165,764 compared to \$8,925,241 at December 31, 2018. The increase from 2018 to 2019 can be primarily attributed to the increase in capital assets due to the Pipeline Assessment completed in 2019.

The Authority at December 31, 2020 has total liabilities and deferred inflow of resources of \$6,465,954 compared to \$6,598,183 at December 31, 2019. The decrease from 2019 to 2020 can be primarily attributed to the decrease in noncurrent liabilities due to the payment of loans and bonds payable. The Authority at December 31, 2019 has total liabilities and deferred inflow of resources of \$6,598,183 compared to \$5,641,810 at December 31, 2018. The increase from 2018 to 2019 can be primarily attributed to the increase in current liabilities due to the Pipeline Assessment note.

The Authority at December 31, 2020 has a total net position of \$4,149,477 compared to \$3,567,581 at December 31, 2019. The increase from 2019 to 2020 is primarily related to the operating income for the year end. The Authority at December 31, 2019 has a total net position of \$3,567,581 compared to \$3,283,431 at December 31, 2018. The increase from 2018 to 2019 is primarily related to the operating income for the year end.



MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY

Condensed Financial Information

Key Authority financial information for the years ended December 31, 2020, 2019 and 2018 include the following balances:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>ASSETS</i>			
Current assets	\$ 3,884,520	\$ 3,561,713	\$ 3,315,265
Property, plant and equipment, net	<u>6,336,045</u>	<u>6,393,945</u>	<u>5,323,739</u>
Total assets	<u>10,220,565</u>	<u>9,955,658</u>	<u>8,639,004</u>
<i>DEFERRED OUTFLOW OF RESOURCES</i>			
Deferred outflow of resources	<u>394,866</u>	<u>210,106</u>	<u>286,237</u>
Total assets and deferred outflow of resources	<u>\$ 10,615,431</u>	<u>\$ 10,165,764</u>	<u>\$ 8,925,241</u>
<i>LIABILITIES</i>			
Current liabilities	\$ 1,775,657	\$ 1,765,077	\$ 420,584
Noncurrent liabilities	<u>3,432,073</u>	<u>3,482,243</u>	<u>4,067,316</u>
Total liabilities	<u>5,207,730</u>	<u>5,247,320</u>	<u>4,487,900</u>
<i>DEFERRED INFLOW OF RESOURCES</i>			
Deferred inflow of resources	<u>1,258,224</u>	<u>1,350,863</u>	<u>1,153,910</u>
Total deferred inflow of resources	<u>1,258,224</u>	<u>1,350,863</u>	<u>1,153,910</u>
<i>NET POSITION</i>			
Net position	<u>4,149,477</u>	<u>3,567,581</u>	<u>3,283,431</u>
Total liabilities and deferred inflow of resources	<u>\$ 10,615,431</u>	<u>\$ 10,165,764</u>	<u>\$ 8,925,241</u>
<u>Other Financial Information:</u>			
	<u>2019</u>	<u>2019</u>	<u>2018</u>
Revenues	\$ 2,193,417	\$ 2,120,817	\$ 2,044,096
Expenses	<u>(1,523,865)</u>	<u>(1,749,011)</u>	<u>(1,734,514)</u>
Changes in net position	<u>\$ 669,552</u>	<u>\$ 371,806</u>	<u>\$ 309,582</u>

Financial Position:

The Authority's revenues showed a favorable variance of \$47,991 for 2020 when compared to budget, however, the Authority's expenses showed a favorable variance of \$529,076 for 2020 when compared to budget. The Authority's revenues showed a favorable variance of \$125,211 for 2019 when compared to budget, however, the Authority's expenses showed a favorable variance of \$273,829 for 2019 when compared to budget. Favorable and unfavorable revenue variances can be attributed to the collection of lower or higher than expected interest income and Solar Renewable Energy Certificates (SRECs). Favorable and unfavorable expense variances can be attributed to lower or higher than expected expenses in each year across the Authority as a whole.

Note from the Authority's Management

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 200 Harbor Way Belford, New Jersey 07718 during the Authority's business hours.

Respectfully Submitted,



Michael C. Sachs
Chairman

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Statements of Net Position
December 31, 2020 and 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 3,191,980	\$ 2,886,151
Accounts Receivable	95,585	42,665
Inventory	38,981	40,992
Prepaid Expenses	-	6,692
Total Current Unrestricted Assets	<u>3,326,546</u>	<u>2,976,500</u>
Restricted Assets:		
Bond Service Fund:		
Cash and Cash Equivalents	283,779	280,536
Bond Reserve Fund:		
Cash and Cash Equivalents	174,174	175,259
Renewal and Replacement Fund:		
Cash and Cash Equivalents	<u>100,021</u>	<u>129,418</u>
Total Current Restricted Assets	<u>557,974</u>	<u>585,213</u>
Total Current Assets	<u>3,884,520</u>	<u>3,561,713</u>
Noncurrent Assets (Note 5):		
Capital Assets	24,646,510	24,254,691
Less: Accumulated Depreciation	(18,310,465)	(17,860,746)
Net Capital Assets	<u>6,336,045</u>	<u>6,393,945</u>
Total Noncurrent Assets	<u>6,336,045</u>	<u>6,393,945</u>
Total Assets	<u>10,220,565</u>	<u>9,955,658</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Deferred Outflows Related to Pensions (Note 7)	135,561	190,048
Deferred Outflows Related to OPEB (Note 8)	<u>259,305</u>	<u>20,058</u>
Total Deferred Outflow of Resources	<u>394,866</u>	<u>210,106</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 10,615,431</u>	<u>\$ 10,165,764</u>

