

**BRICK TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY
COUNTY OF OCEAN, NEW JERSEY**

**ANNUAL FINANCIAL REPORT
YEARS ENDED MARCH 31, 2020 and 2019**

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Board of Commissioners and Management
March 31, 2020

Board of Commissioners

Thomas C. Curtis	Chairman
William Neafsey	Vice Chairman
Michael Blandina	Secretary
Susan Lydecker	Treasurer
Derrick Ambrosino	Asst. Secretary/Treasurer
Harvey Langer	Alternate
Erin Wheeler	Alternate

Management

Chris A. Theodos, P.E., P.P., C.M.E., C.P.W.M., C.F.M.	Executive Director
Stephen T. Specht, P.E.	Deputy Executive Director Director of Engineering/Operations
Joseph Maggio, P.E.	Director of Water Quality
Gary Vacccaro	Director of Compliance & Technology
John Clifford, CMFO	Chief Financial Officer

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

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PART I
REPORT OF AUDIT OF FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Brick Township Municipal Utilities Authority
Brick, New Jersey

We have audited the accompanying financial statements of the Brick Township Municipal Utilities Authority ("Authority") of the Township of Brick, State of New Jersey, as of and for the year ended March 31, 2020 and 2019, and the related notes to the 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 requirements as prescribed 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 of 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 financial position of the Brick Township Municipal Utilities Authority of the Township of Brick, State of New Jersey, as of March 31, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Authority and do not purport to, and do not present fairly the financial position of the Township of Brick, State of New Jersey, as of March 31, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension liability and contribution information, and OPEB liability information on pages 5-10, 46-48, 50-51 and 52, respectively, 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 supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other supplementary information, also listed as supplementary information in the table of contents is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020, on our consideration of the Authority's internal control over financial reporting and on 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.

Fallon & Company LLP

FALLON & COMPANY
Hazlet, New Jersey
September 23, 2020

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Commissioners
Brick Township Municipal Utilities Authority
Brick, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Brick Township Municipal Utilities Authority ("Authority"), as of and for the year ended March 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 23, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Brick Township Municipal Utilities 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 the Brick Township Municipal Utilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Brick Township Municipal Utilities 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Fallon & Company LLP

FALLON & COMPANY
Hazlet, New Jersey
September 23, 2020

MANAGEMENT DISCUSSION AND ANALYSIS

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
BRICK, NEW JERSEY**

FISCAL YEAR APRIL 1, 2019 THROUGH MARCH 31, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's narrative discussion and analysis of the financial activities of the Authority for the audit year ending March 31, 2020.

The Authority continues the trend of overall positive performance relative to budget. The term "Budget" in this discussion refers to the 2019/2020 budget which was approved by the Division of Local Government Services in February of 2019.

The Cash Management Plan adopted annually by the Board of Commissioners, the preparation of a detailed annual operating budget, and a five-year analysis of operations, capital, and rate projections contribute to the financial strength and direction of the Authority.

Authority Overview

The Authority provides sewerage collection and water treatment and distribution services for Brick Township. Additionally, the Authority sells bulk water to Point Pleasant Beach, Point Pleasant Borough and Lakewood.

The Authority's water distribution system consists of over 403 miles of water mains as well as water storage tanks and booster pumping stations that are located throughout the distribution system. The Authority treats the water supply at the William Miller Treatment Plant. The total treatment capacity of the plant is 16 million gallons per day.

The Authority's sanitary sewer system consists of over 338 miles of sewer mains, approximately 7,832 manholes, and 26 sewerage pumping stations that service the mainland and barrier island sections of Brick Township. The Authority conveys all wastewater to the Ocean County Utilities Authority (OCUA), a regional sewerage authority that provides treatment and disposal. The Authority is a sewer collection system only.

The user fee charged to customers is the primary source of revenue for the Authority, in addition to connection fees and bulk sales. The customer base consists primarily of approximately 31,000 residential single-family water customers.

Financial Review and Highlights

This section presents an overview of the Authority's financial position and activities for the fiscal year April 1, 2019 through March 31, 2020.

Post Employment Benefits Liability

Jefferson Solutions, Inc. prepared the analysis considering various factors including demographics, health cost, employee turnover, inflation and mortality. As of March 31, 2020 the Authority's post-employment benefit liability was \$48,966,831. This is an increase from the prior year of \$22,946,937. Of that amount \$18,857,552 is attributed to changes in assumptions used two years ago. The Authority is aware of the potential future impact of not funding this liability and has included a reserve amount in its 2019/2020 adopted budget of \$500,000 in the effort to reduce the future risk. The OPEB valuation was last revised on September 18, 2020.

Pension Plan

For the year ended March 31, 2020 the Authority's share of the state pension plan deficit was \$22,765,514. This is a \$782 thousand dollar decrease over the prior year. We expect this liability to increase over time as the plan is not fully funded. The current state pension report estimates that the pension will last through 2057.

Capital Project and Debt

The Authority has over \$54 million of bonded debt and loans. Our five-year capital plan has identified over \$87 million of infrastructure improvements which will improve and maintain quality services to our service area. We understand that this amount is will not be completed in the five year period and are prioritizing the improvements according to their necessity. The Authority will be applying to the New Jersey Infrastructure Bank on a regular basis to fund improvements that are too large to fund internally. At the same time, we realize the importance of managing this debt in light of OPEB and pension debts mentioned above. The Authority has also committed to use a portion of unrestricted funds to help finance capital purchases as a way to reduce the use of debt, whenever possible.

Condensed Statements of Net Position – March 31st:

The Statements of Net Position presents the asset / liability financial position of an organization as of a particular date. The summary chart below contains the Authority's Statements of Net Asset values as of March 31, 2020 and 2019. Net position represent the difference between assets and liabilities.

	<u>2020</u>	<u>2019</u>
<u>Assets:</u>		
Unrestricted current assets	\$ 29,284,208	\$ 28,829,763
Restricted current assets	11,572,681	12,888,781
Restricted non-current assets	5,117,638	5,128,319
Property & equipment	102,727,318	89,149,105
Deferred outflows	28,199,422	8,026,911
Total assets	<u>\$ 176,901,267</u>	<u>\$ 144,022,879</u>
<u>Liabilities & Net Assets:</u>		
Unrestricted current liabilities	\$ 2,712,903	\$ 2,448,914
Restricted current liabilities	16,935,057	5,187,002
Net OPEB obligation	48,966,831	26,019,894
Net state pension obligation	22,765,514	23,548,117
Other long-term liabilities and inflows	55,665,796	55,156,714
Net position	29,855,166	31,662,238
Total liabilities & net position	<u>\$ 176,901,267</u>	<u>\$ 144,022,879</u>

The Authority's Statements of Net Position has decreased between fiscal years by \$1,807,072, primarily due to the change in the net OPEB obligation, as adjusted by deferred inflows and outflows, of \$3,618,441. The Authority's current asset ratio remains strong at 2.0 and has decreased from the prior year ratio of 5.5 due to a \$10 million dollar short term note. The note was paid off on July 29, 2020 with proceeds from the NJ Infrastructure-Bank. Property and equipment increased during the year as capital expenditures were \$13.6 million higher than depreciation. This trend is expected to continue for at least one or two more years. The debt ratios for 2020 and 2019 were 83% and 78%, respectively. The higher the debt ratio, the higher the organization's financial risk.

Net capital additions and net accumulated depreciation have resulted in an increase in property and equipment capital assets of \$13,578,213, as shown. The state pension obligation has decreased by \$0.8 million. Principal retirements for bond debt was \$3.6 million for fiscal 2020 while additional debt acquired was \$12.9 million.

Statements of Revenues, Expenses, and Changes in Net Position

The Statements of Revenues, Expenses, and Changes in Net Position measure the financial performance of an organization for a period of time, and the impact upon net position. The chart below summarizes operational activity for the period April 1st to March 31st each fiscal year.