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Statements of Net Position (continued)
December 31, 2020 and 2019

<u>LIABILITIES</u>	<u>2020</u>	<u>2019</u>
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	\$ 163,496	\$ 160,245
Accounts Payable - Related to Pensions (Note 7)	65,848	58,138
Accrued Expenses	20,500	19,900
Total Current Liabilities Payable from Unrestricted Assets	<u>249,844</u>	<u>238,283</u>
Current Liabilities Payable from Restricted Assets:		
Construction Loan Payable (Note 6)	1,251,071	1,251,071
Accrued Interest Payable	22,889	26,839
NJIB Loans Payable, Net	112,024	114,024
Revenue Bonds Payable, Net	139,829	134,860
Total Current Liabilities Payable from Restricted Assets	<u>1,525,813</u>	<u>1,526,794</u>
Total Current Liabilities	<u>1,775,657</u>	<u>1,765,077</u>
Noncurrent Liabilities:		
Long-Term Portion of NJIB Loans Payable	201,810	313,834
Long-Term Portion of Revenue Bonds Payable	766,366	906,194
Compensated Absences Payable	104,367	98,741
Net Pension Liability (Note 7)	981,589	1,073,286
Net Other Post-Employment Benefits Liability (Note 8)	1,377,941	1,090,188
Total Noncurrent Liabilities	<u>3,432,073</u>	<u>3,482,243</u>
Total Liabilities	<u>5,207,730</u>	<u>5,247,320</u>
<u>DEFERRED INFLOW OF RESOURCES</u>		
Deferred Inflows Related to Non-exchange Transactions	200	200
Deferred Inflows Related to Pensions (Note 7)	414,472	394,448
Deferred Inflows Related to OPEB (Note 8)	843,552	956,215
Total Deferred Inflow of Resources	<u>1,258,224</u>	<u>1,350,863</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	3,422,710	3,144,071
Restricted:		
Bond Service	171,000	172,375
Bond Reserve	172,875	172,875
Renewal and Replacement	100,000	100,000
Unrestricted:		
Designated Renewal and Replacement Fund	-	110,000
Net Position Reserved for Capital	30,000	120,000
Unrestricted	252,892	(251,740)
Total Net Position	<u>4,149,477</u>	<u>3,567,581</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 10,615,431</u>	<u>\$ 10,165,764</u>

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Statements of Revenues, Expenses and Changes in Net Position
For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Annual Service Charges	\$ 1,892,813	\$ 1,874,161
Other Operating Revenue	1,200	1,200
Total Operating Revenues	<u>1,894,013</u>	<u>1,875,361</u>
Operating Expenses:		
Cost of Providing Services	859,414	1,100,607
Administrative Expenses	245,880	256,123
Depreciation Expense	366,633	334,503
Total Operating Expenses	<u>1,471,927</u>	<u>1,691,233</u>
Operating Income	<u>422,086</u>	<u>184,128</u>
Non-Operating Revenues (Expenses):		
Sale of Solar Renewable Energy Certificates (SRECs)	139,970	166,533
Interest Income	19,021	67,478
Interest Expense	(50,276)	(57,778)
Amortization of Bond Premium	9,860	11,445
Insurance Reimbursements	130,553	-
Loss on disposal of equipment	(1,662)	-
Total Non-Operating Revenues (Expenses)	<u>247,466</u>	<u>187,678</u>
Change in Net Position	669,552	371,806
Depreciation on Assets Purchased with Contributed Capital	(87,656)	(87,656)
Net Income	581,896	284,150
Net Position, January 1,	<u>3,567,581</u>	<u>3,283,431</u>
Net Position, December 31,	<u>\$ 4,149,477</u>	<u>\$ 3,567,581</u>

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
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	\$ 1,839,893	\$ 1,859,825
Cash Received from Sale of SRECs	139,970	166,533
Cash Paid to Suppliers and Employees	(1,164,697)	(1,329,762)
Interest Received	19,021	67,478
Cash Received from Others	1,200	1,200
Net Cash Provided by Operating Activities	835,387	765,274
Cash Flows from Capital and Related Financing Activities:		
Principal Paid on Long-Term Debt Used for Capital Assets	(248,883)	(239,025)
Interest Paid on Long-Term Debt Used for Capital Assets	(54,226)	(63,147)
Insurance Reimbursement	130,553	-
Proceeds from Loans Receivable	-	1,251,071
Acquisition and Construction of Capital Assets	(384,241)	(1,475,551)
Net Cash Used by Capital and Related Financing Activities	(556,797)	(526,652)
Net Increase in Cash and Cash Equivalents	278,590	238,622
Cash and Cash Equivalents, January 1	3,471,364	3,232,742
Cash and Cash Equivalents, December 31	\$ 3,749,954	\$ 3,471,364
Reconciliation to Statement of Net Position:		
Current Unrestricted Assets:		
Cash and Cash Equivalents	\$ 3,191,980	\$ 2,886,151
Current Restricted Assets:		
Cash and Cash Equivalents	557,974	585,213
Cash and Cash Equivalents, December 31	\$ 3,749,954	\$ 3,471,364
Reconciliation of Operating Income to Cash Flows from Operating Activities:		
Change in Net Position	\$ 669,552	\$ 371,806
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Adjustments to Operating Activities:		
Interest Paid on Long-Term Debt Used for Capital Assets	54,226	63,147
Reimbursement for insurance proceeds	(130,553)	-
Items Which Did Not Use Cash:		
Depreciation Expense	366,633	334,503
Amortization of Bond Discount	(9,860)	(11,445)
Pension Liability Expense - GASB 68	(17,186)	12,767
OPEB Liability Benefit/(Expense) - GASB 75	(64,157)	(81,010)
Loss on disposal of equipment	1,662	-
Working Capital Changes which provided/(used) cash:		
Increase in Accounts Receivable	(52,920)	(14,336)
Decrease in Inventory	2,011	6,510
Decrease in Prepaid Expenses	6,692	-
Increase in Accounts Payable	3,251	59,142
Increase in Accounts Payable - Related to Pensions	7,710	29,140
Decrease in Accrued Expenses	(3,350)	(4,719)
Decrease in Accrued Interest Payable	(3,950)	(5,369)
Increase in Compensated Absences	5,626	5,138
Total Adjustments	165,835	393,468
Net Cash Provided by Operating Activities	\$ 835,387	\$ 765,274

Noncash Investing, Capital, and Financing Activities:

During the years ended December 31, 2020 and 2019, noncash capital contributions received were \$0

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements
For the years ended December 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Monmouth County Bayshore Outfall Authority (the "Authority") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

Reporting Entity

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

Basis of Presentation

The financial statements of the Authority have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles ("GAAP") applicable to enterprise funds of State and Local Governments on a going concern basis.

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

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. Net position (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt 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.

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

Revenues -- 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.

Non-exchange transactions, is when 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*. This 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, certain items such as bond payments are included in budgetary expenses while depreciation is not included.

The legal level of budgetary control is established at the detail shown on the Comparative 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. 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

Cash and cash equivalents include cash in banks and may include petty cash. 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.

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents (continued)

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.

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

Accounts Receivable

Service charges are established by the Board annually. The charges are subject to adjustment by the Board and are made a part of the annual Budget process. The Authority’s customer accounts (two Authorities, a Authority and the County of Monmouth Belford Ferry Terminal) are current and management felt there was no need to establish an allowance for doubtful accounts.

Inventory

Inventory is valued at cost, which approximates market, using the first-in-first out (FIFO) method. Supplies estimated to be immaterial at year-end are recorded as an expense when purchased. At December 31, 2020 and 2019, the value of the inventory, consisting of high value repair parts and heating oil was \$38,981 and \$40,992, respectively.

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

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased are stated at cost. Assets contributed by developers are valued at estimated fair market value as of the date of contribution. Costs incurred for construction projects are recorded as construction in progress. In the year that the project is completed, these costs are transferred to capital assets. The Authority has adopted a capitalization threshold of \$2,500.

Depreciation is determined on a straight-line basis for all capital assets. In accordance with National Council of Government Accounting Standards 2, depreciation on assets acquired with capital contributions in aid of construction is recorded as a reduction of contributed capital. Depreciation was provided over the following estimated useful lives:

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

	<u>Years</u>
Pumping stations, outfall sewer line, monitoring station and maintenance garage	40
Office furniture and equipment	5-10
Vehicles	5

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statements 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 statements 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 period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences

Employees of Monmouth County Bayshore Outfall Authority must use their vacation time in the current year, after the succeeding year, vacation time is lost. Employees will be paid out for one half of their sick days accumulated in accordance with the Authority's Personnel Policy.

Unearned Revenue

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

Deferred Inflows Related to Non-exchange Transactions

The Authority receives payments for connection fees when new users connect to the system. Since the Authority does not supply the user with supplies or services to make the physical connection, this would be considered a non-exchange transaction and recorded as deferred inflow related to non-exchange transactions under deferred inflows of resources. The Authority recognizes the revenue in the period that the user exercises their right to connect to the system.

Bond Discounts/Bond Premium

Bond discounts and bond premiums are deferred and amortized over the term of the bonds. Bond discounts are presented as a reduction of the face amount of the revenue bond payable. Bond premium is presented as an addition to bond payable.

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loan Discounts/Loan Premium

Loan discounts and loan premiums are deferred and amortized over the term of the loans. Loans discounts are presented as a reduction of the face amount of the loans payable. Loan premiums are presented as an addition to loans payable.

Pension & OPEB 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, and pension and other post-employment benefits expenses, information about the fiduciary net position of the Public Employees' Retirement System ("PERS"), the Other Post-Employment Benefits ("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 ("Statement 34") of the Governmental Accounting Standards Board "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".

Income Taxes

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

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating and Non-Operating Revenues and Expenses

The Authority defines its operating revenues as income generated directly from the primary activity of the Authority. For the Authority, these revenues are for the collection of treated waste water. Operating expenses are costs incurred to provide the service that is the primary activity of the Authority. All other revenue and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Solar Renewable Energy Certificate (SREC) revenue is recognized in the period the credits are generated.

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 from estimated amount.

Impact of Recently Issued Accounting Pronouncements

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

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Statement No. 87 is effective for reporting periods beginning after June 15, 2021 (GASB 95). Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact of Recently Issued Accounting Pronouncements (continued)

Recently Issued Accounting Pronouncements Not Yet Adopted (continued)

effective for reporting periods beginning after December 15, 2020 (GASB 95). Management does not expect this Statement to have a material impact on the Authority's financial statements.