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 36,538,055	\$ 35,811,046
Operating expenses:		
Administrative expenses	11,080,985	10,612,575
Cost of providing services	17,852,566	18,389,363
Depreciation	5,450,692	6,301,391
Total operating expenses	<u>34,384,243</u>	<u>35,303,329</u>
Operating income over expenses	2,153,812	507,717
Total non-operating revenues/(expenses)	<u>(4,226,386)</u>	<u>(1,663,890)</u>
Net income/(loss)	(2,072,574)	(1,156,173)
Contributed capital	265,502	1,240,103
Net position, beginning of year	<u>31,662,238</u>	<u>31,578,308</u>
Net position, end of year	<u>\$ 29,855,166</u>	<u>\$ 31,662,238</u>

Selected Expenses as a Percent of Operating Revenues – March 31st:

	<u>2020</u>	<u>2019</u>
Administrative Expenses	32.2%	30.1%
Cost of Providing Services	51.9%	52.1%
Depreciation	15.9%	17.8%
Total Operating Expenses	<u>100.0%</u>	<u>100.0%</u>

Operating revenues for fiscal 2020 of \$36.5 million increased 2.2% as compared to \$35.8 million for the prior fiscal year, and was 1.1 million above the budgeted amount. The increase in Revenues is primarily the result of conservative budgeting. Interest on investments increased from \$874,026 to \$964,947 as the Authority has benefited from higher interest rates and good cash management. Currently, as interest rates have gone down, it is unlikely that next years interest income will be comparable.

Administrative expenses of \$11.1 million were 4.41% higher in 2020 than prior fiscal year.

Cost of providing services (COPS) decreased from \$18.4 million in 2019 to \$17.9 million in 2020.

Non-operating revenues and expenses for fiscal 2020 were comprised of \$1.3 million in interest expense, which was partially offset by \$965,000 in interest income. The net loss for fiscal 2020 was \$1,807,072. The Authority has consistently had net losses since 2016 with the inclusion of the derived pension and OPEB expenses in the income statement. For 2020 the Authority's share of underfunded pension obligations and OPEB obligation expenses totaled approximately \$4,000,000. The majority of this expense is from the OPEB calculation whereby the Authority is on a pay as you go basis for retiree health benefits.

Statements of Cash Flows

The Authority's Statements of Cash Flows shows net cash provided by operating activities of \$8,142,563. Cash used by financing / investing activities was \$12,618,846 which includes \$3.6 million in bond principal retirements, \$18.6 million in capital acquisitions and \$12.9 million in new construction loans. Cash decreased \$4,476,283 for the fiscal year however Investments increased \$3,504,712.

Rate Determination and History

Rates are projected on a five-year outlook basis to balance the budget. Estimates of injection from the Rate Maintenance Fund are included as needed to streamline rate change and avoid any potential rate spikes. The Authority's history of overall rate increases are as follows:

September 1, 1999:	(6.0%) *Decrease resulted from conversion to consumption based rates.
May 1, 2001:	3.5%
April 1, 2002:	8.7%
April 1, 2003:	8.8%
April 1, 2004:	8.0%
April 1, 2005:	8.5%
April 1, 2006:	5.5%
April 1, 2007:	0.0%
April 1, 2008:	5.5%
April 1, 2009:	2.8%
April 1, 2010:	4.3%
April 1, 2011:	3.9%
April 1, 2012:	3.9%
April 1, 2013:	0.0% - Amended Budget
April 1, 2014:	0.0%
April 1, 2015:	0.0%
April 1, 2016:	0.0%
May 1, 2018:	7.5%

Rate increases from 2002 through 2005 primarily resulted from increased debt service being built into base rates. This additional debt service was primarily associated with the construction of a one billion gallon reservoir, and the associated costs for the water treatment plant modifications and transmission main. The 2006 rate increase was attributed to NJEIT pump station and sewer rehabilitation debt service. For the first time in seven years, the Authority had no rate increase in fiscal 2007/2008. Due to Hurricane Sandy and associated economic conditions within the service territory, the Board of Commissioners decided not to increase rates in fiscal 2013/2014 as well. The rate increase effective May of 2018 was done in anticipation of several large capital projects to be financed by NJ I-Bank, and also considered the net losses incurred from OPEB and Pension liability increases. Five-year operational and rate planning is included as an integral portion of the Authority's budget book each fiscal year. Our current rate projections anticipate additional rate increases within the next five years.

Funding of Infrastructure and Debt Management

It has been the policy of the Brick Township Municipal Utilities Authority that funding for capital improvements, additions, or replacements be accomplished through one, or a combination, of the following methods:

- Borrowings from the New Jersey Environmental Infrastructure Trust
- Revenue bonds
- Internal Funding
- Other alternatives as needed to fund the Five Year Capital Plan

Refunding of existing debt has been periodically reviewed and completed when feasible. Anticipated future debt for projects being implemented include meters, man hole and sewer main replacement projects as well as a new water filter.

Capital – Five-Year Planning

The capital improvements program includes a five year projection that is revised each year. The capital projection process allows the Finance Division to appropriately analyze future impacts of capital expenditures on remaining bond funds, internal funding, potential borrowings, and rate adjustment.

The Authority reviews the five year capital plan on an ongoing basis. It is anticipated that there will be capital related borrowing during fiscal 2020/2021. The Authority is currently reviewing both capital needs and financing alternatives.

Auditors

The Authority auditor for the fiscal year ending March 31, 2020 was Fallon & Company, LLP. Prior audits can be obtained from the office of the Brick Township Municipal Utilities Authority.

Chris A. Theodos, P.E., P.P., C.M.E., C.P.W.M., C.F.M.

Prepared by: Chris A. Theodos
Executive Director

FINANCIAL STATEMENTS

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**Statements of Net Position****March 31,**

	<u>2020</u>	<u>2019</u>
ASSETS		
Unrestricted current assets:		
Cash and cash equivalents	\$ 22,323,301	\$ 19,140,943
Investments	2,000,000	4,612,926
Accounts receivable	2,786,535	2,738,973
Accrued service charges	1,210,124	1,391,981
Inventory - supplies	684,823	671,166
Prepaid expenses	279,425	273,774
Total unrestricted current assets	<u>29,284,208</u>	<u>28,829,763</u>
Restricted current assets:		
Cash and cash equivalents	10,308,564	12,838,886
Investments	1,000,000	-
Accrued interest receivable	264,117	49,895
Total restricted current assets	<u>11,572,681</u>	<u>12,888,781</u>
Restricted non-current assets:		
Cash and cash equivalents	-	5,128,319
Investments	5,117,638	-
Total restricted non-current assets	<u>5,117,638</u>	<u>5,128,319</u>
Property and equipment, net	<u>102,727,318</u>	<u>89,149,105</u>
Total assets	<u>148,701,845</u>	<u>135,995,968</u>
DEFERRED OUTFLOW OF RESOURCES		
Pension deferrals	4,539,563	5,333,377
OPEB deferrals	22,649,633	1,594,993
Unamortized bond defeasement and issue costs	1,010,226	1,098,541
Total deferred outflow of resources	<u>28,199,422</u>	<u>8,026,911</u>
Total assets and deferred outflow of resources	<u>\$ 176,901,267</u>	<u>\$ 144,022,879</u>

The accompanying notes are an integral part of this statement.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**Statements of Net Position****March 31,**