GASB Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. GASB Statement No. 90 is effective for reporting periods beginning after December 15, 2020. Management has not yet determined the potential impact on the Authority's financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*, the primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Statement No. 91 is effective for reporting periods beginning after December 15, 2021. Management has not yet determined the potential impact on the School Authority's financial statements.

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassification had no impact on previously reported net assets.

Subsequent Events

Monmouth County Bayshore Outfall Authority has evaluated subsequent events occurring after December 31, 2020 through February 27, 2022, which is the date the financial statements were available to be issued.

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 2: RESTRICTED FUNDS

The Authority is subject to the provisions and restrictions of the Bond Resolution. A summary of the activities of each fund (account) created by the Bond Resolution is covered below (in the priority of the order listed).

Revenue – All revenue received by the Authority. Used for authorized operating expenses and, as of the last day or each quarter, transfers to various accounts described below.

Construction – Proceeds of debt issued and construction grants-in-aid. Used for construction costs of the project.

Bond Service Fund – Amount needed to pay matured principal and interest plus principal and interest due on the next payment dates, respectively. Used for principal and interest payments on the debt service.

Bond Reserve Fund – Amount needed to equal the greatest amount of debt service due in any year. Transfers to meet minimum levels required in the bond service account. Any excess may be transferred into the revenue account.

Renewal and Replacement Fund – Amount needed to increase the balance to equal the renewal and replacement requirements as defined by the resolution. Transfers to meet minimum levels required in the bond service or bond reserve accounts or major repairs, renewals and extensions of the system.

General Fund – All excess funds of the Authority are recorded in the General Fund. At the discretion of the Authority, funds may be transferred to the Revenue Fund and used for any lawful purpose.

The following accounts are required by the 2011 Bond Resolution as of December 31, 2020:

	<u>Amount Required</u>	<u>Balance at Year End</u>	<u>Excess or (Deficiency)</u>
Bond Service Fund	\$ 171,000	\$ 283,773	\$ 112,773
Bond Reserve Fund	\$ 172,875	\$ 174,174	\$ 1,299
Renewal and Replacement Fund	\$ 100,000	\$ 100,021	\$ 21

The following accounts are required by the 2011 Bond Resolution as of December 31, 2019:

	<u>Amount Required</u>	<u>Balance at Year End</u>	<u>Excess or (Deficiency)</u>
Bond Service Fund	\$ 172,375	\$ 280,536	\$ 108,161
Bond Reserve Fund	\$ 172,875	\$ 175,259	\$ 2,384
Renewal and Replacement Fund	\$ 100,000	\$ 129,418	\$ 29,418

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 3: CASH AND CASH EQUIVALENTS

This Authority is governed by the deposit limitations of New Jersey state law. The deposits held at December 31, 2020 and 2019, reported at fair value, are as follows:

	<u>2020</u>	<u>2019</u>
Deposits:		
Demand deposits	\$3,749,954	\$3,471,364
Total deposits	<u>\$3,749,954</u>	<u>\$3,471,364</u>
Reconciliation to Statements of Net Position:		
Current assets:		
Unrestricted cash and cash equivalents	\$3,191,980	\$2,886,151
Current assets:		
Restricted cash and cash equivalents	<u>557,974</u>	<u>585,213</u>
Total deposits	<u>\$3,749,954</u>	<u>\$3,471,364</u>

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 the Governmental Unit Deposit Protection Act (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	\$ 250,004	\$ 250,000
Uninsured and Collateralized with securities held by the pledging bank's trust department	<u>21,685</u>	<u>6,912</u>
Total	<u>\$ 271,689</u>	<u>\$ 256,912</u>

New Jersey Cash Management Fund

During the years ended December 31, 2020 and 2019, the Authority participated in the New Jersey Cash Management Fund. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk and are deemed to be cash and cash equivalents for purposes of the Statement of Cash Flows. At December 31, 2020 and 2019, the Authority's deposits with the New Jersey Cash Management Fund were \$3,565,624 and \$3,475,025, respectively.

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable balances at December 31, 2020 and 2019 were \$95,585 and \$42,665, respectively. The Authority believes that all receivables are collectible and has not established an allowance for doubtful accounts. Accounts receivable at December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Insurance reimbursements	\$ 77,656	\$ -
Solar Renewable Energy Credits	13,878	37,727
Other receivables	4,051	4,938
Total	\$ 95,585	\$ 42,665

NOTE 5: 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>	Retirements and Transfers	Balance December 31, <u>2020</u>
Capital Assets not being depreciated:				
Land	\$ 715,751	\$ -	\$ -	\$ 715,751
Total Capital Assets not being depreciated	715,751	-	-	715,751
Capital Assets being depreciated:				
Pumping Stations and Outfall Sewer Lines	19,922,878	23,926	-	19,946,804
Monitoring Station	101,455	-	-	101,455
Solar Power Generating System	2,984,564	-	-	2,984,564
Maintenance Garage	40,636	-	-	40,636
Office Furniture and Plant Equipment	422,009	374,125	(6,232)	789,902
Vehicles	67,398	-	-	67,398
Total Capital Assets being depreciated	23,538,940	398,051	(6,232)	23,930,759
Less: Accumulated Depreciation:	(17,860,746)	(454,289)	4,570	(18,310,465)
Total Capital Assets being depreciated, net	5,678,194	(56,238)	(1,662)	5,620,294
Total Capital Assets, net	\$ 6,393,945	\$ (56,238)	\$ (1,662)	\$ 6,336,045

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 5: 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>	Retirements and Transfers	Balance December 31, <u>2019</u>
Capital Assets not being depreciated:				
Land	\$ 715,751	\$ -	\$ -	\$ 715,751
Construction in Progress	3,354	-	(3,354)	-
Total Capital Assets not being depreciated	719,105	-	(3,354)	715,751
Capital Assets being depreciated:				
Pumping Stations and Outfall Sewer Lines	18,603,588	1,315,936	3,354	19,922,878
Monitoring Station	101,455	-	-	101,455
Solar Power Generating System	2,984,564	-	-	2,984,564
Maintenance Garage	40,636	-	-	40,636
Office Furniture and Plant Equipment	245,580	176,429	-	422,009
Vehicles	67,398	-	-	67,398
Total Capital Assets being depreciated	22,043,221	1,492,365	3,354	23,538,940
Less: Accumulated Depreciation:	(17,438,587)	(422,159)	-	(17,860,746)
Total Capital Assets being depreciated, net	4,604,634	1,070,206	3,354	5,678,194
Total Capital Assets, net	\$ 5,323,739	\$ 1,070,206	\$ -	\$ 6,393,945

The activity in grants-in-aid of construction for the year ended December 31, 2020 is as followed:

	Balance December 31, <u>2019</u>	<u>Additions</u>	Retirements and Transfers	Balance December 31, <u>2020</u>
U.S. Environmental Protection Agency	\$ 7,681,561	\$ -	\$ -	\$ 7,681,561
NJ Department of Environmental Protection	2,985,217	-	-	2,985,217
County of Monmouth	663,567	-	-	663,567
Reimbursements of Upgrade Pump costs:				
Atlantic Highlands/Highlands				
Regional Sewerage Authority	126,211	-	-	126,211
NJ Clean Energy Rebate	1,267,512	-	-	1,267,512
Total Grants-in-Aid	12,724,068	-	-	12,724,068
Less: Accumulated Depreciation:	(12,194,177)	(87,656)	-	(12,281,833)
Grants-in-Aid, net	\$ 529,891	\$ (87,656)	\$ -	\$ 442,235

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 5: CAPITAL ASSETS (continued)

The activity in grants-in-aid of construction for the year ended December 31, 2019 is as followed:

	Balance December 31, <u>2018</u>	<u>Additions</u>	Retirements <u>and Transfers</u>	Balance December 31, <u>2019</u>
U.S. Environmental Protection Agency	\$ 7,681,561	\$ -	\$ -	\$ 7,681,561
NJ Department of Environmental Protection	2,985,217	-	-	2,985,217
County of Monmouth	663,567	-	-	663,567
Reimbursements of Upgrade Pump costs:				
Atlantic Highlands/Highlands				
Regional Sewerage Authority	126,211	-	-	126,211
NJ Clean Energy Rebate	1,267,512	-	-	1,267,512
Total Grants-in-Aid	<u>12,724,068</u>	<u>-</u>	<u>-</u>	<u>12,724,068</u>
Less: Accumulated Depreciation:	<u>(12,106,521)</u>	<u>(87,656)</u>	<u>-</u>	<u>(12,194,177)</u>
Grants-in-Aid, net	<u>\$ 617,547</u>	<u>\$ (87,656)</u>	<u>\$ -</u>	<u>\$ 529,891</u>

NOTE 6: LIABILITIES

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

	Balance <u>December 31, 2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>December 31, 2020</u>	Balance Due Within <u>One Year</u>
Revenue Bonds Payable	\$ 1,010,000	\$ -	\$ 125,000	\$ 885,000	\$ 130,000
Unamortized Bond Premiums	31,054	-	9,859	21,195	9,829
Revenue Bonds Payable, net	<u>1,041,054</u>	<u>-</u>	<u>134,859</u>	<u>906,195</u>	<u>139,829</u>
Loans Payable	427,858	-	114,024	313,834	112,024
Net Pension Liability	1,073,286	-	-	981,589	-
Net OPEB Liability	1,090,188	287,753	-	1,377,941	-
Compensated Absences	98,741	5,626	-	104,367	-
Construction Loans	<u>1,251,071</u>	<u>-</u>	<u>-</u>	<u>1,251,071</u>	<u>1,251,071</u>
	<u>\$ 4,982,198</u>	<u>\$ 293,379</u>	<u>\$ 248,883</u>	<u>\$ 4,934,997</u>	<u>\$ 1,502,924</u>

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 6: LIABILITIES (continued)

	Balance			Balance	Balance
	<u>December 31, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2019</u>	<u>Due Within</u> <u>One Year</u>
Revenue Bonds Payable	\$ 1,130,000	\$ -	\$ 120,000	\$ 1,010,000	\$ 125,000
Unamortized Bond Premiums	42,499	-	11,445	31,054	9,860
Revenue Bonds Payable, net	<u>1,172,499</u>	-	<u>131,445</u>	<u>1,041,054</u>	<u>134,860</u>
Loans Payable	535,438	-	107,580	427,858	114,024
Net Pension Liability	1,143,372	-	70,086	1,073,286	-
Net OPEB Liability	1,361,429	-	271,241	1,090,188	-
Compensated Absences	93,603	5,138	-	98,741	-
Construction Loans	-	1,251,071	-	1,251,071	1,251,071
	<u>\$ 4,306,341</u>	<u>\$ 1,256,209</u>	<u>\$ 580,352</u>	<u>\$ 4,982,198</u>	<u>\$ 1,499,955</u>

Net Pension Liability and Net Other Postemployment Benefits Liability

For details on the net other postemployment benefits liability and net pension liability see the Pension Obligations and Other Postemployment Benefits in Note 7 and Note 8, respectively. The Authority's annual required contribution to the Public Employees' Retirement System and Other Postemployment Benefits is budgeted and paid on an annual basis.