	<u>2020</u>	<u>2019</u>
LIABILITIES		
Unrestricted current liabilities:		
Accounts payable	\$ 413,116	\$ 359,236
Accrued expenses	484,338	429,724
Unearned income	1,815,449	1,659,954
Total unrestricted current liabilities	<u>2,712,903</u>	<u>2,448,914</u>
Restricted current liabilities:		
Accounts payable	1,780,900	344,897
Current portion of long-term debt	3,756,776	3,614,805
Note payable	10,000,000	-
Accrued interest payable	622,101	663,395
Unearned income	97,921	116,209
Developer escrow	287,645	298,197
Retainage payable	389,714	149,499
Total restricted current liabilities	<u>16,935,057</u>	<u>5,187,002</u>
Long-term liabilities:		
Long-term debt (inclusive of premiums of \$2,982,424 and \$3,707,794 and discounts of \$79,280 and \$85,752 in 2020 and 2019 respectively)	44,122,978	45,661,166
Reserve for uncompensated absences	1,380,707	1,398,365
Net OPEB obligation	48,966,831	26,019,894
Net state pension obligation	22,765,514	23,548,117
Total long-term liabilities	<u>117,236,030</u>	<u>96,627,542</u>
Total Liabilities	<u>136,883,990</u>	<u>104,263,458</u>
DEFERRED INFLOW OF RESOURCES		
Pension deferrals	8,435,967	8,097,183
OPEB deferrals	1,726,144	-
Total deferred inflow of resources	<u>10,162,111</u>	<u>8,097,183</u>
Total liabilities and deferred inflow of resources	<u>\$ 147,046,101</u>	<u>\$ 112,360,641</u>

The accompanying notes are an integral part of this statement.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Statements of Net Position

March 31,

	<u>2020</u>	<u>2019</u>
NET POSITION		
Investments in capital assets, net of related debt	\$ 42,676,953	\$ 39,378,738
Restricted net position:		
Debt service	4,617,638	4,617,638
Unrestricted net position:		
Reserved for renewal and replacement	500,000	500,000
Reserved for future construction	3,709,382	5,406,158
Unreserved	<u>(21,648,807)</u>	<u>(18,240,296)</u>
Total restricted and unrestricted net position	<u>(12,821,787)</u>	<u>(7,716,500)</u>
Total net position	<u>\$ 29,855,166</u>	<u>\$ 31,662,238</u>

The accompanying notes are an integral part of this statement.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Position

March 31,

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Annual service charges	\$ 34,480,375	\$ 34,120,660
Initial service charges	789,081	453,180
Tap-ins, permits, and other fees	647,486	611,854
Review and inspection fees	25,240	19,372
Interest on delinquent payments	149,729	156,328
Shared service income	35,331	41,402
Miscellaneous income	410,813	408,250
Total operating revenues	<u>36,538,055</u>	<u>35,811,046</u>
Operating expenses:		
Cost of providing services	17,852,566	18,389,363
Administrative expenses	11,080,985	10,612,575
Depreciation	5,450,692	6,301,391
Total operating expenses	<u>34,384,243</u>	<u>35,303,329</u>
Operating income over expenses	<u>2,153,812</u>	<u>507,717</u>
Non-operating revenue (expenses):		
Interest on investments	964,947	874,026
Interest expense	(1,288,883)	(1,385,297)
Grant revenue	53,573	-
Change in net OPEB obligation	(3,618,441)	(728,018)
Change in state pension obligation	(349,995)	(345,919)
Gain/(Loss) on disposal of assets	100,728	9,633
Amortization of debt issue costs	(48,591)	(48,591)
Amortization of loss on defeasement	(39,724)	(39,724)
Total non-operating revenue (expenses)	<u>(4,226,386)</u>	<u>(1,663,890)</u>
Net income (loss)	<u>(2,072,574)</u>	<u>(1,156,173)</u>
Restricted and unrestricted net position, April 1	(7,716,500)	(9,649,385)
Contributed capital and capital grants	265,502	1,240,103
Net change in investments in capital asset, net of related debt and other	<u>(3,298,215)</u>	<u>1,848,955</u>
Restricted and unrestricted net position, March 31	<u>(12,821,787)</u>	<u>(7,716,500)</u>
Investments in capital assets, net of related debt, April 1	39,378,738	41,227,693
Net increase (decrease) in capital assets	3,298,215	(1,854,732)
Decrease (increase) in related debt and other	-	5,777
Investments in capital assets, net of related debt, March 31	<u>42,676,953</u>	<u>39,378,738</u>
Total net position, March 31	<u>\$ 29,855,166</u>	<u>\$ 31,662,238</u>

The accompanying notes are an integral part of this statement.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Statements of Cash Flows

March 31,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Cash received from service users	\$ 36,809,557	\$ 35,801,162
Cash paid to suppliers	(17,381,563)	(18,431,507)
Cash paid to employees	(10,069,669)	(10,283,027)
Interest received	750,725	867,246
Interest paid	(1,966,487)	(2,184,376)
Net cash flow from operating activities	<u>8,142,563</u>	<u>5,769,498</u>
Cash flows from financing activities:		
Payments for capital acquisitions	(18,596,408)	(4,354,921)
Proceeds from sale of assets	106,020	9,633
Proceeds from capital grants	53,573	1,148,364
Proceeds from construction loans	12,937,486	928,682
Bond principal retirements	(3,614,805)	(3,461,638)
Net cash flow from financing activities	<u>(9,114,134)</u>	<u>(5,729,880)</u>
Cash flows from investing activities:		
Maturities/(purchases) of investments	(3,504,712)	10,944,574
Net cash flow from investing activities	<u>(3,504,712)</u>	<u>10,944,574</u>
Net change in cash and cash equivalents	(4,476,283)	10,984,192
Cash and cash equivalents, April 1	<u>37,108,148</u>	<u>26,123,956</u>
Cash and cash equivalents, March 31	<u>\$ 32,631,865</u>	<u>\$ 37,108,148</u>
Schedule of non-cash investing and financing activities:		
Capital contributions capitalized	<u>\$ 265,502</u>	<u>\$ 91,739</u>
Reconciliation to the Statements of Net Position:		
Unrestricted cash and cash equivalents	\$ 22,323,301	\$ 19,140,943
Restricted current cash and cash equivalents	10,308,564	12,838,886
Restricted noncurrent cash and cash equivalents	-	5,128,319
Cash and cash equivalents, March 31	<u>\$ 32,631,865</u>	<u>\$ 37,108,148</u>

The accompanying notes are an integral part of this statement.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Statements of Cash Flows

March 31,

	<u>2020</u>	<u>2019</u>
Reconciliation of net loss to net cash flow from		
Operating activities:		
Net income (loss)	\$ (2,072,574)	\$ (1,156,173)
Items which did not use (provide) cash:		
Depreciation	5,450,692	6,301,391
Change in net OPEB obligation and deferrals	3,618,441	728,018
Change in net state pension obligation and deferrals	349,995	345,919
Gain on disposal of assets	(100,728)	(9,634)
Amortization on bond premium/discount	(718,898)	(759,871)
Amortization of debt issue costs	4,591	48,591
Amortization of loss on defeasement	39,724	39,724
Working capital changes which provided (used) cash:		
Accounts receivable	(47,562)	72,041
Grants receivable	-	800
Accrued interest receivable	(214,222)	(6,780)
Inventory	(13,657)	(98,497)
Prepaid expenses	(5,651)	142,245
Accounts payable	1,489,880	89,731
Accrued expenses	54,614	(195,175)
Unearned income	137,207	81,925
Accrued interest payable	(41,294)	(39,207)
Developer escrow	(10,552)	567
Retainage payable	240,215	(11,426)
Reserve for compensated absences	(17,658)	195,309
	<u>\$ 8,142,563</u>	<u>\$ 5,769,498</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements
For the years ended March 31, 2020 and 2019

NOTE 1 ORGANIZATION

The Brick Township Municipal Utilities Authority (“Authority”), a public politic and corporate body, was created by virtue of an ordinance of the Township of Brick, adopted April 3, 1969, pursuant to Chapter 183 of the Municipal Utilities Authorities Laws of the State of New Jersey of 1957 (Chapter 14B of Title 40 of the Revised Statutes of New Jersey).

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

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

The Authority is a component unit of the Township of Brick. The Authority issues separate financial statements from the Township. However, if the Township presented its financial statements in accordance with GAAP, these financial statements would be included in the Township’s financial statements on a blended basis.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation and Accounting

The financial statements of the Authority have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of state and local governments.

Revenues are recognized when earned and measurable and expenses are recognized when incurred. Interest on delinquent accounts is realized when earned. Costumers are billed on a quarterly basis for both water and sewer.

B. Budgetary Accounting

Each year the Authority adopts a budget which is approved by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The budget may be amended by resolution of the Board of Commissioners of the Authority. The budgetary basis of accounting is utilized to determine that the Authority has sufficient cash to operate and pay debt service. As such, certain items such as the principal payments on debt are included in the budgetary expenses while depreciation is not included. A reconciliation from the budgetary basis to the statement of revenues, expenses and changes in net position is included in the Supplementary Information.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2020 and 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Grants

Contributions from various sources of grants are recorded in the period received. Developer financed construction is recorded in the period the projects are completed and conveyed to the Authority. The valuations of these projects are based on estimates of the entire cost of construction, including rights-of way, inspection and as-built plans as calculated by developers' engineers. Donated assets are recorded at fair market value at the date of the gift. Grants that are not externally restricted and utilized to finance operations are identified as non-operating revenues. Grants externally restricted for non-operating purposes are recorded as contributed capital.

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Inventory

Inventory consists principally of pipes, appurtenances, meters and chemicals for water and sewer systems and various materials and supplies for the daily operation of the Authority and is stated at the average cost determined by the first-in, first-out method (FIFO).

F. Property Plant and Equipment

Property, plant and equipment are stated at cost. The cost of property, plant and equipment is depreciated over its estimated useful life, by the straight-line method. Major improvements to existing plant and equipment are capitalized. Repairs and maintenance that do not extend the economic life of plant and equipment are charged to expense as incurred. Upon the sale or retirement of property, plant and equipment, the cost and related accumulated depreciation is eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position.

System construction costs are charged to construction in progress until such time as given segments of the system are completed and placed in operation. The assets are then transferred to the appropriate property and plant account and depreciated on a straight-line basis over the asset's estimated useful life. The Authority capitalizes all long-lived assets acquired for \$5,000 or more. The Authority does not capitalize interest.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2020 and 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Property, Plant and Equipment (continued)

The estimated useful lives of the assets are:

Water production and distribution system	40 years
Sewer collection system	40 years
Administration complex	40 years
Equipment	5-10 years
Vehicles	5 years

Depreciation expense for the years ended March 31, 2020 and 2019 was \$5,450,692 and \$6,301,391, respectively.

G. Cash and Investment Accounts

In accordance with the 1996 bond resolution, as amended and/or supplemented, the Authority has established the following cash and investment accounts for the deposit and/or transfer, in the priority of the order listed, of all monies received by the Authority.

<u>Account</u>	<u>Amount</u>	<u>Purpose</u>
<u>Unrestricted:</u>		
Revenue Fund	All revenues received by the Authority.	Authorized operating expenses and, at least once a month, transfers to the various accounts described below.
General Fund	Any excess over expenditures in the revenue fund or accounts shall be transferred to the general fund each month if all required deposits and trustee expenses have been duly executed.	Amounts on deposit in the general fund shall be applied by the Authority to any lawful purpose of the Authority related to the sewer or water systems.
<u>Restricted:</u>		
Bond Service Fund (Current debt service)	Amount needed to pay matured principal and interest due on or before the following December 1 st .	Principal and interest on bonds.
Bond Reserve Fund (Future debt service)	Amount equal to the Bond Reserve requirement.	Transfers to meet minimum levels required in the bond service or sinking accounts. Any excess may be transferred into the revenue account.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2020 and 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Cash and Investment Accounts (continued)

<u>Account</u>	<u>Amount</u>	<u>Purpose</u>
<u>Restricted:</u>		
Renewal and Replacement Fund (Maintenance reserve)	An amount equal to the System Reserve requirement.	Transfers to meet the minimum levels required in the bond reserve account for major repairs, renewals and extensions of the system.
Construction Fund	Amount needed to fund construction projects.	Transfers to meet costs of construction projects.

Investments are shown on the balance sheet at fair value.

NOTE 3 CASH AND CASH EQUIVALENTS

	<u>2020</u>	<u>2019</u>
Deposits:		
Demand deposits	\$ 32,631,865	\$ 37,108,148
Total deposits	<u>\$ 32,631,865</u>	<u>\$ 37,108,148</u>
Reconciliation to Statement of Net Position:		
Current unrestricted assets:		
Cash and cash equivalents	\$ 22,323,301	\$ 19,140,943
Current restricted assets:		
Cash and cash equivalents	10,308,564	12,838,886
Restricted non-current assets:		
Cash and cash equivalents	-	5,128,319
Total cash and cash equivalents	<u>\$ 32,631,865</u>	<u>\$ 37,108,148</u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2020 and 2019

NOTE 3 CASH AND CASH EQUIVALENTS (continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of March 31, 2020, and 2019, the Authority's bank balance of \$40,746,404 and \$41,717,974, respectively, was insured or collateralized as follows:

	<u>2020</u>	<u>2019</u>
Insured	\$ 1,005,561	\$ 755,206
Collateralized in the Authority's name		
Under GUDPA	<u>39,740,843</u>	<u>40,962,768</u>
Total	<u>\$ 40,746,404</u>	<u>\$ 41,717,974</u>

For the Statements of Cash Flows, the Authority combines the unrestricted cash with the restricted cash and cash equivalents. The Authority considers investments with maturities of three months or less at the time of purchase to be cash equivalents.

The Authority's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

NOTE 4 INVESTMENTS

A. Custodial Credit Risk

For an investment, custodial credit risk is a risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or the collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. All of the Authority's investments are held in the name of the Authority and are collateralized by GUDPA (Governmental Unit Deposit Protection Act).

B. Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Authority has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2020 and 2019

NOTE 4 INVESTMENTS (continued)

C. Investment Credit Risk

The Authority has no investment policy that limits its investment choices other than the limitation of state law as follows:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Authority or bonds or other obligations of the local unit or units within which the Authority is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Authority;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section I of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities.

As of March 31, 2020, and 2019, the Authority had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Rating</u>	<u>2020</u> <u>Fair Value</u>	<u>2019</u> <u>Fair Value</u>
Certificates of deposit	Various	N/A	\$ 3,000,000	\$ 4,612,926

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2020 and 2019

NOTE 4 INVESTMENTS (continued)

D. Fair Value of Investments

Investments are shown at fair value on the balance sheet with accrued interest shown under a separate caption. Investments are summarized as follows at March 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Certificates of deposit	<u>\$ 3,000,000</u>	<u>\$ 4,612,926</u>
Total fair value of investments	<u><u>\$ 3,000,000</u></u>	<u><u>\$ 4,612,926</u></u>

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment as of March 31, 2020 and 2019 are as follows:

	<u>March 31,</u> <u>2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>March 31,</u> <u>2020</u>
Land and easements	\$ 5,979,794	\$ 500,371		\$ 6,480,165
Administration building and warehouse	10,471,148	5,985		10,477,133
Water production and distribution system	85,970,811	8,152,108	\$ 464,698	93,658,221
Sewer collection system	105,089,060	917,093		106,006,153
Meters	3,603,278	504,327	212,915	3,894,690
Reservoir	37,432,401			37,432,401
Construction in progress - other	8,304,942	18,815,063	10,520,998	16,599,007
Equipment	24,788,129	531,916	233,142	25,086,903
Vehicles	3,409,455	593,030	306,254	3,696,231
Subtotal	<u>285,049,018</u>	<u>30,019,893</u>	<u>11,738,007</u>	<u>303,330,904</u>
Less: accumulated depreciation	<u>195,899,913</u>	<u>5,450,692</u>	<u>747,019</u>	<u>200,603,586</u>
Property, plant, and equipment, net	<u><u>\$ 89,149,105</u></u>	<u><u>\$ 24,569,201</u></u>	<u><u>\$ 10,990,988</u></u>	<u><u>\$ 102,727,318</u></u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2020 and 2019

NOTE 6 SHORT TERM DEBT

On December 17th 2019 the Authority borrowed \$10,000,000 from Manasquan Bank as temporary financing to construct a capital project. Terms of the note were for 9 months with interest accruing at the Fed Funds Rate plus 2 basis points.