Compensated Absences

For the years ended December 31, 2020 and 2019, the Authority accrued compensated absences in the amount of \$104,367 and \$98,741, respectively.

Construction Loans Payable

In order to finance the Pipeline Assessment, the Authority has been drawing down on a construction loan granted by NJEIT in 2019 to be utilized as work progresses through the completion of such construction. As of December 31, 2020 and 2019, the amount of construction loans outstanding is \$1,251,071 and is reflected as a current liability, however, once payment terms are identified, a portion will be reflected as long-term debt.

Revenue and Loans Payable

2002 New Jersey Environmental Infrastructure Trust Bonds

On November 7, 2002, the Authority issued \$970,000 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust 2002 financing program. The Trust Loan Bonds, in the amount of \$475,000, mature annually from 2004 through 2022 and carry interest rates ranging from 3.00% to 5.25%. The Fund Loan Bonds, in the amount of \$495,000 mature semi-annually from August 2003 through August 2022 and were issued on an interest free basis.

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 6: LIABILITIES (continued)

2003 New Jersey Environmental Infrastructure Trust Bonds

On November 6, 2003, the Authority issued \$241,297 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust 2003 financing program. The Trust Loan Bonds, in the amount of \$125,000, mature annually from 2005 through 2022 and carry interest rates ranging from 3.00% to 5.00%. The Fund Loan Bonds, in the amount of \$116,297 mature semi-annually from August 2004 through August 2022 and were issued on an interest free basis.

2005 New Jersey Environmental Infrastructure Trust Bonds

On November 10, 2005, the Authority issued \$607,655 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust 2005 financing program. The Trust Loan Bonds, in the amount of \$310,000, mature annually from 2007 through 2025 and carry interest rates ranging from 4.00% to 5.00%. The Fund Loan Bonds, in the amount of \$297,655 mature semi-annually from August 2006 through August 2025 and were issued on an interest free basis.

Outfall Sewer Bonds (Series 2011)

On January 24, 2011, the Authority issued \$1,835,000 in Revenue Bonds to the Monmouth County Improvement Authority (MCIA) pursuant to the MCIA's 2011 Governmental Loan Program. The bonds mature annually from 2012 through 2026 and carry interest rates from 2.00 to 5.00%. The bonds were issued to finance the net cost of the construction of a solar power generating system and to repay the project notes payable.

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

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

For the year ended				
<u>December 31,</u>	<u>Princpal</u>	<u>Interest</u>	<u>Total</u>	
2021	\$ 242,024	\$ 50,150	\$ 292,174	
2022	244,374	40,450	284,824	
2023	179,387	30,438	209,825	
2024	183,049	22,219	205,268	
2025	185,000	9,563	194,563	
2026	165,000	7,875	172,875	
	<u>\$ 1,198,834</u>	<u>\$ 160,695</u>	<u>\$ 1,359,529</u>	

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 7: 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

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 7: PENSION OBLIGATIONS (continued)

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. 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 \$65,848.

Components of Net Pension Liability - At December 31, 2020, the Authority's proportionate share of the PERS net pension liability was \$981,589. 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, 2019, 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 0.0060192903% which was an increase of 0.0000627080% 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	\$ 135,561	\$ 190,048
Deferred Inflows of Resources	414,472	394,448
Net Pension Liability	981,589	1,073,286
 The Authority's portion of the Plan's total Net Pension Liability	 0.00602%	 0.00596%

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 7: PENSION OBLIGATIONS (continued)

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 \$48,660. At December 31, 200, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 17,873	\$ 3,471
Changes of Assumptions	31,844	411,001
Net Difference between Projected and Actual Earnings on Pension Plan Investments	33,551	-
Changes in Proportion and Differences between The Authority's Contributions and Proportionate Share of Contributions	52,293	-
	\$ 135,561	\$ 414,472

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 7: PENSION OBLIGATIONS (continued)

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

	<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 of 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	-
Changes in Proportion and Differences between 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

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 7: PENSION OBLIGATIONS (continued)

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:

Year Ending	Amount
<u>Dec 31,</u>	
2021	\$ (72,352)
2022	(107,689)
2023	(61,903)
2024	(31,792)
2025	<u>(5,175)</u>
	<u>\$ (278,911)</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 Years of Service
Thereafter	3.00 - 7.00% Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	
PERS	Pub-2010 General Below-Median Income Employee mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020
Period of Actuarial Experience	
Study upon which Actuarial Assumptions were Based	July 1, 2014 - June 30, 2018

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 7: PENSION OBLIGATIONS (continued)

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 July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 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	3.00%	3.40%
	100.00%	

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 7: PENSION OBLIGATIONS (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>\$ 1,245,373</u>	<u>\$ 981,589</u>	<u>\$ 772,029</u>

NOTE 8: 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. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees.

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

General Information about the OPEB Plan (continued)

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.

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

Allocation Methodology (continued)

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 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 \$1,377,941. 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

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Obligation and OPEB (Benefit) Expense (continued)

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 0.007678%, which was an increase of 0.000370% from its proportion measured as of June 30, 2019.