NOTE 7 LONG-TERM DEBT

Bonds payable at March 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
New Jersey Environmental Infrastructure Trust 2001 (W 1506001-001), interest rate 4.00% to 5.50%, maturity dates serially beginning August 1, 2004 and ending August 1, 2021. Interest payment dates are February 1 and August 1.	\$ 419,082	\$ 600,318
New Jersey Environmental Infrastructure Trust 2001 (S340-488-04), interest rate 4.00% to 5.50%, maturity dates serially beginning August 1, 2003 and ending August 1, 2021. Interest payment dates are February 1 and August 1.	155,553	227,025
New Jersey Environmental Infrastructure Fund 2001 (S340-488-04), interest rate of 0%, semi-annual maturity dates beginning February 1, 2003 and ending August 1, 2021.	35,465	104,715
New Jersey Environmental Infrastructure Trust 2002 (S340-488-04), interest rate 4.00% to 5.25%, maturity dates serially beginning August 1, 2006 and ending August 1, 2022. Interest payment dates are February 1 and August 1.	931,096	1,211,302
New Jersey Environmental Infrastructure Fund 2002 (S340-488-04), interest rate of 0%, semi-annual maturity dates beginning February 1, 2006 and ending August 1, 2021.	446,455	701,103
New Jersey Environmental Infrastructure Trust 2010 (S340-448-07/08), interest rate of 3.00% to 5.00%, maturity dates serially beginning August 1, 2011 and ending August 1, 2029. Interest payment dates are February 1 and August 1.	292,000	315,000

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2020 and 2019

NOTE 7 LONG-TERM DEBT (continued)

	<u>2020</u>	<u>2019</u>
New Jersey Environmental Infrastructure Trust 2010 (S340-488-07/08), interest rate of 0%, semi-annual maturity dates beginning August 1, 2010 and ending February 1, 2025. Interest payment dates are February 1 and August 1.	\$ 390,791	\$ 470,784
New Jersey Environmental Infrastructure Trust 2010 (S340-488-07/08), interest rate of 0%, semi-annual maturity dates beginning August 1, 2010 and ending February 1, 2025. Interest payment dates are February 1 and August 1.	11,280,000	12,595,000
Series 2016A revenue bonds, interest rate of 3.00% to 5.00%, maturity dates serially beginning December 1, 2017 and ending December 1, 2028. Interest payment dates are June 1 and December 1.	18,400,000	19,740,000
Series 2016B refunding bonds, interest rates of 3.00% to 5.00%, maturity dates December 1, 2017, December 1, 2018 and then serially December 1, 2020 through December 1, 2027. Interest payment dates are June 1 and December 1.	8,760,000	8,760,000
New Jersey Infrastructure Bank 2018, interest rate of 0%, anticipated to be permanent financing within three years	3,866,168	928,682
Total long-term debt	44,976,610	45,653,929
Unamortized bond premium	2,982,424	3,707,794
Unamortized bond discount	(79,280)	(85,752)
Less: current portion	(3,756,776)	(3,614,805)
Bonds payable, excluding current portion	\$ 44,122,978	\$ 45,661,166

NJEIT 2001 Water

On November 8, 2001, the Authority issued \$18,006,813 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust. The “Fund” (Federal Funds) portion of the Bond Issue, \$8,946,813, was issued with no interest rate. The remaining Bonds mature in August 2020 at a maturity of \$35,465. The “Loan” (State Funds) portion of the Bond Issue, \$9,060,000, the remaining bonds mature annually from August 1, 2020 through 2021 at annual maturities ranging from \$75,523 to \$80,030 and bear interest at the rate of 4.75%.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2020 and 2019

NOTE 7 LONG-TERM DEBT (continued)

NJEIT 2001 Sewer

On November 8, 2001, the Authority also issued a \$2,646,019 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust. The “Fund” (Federal Funds) portion of the Bond issue, \$1,336,019, was issued with no interest rate. The remaining Bonds mature semi-annually from August 1, 2020 through August 1, 2021 at maturities ranging from \$196,670 to \$425,701. The “Loan” (State Funds) portion of the Bond issue, \$1,310,000, has remaining maturities annually from August 1, 2020 through 2021 at annual maturities ranging from \$196,670 to \$222,413 and bear interest rates ranging from 4.75% to 5.00%.

NJEIT 2002 Sewer

On November 7, 2002, the Authority also issued \$9,066,398 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust. The “Fund” (Federal Funds) portion of the Bond issue, \$4,085,366, was issued with no interest rate. The remaining Bonds mature semi-annually from August 1, 2020 through August 1, 2022 at maturities ranging from \$11,829 to \$241,320. The “Loan” (State Funds) portion of the Bond Issue, \$4,465,000, mature annually from August 1, 2020 through 2022 at annual maturities ranging from \$292,975 to \$327,781 and bear interest at rates ranging from 4.75% to 5.25%.

NJEIT 2010 Sewer

On March 4, 2010, the Authority issued \$2,088,200 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust. The “Fund” (Federal Funds) portion of the Bond Issue, \$1,573,200, was issued with no interest rate. The remaining Bonds mature semi-annually from August 1, 2020 through August 1, 2029 at maturities ranging from \$26,664 to \$53,329. The “Loan” (State Funds) portion of the Bond Issue, \$515,000, the remaining bonds mature annually from August 1, 2017 through 2029 at annual maturities ranging from \$23,000 to \$37,000 and bear interest at rates ranging from 4.00% to 5.00%.

Series 2011 Bonds

The Authority issued Revenue Refunding Bonds, Series 2011, dated November 12, 2011 in the amount of \$15,990,000. The proceeds of this bond issue were used to (1) currently refund and/or defease the 1998 Refunded/Defeased Bonds and (2) to advance refund the 2002 Refunded Bonds. The Series 1998 and 2002 Bonds were redeemed on November 12, 2011 at a redemption price of 100% of the principal amount thereof. The Authority realized an economic gain of \$742,000 for these refunding bonds.

The Bonds have remaining annual maturities ranging from \$40,000 to \$2,270,000 with principal payments due December 1, 2020 through December 1, 2032 and bear interest rates ranging from 3.75% to 4.50%.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2020 and 2019

NOTE 7 LONG-TERM DEBT (continued)

Series 2016A Bonds

The Authority issued Revenue Refunding Bonds, Series 2016A dated December 1, 2016 in the amount of \$23,020,000. The bonds were issued to provide funds to: (1) (a) finance the planning, design, construction, acquisition and installation of various capital improvements to the Authority’s Water System and Sewerage System, and to the related buildings, structures and administrative systems, and (b) pay the principal on the Authority’s \$14,500,000 Project Bonds, Series 2015A, dated March 30, 2016, and maturing on December 1, 2016, (2) fund the Bond Reserve Fund for the Series 2016A Bonds, as necessary, to equal the Bond Reserve Requirement, and (3) pay certain costs and expenses incidental to the issuance and delivery of the Series 2016A Bonds.

The Bonds have remaining annual maturities ranging from \$760,000 to \$2,600,000 with principle payments due December 1, 2020 through December 1, 2028 and bear interest rate of 5.00%.

Series 2016B Bonds

The Authority issued Revenue Refunding Bonds, Series 2016B dated December 1, 2016 in the amount of \$10,380,000. The Series Bonds were issued to provide funds to: (1) currently refund all of the Authority’s outstanding Revenue Refunding Bonds (Series 2006) maturing on December 1 in each of the years 2017 through 2024 and on December 1, 2027 in the aggregate principal amount of \$15,520,000 (the “Prior Bonds”); (2) fund the Bond Reserve Fund for the Series 2016B Bonds, as necessary, to equal the Bond Reserve Requirement, and (3) pay certain costs and expenses incidental to the issuance and delivery of the Series 2016B Bonds.

The Bonds have remaining annual maturities ranging from \$915,000 to \$1,290,000 with principle payments due December 1, 2020 through December 1, 2033 and bear interest rate of 5.00%.

Schedule of Aggregate Annual Debt Service for the Next Five Years and Thereafter
(not including \$3,866,168 in NJ IBank construction loan financing)

Fiscal Year(s) Ending March 31,	Bond Principal	Interest	Total Debt Service
2021	\$ 3,756,776	\$ 1,903,034	\$ 5,659,810
2022	3,858,081	1,717,678	5,575,759
2023	3,520,774	1,538,374	5,059,148
2024	3,346,993	1,375,220	4,722,213
2025	3,507,818	1,212,703	4,720,521
2026-2030	16,315,000	3,414,551	19,729,551
2031-2033	6,805,000	563,212	7,368,212
Total	<u>\$ 41,110,442</u>	<u>\$ 11,724,772</u>	<u>\$ 52,835,214</u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2020 and 2019

NOTE 7 LONG-TERM DEBT (continued)

NJIB Construction Loans

The Authority has received approvals for financing from the New Jersey Infrastructure Bank (NJIB) for nine (9) Authority projects totaling \$43,020,849. The projects include replacement of water meters, water mains, and fire hydrants in several locations within the Authority’s service area as well as wastewater pump, water tank, and filtration upgrades. Note agreements have been entered into for several of the projects. Under the terms of the note the NJIB reimburses the Authority for the costs associated with those projects and the amounts loaned are expected to roll into long term financing at the earlier of three (3) years or when the project is completed. As of March 31, 2020 and 2019, reimbursements received are as follows:

	March 31, 2020	March 31, 2019
Water main replacement	\$ 1,213,807	\$ 608,367
Hydrant replacement in Baywood section	849,777	320,315
Breton Woods Water Main Replacement	1,802,584	
	\$ 3,866,168	\$ 928,682

Pursuant to the terms of the notes; the following events shall constitute an “Event of Default”: (i) failure by the Borrower to pay, when due, any and all of its Loan repayment obligations, and any other payment obligations due; (ii) failure to be observed or performed pursuant to the terms of the Note; (iii) any representation made by reference to the Note is false or misleading in any material respect; and (iv) a petition is filed by or against the Borrower under any federal or state bankruptcy or insolvency law or other similar law in effect on the date of the Note or thereafter enacted, unless in the case of any such petition filed against the Borrower such petition shall be dismissed within thirty (30) days after such filing and such dismissal shall be final and not subject to appeal, or the Borrower shall become insolvent or bankrupt or shall make an assignment for the benefit of its creditors, or a custodian of the Borrower or any of its property shall be appointed by court order or take possession of the Borrower or its property or assets if such order remains in effect or such possession continues for more than thirty (30) days.

Changes in the outstanding debt for 2020 are as follows:

Issue	March 31, 2019	(Refunded)	Paid	March 31, 2020
2001 NJEIT	\$ 331,740	\$ -	\$ 140,722	\$ 191,018
2001 NJEIT	600,318	-	181,235	419,083
2002 NJEIT	1,912,405	-	534,855	1,377,550
2010 NJEIT	785,784	-	102,993	682,791
Series 2011	12,595,000	-	1,315,000	11,280,000
Series 2016A	19,740,000	-	1,340,000	18,400,000
Series 2016B	8,760,000	-	-	8,760,000
2018 NJIB	928,682	2,937,486	-	3,866,168
	\$ 45,653,929	\$ 2,937,486	\$ 3,614,805	\$ 44,976,610

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2020 and 2019

NOTE 8 COMPENSATED ABSENCES PAYABLE

The Authority has a policy and express provisions in its employment contracts that allow employees to accrue unused sick and vacation days. The Authority pays all vacation time accrued upon retirement, but employees can only carry over one year of vacation into the following year, at which time the unused balance is cancelled. The Authority pays a maximum of \$15,000 of sick time accrued at retirement. Annually the Authority buys back unused sick days in excess of the allowed carryover to limit the liability they may incur upon retirement of an employee. At March 31, 2020 and 2019, an amount of \$1,380,707 and \$1,398,365, respectively, has been provided to fully fund this potential liability.

NOTE 9 PENSIONS

A. Description of the System

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 the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.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, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. 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 1/5th 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 before age 62 with 25 or more years of service credit 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.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2020 and 2019

NOTE 9 PENSIONS (continued)

B. Membership

Membership in the PERS is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction. Since PERS covers public employees throughout the State separate records are not maintained for each reporting unit; accordingly, the actuarial data for the employees of the Authority who are members of PERS are not available.

C. Contributions

The contribution policy for PERS is set by N.J.S.A. 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 fiscal year 2015, 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. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits.

The employee contribution rate was 7.35% effective July 1, 2017 and increased to 7.50% effective July 1, 2018. The Authority contribution to the plan for the past three years are as follows:

Year Ending	Employees	Authority Required Amount	Contribution Percentage
3/31/2020	\$ 767,845	\$ 1,228,968	100%
3/31/2019	682,361	1,189,607	100%
3/31/2018	618,604	1,108,496	100%

All contributions were equal to the required contributions for each of the three years, respectively.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2020 and 2019

NOTE 9 PENSIONS (continued)

D. Net Pension Liability and Pension Expense

At March 31, 2020 and 2019, the Authority's proportionate share of the PERS net pension liability is valued to be \$22,765,514 and \$23,548,117, respectively. The net pension liabilities were measured as of June 30, 2019 and 2018, respectively. 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 June 30, 2018, to the measurement date of June 30, 2019. 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, 2019. The Authority's proportion measured as of June 30, 2019, was 0.1263453410%, which was a decrease of 0.0067480167% from its proportion measured as of June 30, 2018 of 0.1195973243%.

	<u>Collective Balances at March 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>Increase/ (Decrease)</u>
Actuarial Valuation Date	July 1, 2019	July 1, 2018	
Net Pension Liability	\$ 22,765,514	\$ 23,548,117	\$ (782,603)
Authority's Proportion of the Plan's Total Net Pension Liability	0.1263453410%	0.1195973243%	0.0067480167%

For the year ended March 31, 2020 and 2019 the Authority recognized pension expense of \$1,636,194 and \$1,563,856, respectively. The Authority reported deferred outflow of resources and deferred inflow of resources related to pension from the following sources:

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2020 and 2019

NOTE 9 PENSIONS (continued)

D. Net Pension Liability and Pension Expense (continued)

Year ended March 31, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 408,611	\$ 100,568
Changes of assumptions	2,273,220	7,901,838
Changes in proportion	1,857,732	74,199
Net difference between projected and actual investment earning on pension plan investments		359,362
	\$ 4,539,563	\$ 8,435,967

Year ended March 31, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 449,066	\$ 121,422
Changes of assumptions	3,880,340	7,529,436
Changes in proportion	1,003,971	225,443
Net difference between projected and actual investment earning on pension plan investments		220,882
	\$ 5,333,377	\$ 8,097,183

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2020 and 2019

NOTE 9 PENSIONS (continued)

D. Net Pension Liability and Pension Expense (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended March 31,

2021	\$ (119,988)
2022	(1,555,773)
2023	(1,541,443)
2024	(638,547)
2025	<u>(40,653)</u>
Total	<u>\$ (3,896,404)</u>

March 31,
2020

Deferred Outflows	\$ 4,539,563
Deferred Inflows	<u>8,435,967</u>
Net Outflows (Inflows)	<u>\$ (3,896,404)</u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2020 and 2019

NOTE 9 PENSIONS (continued)

E. Actuarial Assumptions

The collective total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

	<u>PERS</u>
Measurement date	6/30/2019
Actuarial valuation date	7/1/2018
Investment rate of return	7.00%
Salary increases	2.00% - 6.00%
	Based on Years of Service
Thereafter	3.00% - 7.00%
	Based on Years of Service
Inflation Rate	Price 2.75%
	Wage 3.25%

Preretirement 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-2019.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2020 and 2019

NOTE 9 PENSIONS (continued)

E. Actuarial Assumptions (continued)

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

F. Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
US Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2020 and 2019

NOTE 9 PENSIONS (continued)

G. Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019, based on 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. 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 will be made based on 70% of the actuarially determined contributions for the State employer and 100% of their 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 through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

H. Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the Authority as of June 30, 2019, calculated using the discount rate as disclosed above as well as what the collective net pension 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:

	Decrease <u>(5.28%)</u>	Discount <u>(6.28%)</u>	Increase <u>(7.28%)</u>
Authority's proportionate share of the net pension liability	\$27,322,392	\$22,765,514	\$18,930,161

I. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2020 and 2019

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan Description. The Authority’s defined benefit OPEB plan, the Brick Township Municipal Utilities Retiree Health Benefit Program (“the Plan”), provides OPEB for all permanent full-time employees of the Authority. The Plan is a single employer defined benefit OPEB plan administered by the Authority. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided. The Plan provides healthcare benefits for retirees and their spouses. The benefit terms provide for payment of health insurance premiums for employees based on the criteria prescribed in Chapter 78 of the New Jersey State retirement regulations. Using a determination date of June 28, 2011, all employees that met the age of 55 and 25 years of service before the determination date do not contribute towards the cost of coverage at retirement. For other employees the contribution is based on the expected retirement benefit which is derived from the employee’s final average salary performed by the State of New Jersey upon reaching retirement eligibility.