For the fiscal year ended June 30, 2020, the State of New Jersey recognized an OPEB (benefit) expense in the amount of \$(39,018) 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:

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

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

	1% Decrease	Healthcare Cost Trend Rate	1% increase
State of New Jersey's Proportionate Share of Total OPEB Obligation Associated with The Authority	\$ 1,140,248	\$ 1,377,941	\$ 1,689,204
State of New Jersey's Total Nonemployer OPEB Liability	\$ 14,850,840,718	\$ 17,946,612,946	\$ 22,000,569,109

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	\$ 1,202,582	\$ 1,377,941	\$ 908,002
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:

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

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	\$ 259,305	\$ 20,058
Deferred Inflows of Resources	843,552	956,215
Net OPEB Liability	1,377,941	1,090,188
Authority's portion of the Plan's total net OPEB Liability	0.00768%	0.00805%

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 \$259,305 and \$843,552, respectively. At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 36,294	\$ 256,598
Changes of Assumptions	206,097	306,433
Net Difference between Projected and Actual Earnings on Pension	875	-
Changes in Proportion	<u>16,039</u>	<u>280,521</u>
	<u>\$ 259,305</u>	<u>\$ 843,552</u>

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

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	\$	(135,644)
2022		(135,771)
2023		(135,842)
2024		(135,944)
2025		(86,122)
2025-2029		<u>45,076</u>
	<u>\$</u>	<u>(584,247)</u>

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.

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>

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

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		9,913,267
		4,400,541,846
Net Change in Total OPEB Liability		4,400,541,846
Total OPEB Liability (Beginning)		13,546,071,100
Total OPEB Liability (Ending)	\$	17,946,612,946

NOTE 9: DEFINED CONTRIBUTION RETIREMENT PROGRAM

The Defined Contribution Retirement Plan (“DCRP”) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members with a tax-sheltered defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

NOTE 10: DEFICIT UNRESTRICTED NET POSITION

The Authority had a deficit in unrestricted net position in the amount of \$(251,740) at December 31, 2019. 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 \$3,052,291 as of December 31, 2019. This deficit in unrestricted net position does not indicate that the Authority is facing financial difficulties.

Schedule I

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
 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	0.00602%	0.00596%	0.00581%	0.00572%	0.00560%	0.00542%	0.00536%	0.00538%
Authority's proportionate share of the net pension liability	\$ 981,589	\$ 1,073,286	\$ 1,143,372	\$ 1,331,658	\$ 1,657,139	\$ 1,216,800	\$ 1,003,128	\$ 1,127,383
Authority's covered-employee payroll	\$ 436,413	\$ 423,292	\$ 415,546	\$ 402,062	\$ 390,616	\$ 379,410	\$ 368,622	\$ 368,622
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	224.92%	253.56%	275.15%	331.21%	424.24%	320.71%	272.13%	278.71%
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.

Schedule II

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
 Schedule of Authority Contributions
 Public Employees' Retirement System
 Last Eight Fiscal Years *

	For the Year Ended, December 31,							
	2020	2019	2018	2017	2016	2015	2014	2013
Authority's contractually required contribution	\$ 65,848	\$ 57,940	\$ 57,761	\$ 52,995	\$ 49,707	\$ 46,602	\$ 44,169	\$ 40,504
Contributions in relation to the contractually required contribution	(65,848)	(57,940)	(57,761)	(52,995)	(49,707)	(46,602)	(44,169)	(40,504)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 408,277	\$ 436,413	\$ 423,292	\$ 415,546	\$ 402,062	\$ 390,616	\$ 379,410	\$ 368,622
Contributions as a percentage of covered payroll	16.13%	13.28%	13.65%	12.75%	12.36%	11.93%	11.64%	10.99%

* 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.

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Schedule of the Authority's Proportionate Share of the Net Other Postemployment Benefit Liability
Local Government Retired Employees Plan
Last Five Fiscal Years **

	<u>Measurement Date Ended June 30,</u>				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's proportion of the other postemployment benefit liability (asset)	0.00768%	0.00805%	0.00869%	0.00858%	0.00948%
Authority's proportionate share of the net other postemployment benefit liability (asset)	\$ 1,377,941	\$ 1,090,188	\$ 1,361,429	\$ 1,751,266	\$ 2,058,816
Authority's covered-employee payroll	\$ 436,413	\$ 423,292	\$ 415,546	\$ 402,062	\$ 390,616
Authority's proportionate share of the net other postemployment benefit liability (asset) as a percentage of its covered-employee payroll	315.74%	257.55%	327.62%	435.57%	527.07%
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.

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY

Notes to the 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.

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Schedule of Revenues and Expenses - Budget to Actual
For the year ended December 31, 2020