Employees covered by benefit terms. At April 1, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	33
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	120
	153

Total OPEB Liability

The Authority’s total OPEB liabilities of \$48,966,831 and \$26,019,894 as of March 31, 2020 and March 31, 2019, respectively, were measured on April 1, 2017 and were determined by actuarial valuation at that date.

Actuarial assumptions and other inputs. The total OPEB liabilities of the actuarial valuation at that date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	10.00% for April 1, 2019 and 9.50% for April 1, 2020
Discount Rate	2.27%
Ultimate Inflation Rate	5.00%
Year Ultimate Inflation Rate is reached	2030
Actuarial Cost Method	Entry Age Normal (Percent of Salary)

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2020 and 2019

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

As prescribed by GASB no. 75, the discount rate is based on the index rate for 20-year tax-exempt general obligation municipal bond index rate with an average rating of AA/Aa or higher as of the measurement date. To comply with this provision, the *Bond Buyer 20-Bond General Obligation Index* is used. The discount rate of 3.86% is the April 1, 2017 value of this index.

Changes in the Total OPEB Liability

	Fiscal Years Ending	
	March 31, 2020	March 31, 2019
OPEB liability, beginning of year	\$ 26,019,894	\$ 25,616,478
Change for the year		
Amortization adjustment	957,958	
Service cost	1,363,653	481,316
Interest	1,067,934	971,091
Assumption changes	18,857,552	-
Differences between expected and actual experience	1,720,435	(131,654)
Benefit payments	(1,020,595)	(917,337)
Net changes	22,946,937	403,416
OPEB liability, end of year	\$ 48,966,831	\$ 26,019,894

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Authority at March 31, 2019 and March 31, 2018, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.27%) or 1-percentage-point higher (3.27%) than the current discount rate:

Total OPEB Liability	Discount Rate		
	1% Decrease (1.27%)	Baseline (2.27%)	1% Increase (3.27%)
March 31, 2020	\$ 59,694,299	\$ 48,966,831	\$ 40,654,180
March 31, 2019	28,617,384	26,019,894	23,941,326

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2020 and 2019

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The March 31, 2019 valuation was prepared using an initial trend rate of (5.46%)/10.00%. If the trend rate were 1% higher than what was used in this valuation, the Total OPEB Liability would increase to \$61,258,496. If the trend rate were 1% lower than was used in this valuation, the Total OPEB Liability would decrease to \$40,570,084:

Total OPEB Liability	Healthcare Cost Trend Rates		
	1% Decrease	Baseline	1% Increase
March 31, 2020	\$ 40,590,084	\$ 48,966,831	\$ 61,258,496
March 31, 2019	22,342,944	26,019,894	30,661,207

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended March 31, 2020, the Authority recognized an OPEB expense of \$3,618,441 in addition to its normal health benefit costs. At March 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Increase in March 31, 2020 OPEB liability due to actuarial experience	\$ 2,830,924	\$ (1,726,144)
Change in assumption	19,818,709	-
Total	\$ 22,649,633	\$ (1,726,144)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended March 31:	
2021	\$ 2,200,903
2022	2,200,903
2023	2,200,903
2024	2,200,903
2025	2,200,903
Thereafter	9,918,974
	\$ 20,923,489

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2020 and 2019

NOTE 11 DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with the provisions of N.J.S. 43:15B-1 et seq., and the Internal Revenue Code, Section 457. The plan, available to all eligible employees and administered by Hartford Life Insurance Company, permits them to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until terminations, retirement, death or unforeseeable emergency.

NOTE 12 COMMITMENTS

On February 27, 1973, the Authority entered into a contract with the Ocean County Utilities Authority providing for the treatment and disposal of sewerage and charges for such services. This agreement may be terminated only after the County Authority has been paid in full for all of its obligations and, subsequent thereto, has been given two years notice.

On June 23, 2014, the Authority passed a resolution to enter into a shared services agreement with the Township of Brick for a thirty-six percent beneficial ownership in a solar generated electrical system. The agreement calls for the Authority to pay the Township for fifteen years based upon a Purchased Power Agreement with the supplier. After fifteen years the Authority will have a thirty-six percent beneficial ownership in the revenues and operating costs of the system. Total expected payments under the shared services agreement approximate \$2,500,000 for the first fifteen years. The Authority is unable to quantify the value of the future expected benefits under this agreement and has elected to expense costs under this agreement as incurred, net of any revenues received, from the sale of generated electricity.

As of date of these financial statements, the Authority has committed to borrow from the NJ Environmental Infrastructure Bank (“I-Bank”) via construction loan financing for a variety of capital projects totaling \$49,954,398. It may take up to three years before the notes are permanently financed through the I-Bank.

NOTE 13 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority maintains insurance coverage for property, liability, and surety bonds. A partial schedule of insurance coverage can be found in the Schedule of Insurance Coverage.

NOTE 14 SUBSEQUENT EVENTS

On March 13, 2020 the Authority issued Junior Lien Revenue Bonds. Hydrant/Meter Replacement Project, Series 2020A for \$500,000 and Series B for \$1,547,688 with the New Jersey Infrastructure Bank. (“ I-Bank”) The Bond proceeds replaced construction loan financing with the I-Bank.

On July 8, 2020 the Authority issued \$11,765,000 Revenue Refunding Bonds, Taxable Series 2020B (Green Bonds) to refinance \$11,200,000 of its \$11,280,000 outstanding Revenue Refunding Bonds, Series 2011.

On July 8, 2020 the Authority issued \$1,545,000 Energy Savings Improvement Bonds, Series 2020A.

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements (continued)
For the years ended March 31, 2020 and 2019

NOTE 14 SUBSEQUENT EVENTS (continued)

On March 16, 2020 the governor of the State signed Executive Order 104 implementing aggressive social distancing measures to mitigate the spread of COVID-19 in New Jersey. Among the directives, the order indefinitely closed schools, casinos, racetracks, gyms, movie theaters, and performing arts centers as well as all non-essential businesses. The financial effect of the COVID-19 pandemic and Executive Order 104 is not measurable as of the issuance of this report.