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
REVENUES:				
Annual Service Charges	\$ 1,892,813	\$ 1,892,813	1,892,813	\$ -
Sale of Solar Renewable Energy Certificates (SRECs)	100,000	100,000	139,970	39,970
Interest Income	11,000	11,000	19,021	8,021
Shared service agreement	1,200	1,200	1,200	-
TOTAL REVENUES	2,005,013	2,005,013	2,053,004	47,991
EXPENSES:				
Operating Appropriations:				
Cost of Providing Services:				
Operating Labor	433,695	433,695	385,156	48,539
Employee Benefits	254,349	254,349	189,489	64,860
Insurance	45,000	45,000	45,745	(745)
Repairs and Maintenance	221,908	221,908	57,577	164,331
Laboratory Supplies	3,000	3,000	2,258	742
Outside Laboratory Services and Technician	70,000	70,000	43,091	26,909
Utilities	171,500	171,500	122,418	49,082
Truck Maintenance and Gasoline	8,000	8,000	3,839	4,161
Permit Fees	117,000	117,000	71,784	45,216
Total Cost of Providing Services	1,324,452	1,324,452	921,357	403,095
Administrative Expenses:				
Salaries	125,302	125,302	120,627	4,675
Employee Benefits	41,310	41,310	54,706	(13,396)
Telephone	8,500	8,500	7,619	881
Office Supplies and Expenses	12,750	12,750	7,728	5,022
Professional Fees	65,000	65,000	59,166	5,834
Trustee Fees	12,000	12,000	9,491	2,509
Miscellaneous	7,000	7,000	5,943	1,057
Total Administrative Expenses	271,862	271,862	265,280	6,582
TOTAL OPERATING APPROPRIATIONS	1,596,314	1,596,314	1,186,637	409,677
INTEREST EXPENSE	59,675	59,675	50,276	9,399
OTHER COSTS FUNDED BY REVENUES:				
Principal Maturity	239,024	239,024	239,024	-
Capital Outlay	100,000	100,000	-	100,000
Renewal and Replacement Reserve	10,000	10,000	-	10,000
TOTAL COSTS FUNDED BY REVENUES	349,024	349,024	239,024	110,000
TOTAL EXPENSES	2,005,013	2,005,013	1,475,937	529,076
BUDGETARY REVENUES OVER EXPENSES	\$ -	\$ -	\$ 577,067	\$ 577,067
Reconciliation of Budgetary Basis to Net Income:				
Budgetary Revenues Over Expenses			\$ 577,067	
Adjustments to Budgetary Basis:				
Depreciation Expense			(366,633)	
Pension Liability Benefit/(Expense) - GASB 68			17,186	
OPEB Liability Benefit/(Expense) - GASB 75			64,157	
Principal Maturity			239,024	
Amortization of Bond Premium			9,860	
Insurance Reimbursements			130,553	
Loss on disposal of equipment			(1,662)	
Total Adjustments			92,485	
Net Income			\$ 669,552	

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Schedule of Revenues and Expenses - Budget to Actual
For the year ended December 31, 2019

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
REVENUES:				
Annual Service Charges	\$ 1,874,161	\$ 1,874,161	1,874,161	\$ -
County of Monmouth - Belford Ferry Terminal	-	-	1,200	1,200
Sale of Solar Renewable Energy Certificates (SRECs)	100,000	100,000	166,533	66,533
Interest Income	10,000	10,000	67,478	57,478
TOTAL REVENUES	1,984,161	1,984,161	2,109,372	125,211
EXPENSES:				
Operating Appropriations:				
Cost of Providing Services:				
Operating Labor	412,599	412,599	406,597	6,002
Employee Benefits	278,473	278,473	250,721	27,752
Insurance	45,000	45,000	42,565	2,435
Repairs and Maintenance	211,908	211,908	159,723	52,185
Laboratory Supplies	3,000	3,000	2,985	15
Outside Laboratory Services and Technician	70,000	70,000	52,248	17,752
Utilities	171,500	171,500	154,438	17,062
Truck Maintenance and Gasoline	8,000	8,000	3,695	4,305
Permit Fees	117,000	117,000	79,969	37,031
Total Cost of Providing Services	1,317,480	1,317,480	1,152,941	164,539
Administrative Expenses:				
Salaries	123,596	123,596	123,596	-
Employee Benefits	41,604	41,604	59,322	(17,718)
Telephone	8,500	8,500	7,202	1,298
Office Supplies and Expenses	12,750	12,750	6,543	6,207
Professional Fees	65,000	65,000	62,423	2,577
Trustee Fees	12,000	12,000	6,190	5,810
Miscellaneous	7,000	7,000	6,756	244
Total Administrative Expenses	270,450	270,450	272,032	(1,582)
TOTAL OPERATING APPROPRIATIONS	1,587,930	1,587,930	1,424,973	162,957
INTEREST EXPENSE	68,650	68,650	57,778	10,872
OTHER COSTS FUNDED BY REVENUES:				
Principal Maturity	227,581	227,581	227,581	-
Capital Outlay	100,000	100,000	-	100,000
TOTAL COSTS FUNDED BY REVENUES	327,581	327,581	227,581	100,000
TOTAL EXPENSES	1,984,161	1,984,161	1,710,332	273,829
BUDGETARY REVENUES OVER EXPENSES	\$ -	\$ -	\$ 399,040	\$ 399,040
Reconciliation of Budgetary Basis to Net Income:				
Budgetary Revenues Over Expenses		\$ 399,040		
Adjustments to Budgetary Basis:				
Depreciation Expense		(334,503)		
Pension Liability Expense - GASB 68		(12,767)		
OPEB Liability Benefit/(Expense) - GASB 75		81,010		
Principal Maturity		227,581		
Amortization of Bond Premium		11,445		
Total Adjustments		(27,234)		
Net Income		\$ 371,806		



Certified Public Accountants + Advisors

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The Chairman and Members
of the Monmouth County Bayshore Outfall Authority
Belford, New Jersey 07718

We have audited the financial accounts and transactions of the Monmouth County Bayshore Outfall Authority 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: annual laboratory services, boiler replacement, slump block inspection, and asbestos removal.

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 did not reveal any 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 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 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 21, 2019 and adopted its operating budget on December 9, 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.
HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

February 27, 2022
Lakewood, New Jersey