The Authority has evaluated subsequent events occurring after March 31, 2020 through the date of September 23, 2020, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Revenue Bonds Outstanding
March 31, 2020

Schedule I

For the 12 Months Ended March 31,	NJEIT 2001	NJEIT 2001	NJEIT 2002	NJEIT 2010	Series 2011	Series 2016A	Series 2016B	Total
2021	\$ 110,989	\$ 196,670	\$ 546,124	\$ 102,993	\$ 40,000	\$ 1,845,000	\$ 915,000	\$ 3,756,776
2022	80,029	222,413	503,645	106,993	40,000	1,940,000	965,000	3,858,080
2023			327,781	107,993	40,000	2,040,000	1,005,000	3,520,774
2024				106,993	45,000	2,135,000	1,060,000	3,346,993
2025				97,819	45,000	2,245,000	1,120,000	3,507,819
2026				27,000	45,000	2,360,000	1,170,000	3,602,000
2027				32,000	50,000	2,475,000	1,235,000	3,792,000
2028				32,000	50,000	2,600,000	1,290,000	3,972,000
2029				32,000	2,020,000	760,000		2,812,000
2030				37,000	2,100,000			2,137,000
2031					2,180,000			2,180,000
2032					2,270,000			2,270,000
2033					2,355,000			2,355,000
Total	\$ 191,018	\$ 419,083	\$ 1,377,550	\$ 682,791	\$ 11,280,000	\$ 18,400,000	\$ 8,760,000	\$ 41,110,442

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Operating Revenues
For the years ended March 31, 2020 and 2019

	Total Amount	Water		Sewer	
		Number of Customers	Amount	Number of Customers	Amount
For the year ended March 31, 2020:					
Annual service charges:					
Residential:					
Single-family	\$ 24,349,858	31,456	\$ 9,705,994	30,867	\$ 14,643,864
Multi-family	319,599	523	109,162	541	210,437
Apartments	1,372,858	2,121	491,677	2,121	881,181
Commercial and industrial	3,605,343	1,757	1,487,393	1,709	2,117,950
Schools	237,474	23	104,199	20	133,275
Municipal	61,522	44	32,064	34	29,458
Lawn watering	1,828,187	4,687	1,828,187	-	-
Bulk - Point Pleasant Beach	1,005,656	-	1,005,656	-	-
Bulk - Other	596,262	-	523,435	15	72,827
Fire protection					
Public fire districts	667,471	4	667,471	-	-
Private	436,145	210	436,145	-	-
Total annual service charges	<u>34,480,375</u>	<u>40,825</u>	<u>16,391,383</u>	<u>35,307</u>	<u>18,088,992</u>
Initial service charges	789,081	-	437,542	-	351,539
Tap-ins, permits and other fees	647,486	-	439,238	-	208,248
Review and inspection fees	25,240	-	12,620	-	12,620
Interest on delinquent payments	149,729	-	74,864	-	74,865
Shared services income	35,331	-	17,666	-	17,665
Miscellaneous income	410,813	-	377,173	-	33,640
Total operating revenues	<u>\$ 36,538,055</u>	<u>40,825</u>	<u>\$ 17,750,486</u>	<u>35,307</u>	<u>\$ 18,787,569</u>
For the year ended March 31, 2019:					
Annual service charges:					
Residential:					
Single-family	\$ 24,344,767	31,403	\$ 9,709,246	30,800	\$ 14,635,521
Multi-family and apartments	1,679,175	2,642	597,084	2,660	1,082,091
Commercial and industrial	3,406,547	1,751	1,389,375	1,703	2,017,172
Schools	245,637	23	107,997	20	137,640
Municipal	65,997	43	32,890	33	33,107
Lawn watering	1,660,402	4,626	1,660,402	-	-
Bulk - Point Pleasant Beach	1,014,663	-	1,014,663	-	-
Bulk - Other	601,423	-	522,320	15	79,103
Fire protection					
Public fire districts	667,471	4	667,471	-	-
Private	434,578	209	434,578	-	-
Total annual service charges	<u>34,120,660</u>	<u>40,701</u>	<u>16,136,026</u>	<u>35,231</u>	<u>17,984,634</u>
Initial service charges	453,180	-	287,361	-	165,819
Tap-ins, permits and other fees	611,854	-	402,204	-	209,650
Review and inspection fees	19,372	-	9,686	-	9,686
Interest on delinquent payments	156,328	-	78,164	-	78,164
Shared services income	41,402	-	20,701	-	20,701
Miscellaneous income	408,250	-	364,154	-	44,096
Total operating revenues	<u>\$ 35,811,046</u>	<u>40,701</u>	<u>\$ 17,298,296</u>	<u>35,231</u>	<u>\$ 18,512,750</u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Cost of Providing Services
For the years ended March 31, 2020 and 2019

	2020			2019		
	Total	Water	Sewer	Total	Water	Sewer
Treatment of sewerage	\$ 7,833,828	\$ -	\$ 7,833,828	\$ 7,895,467	\$ -	\$ 7,895,467
Operating labor	4,667,967	3,678,412	989,555	4,845,682	3,844,179	1,001,503
Employee benefits	2,433,469	1,928,304	505,165	2,778,436	2,041,966	736,470
Repairs and maintenance	483,060	329,588	153,472	580,584	331,151	249,433
Vehicle expenses	64,045	28,484	35,561	85,326	33,323	52,003
Utilities	861,365	718,623	142,742	897,793	742,543	155,250
Other expenses:						
Supplies	282,019	260,636	21,383	221,231	197,862	23,369
Water quality testing	60,339	60,339	-	68,292	68,292	-
Chemicals	670,059	666,607	3,452	634,241	629,067	5,174
Information systems	86,943	86,943	-	58,522	58,522	-
Usage, fees, and permits	80,559	80,559	-	70,167	70,167	-
Education, travel, exams and dues	36,518	34,837	1,681	24,889	22,842	2,047
Professional services	227,580	221,276	6,304	167,498	166,606	892
Other expenses	64,815	33,432	31,383	61,235	32,048	29,187
Total cost of providing services	\$ 17,852,566	\$ 8,128,040	\$ 9,724,526	\$ 18,389,363	\$ 8,238,568	\$ 10,150,795

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Administrative Expenses
For the years ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Salaries	\$ 5,401,702	\$ 5,437,345
Employee benefits	3,530,847	2,753,578
Repairs and maintenance	75,758	80,134
Vehicles	89,549	58,143
Utilities	436,223	410,105
Supplies	165,761	179,357
Information systems	246,175	213,149
Professional services	541,656	332,918
Postage	88,823	80,649
Education, travel, dues and fees	56,160	48,045
Insurance	341,363	325,666
Capital budget studies	-	607,534
Other expenses	<u>106,968</u>	<u>85,952</u>
 Total administrative expenses	 <u><u>\$ 11,080,985</u></u>	 <u><u>\$ 10,612,575</u></u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Operating Revenues and Expenditures Funded by Operating Revenues,
Compared to Budget
For the Years Ended March 31, 2020 and 2019

Schedule V

	2020				2019			
	Original Budget	Final Budget	Actual	Excess/ (Deficit)	Original Budget	Final Budget	Actual	Excess/ (Deficit)
Revenues								
Unrestricted net position utilized	\$ 760,346	\$ 760,346	\$ -	\$ (760,346)	\$ 3,224,282	\$ 3,224,282	\$ -	\$ (3,224,282)
Operating revenues:								
Annual service charges	33,927,683	33,927,683	34,480,375	552,692	33,025,315	33,025,315	34,120,660	1,095,345
Initial service charges	390,858	390,858	789,081	398,223	260,646	260,646	453,180	192,534
Tap-ins, permits and other fees	473,900	473,900	647,486	173,586	441,000	441,000	611,854	170,854
Review and inspection fees	30,000	30,000	25,240	(4,760)	36,000	36,000	19,372	(16,628)
Interest on delinquent accounts	175,000	175,000	149,729	(25,271)	200,000	200,000	156,328	(43,672)
Interest on Investments	500,000	500,000	964,947	464,947	300,000	300,000	874,026	574,026
Shared service income	25,000	25,000	35,331	10,331	83,000	83,000	41,402	(41,598)
Miscellaneous income	371,284	371,284	410,813	39,529	343,987	343,987	408,250	64,263
Total operating revenues	<u>35,893,725</u>	<u>35,893,725</u>	<u>37,503,002</u>	<u>1,609,277</u>	<u>34,689,948</u>	<u>34,689,948</u>	<u>36,685,072</u>	<u>1,995,124</u>
Total Revenues	<u>36,654,071</u>	<u>36,654,071</u>	<u>37,503,002</u>	<u>848,931</u>	<u>37,914,230</u>	<u>37,914,230</u>	<u>36,685,072</u>	<u>(1,229,158)</u>
Expenses:								
Cost of providing services								
Payment to other authorities :								
Treatment of Sewerage	7,714,150	7,714,150	7,833,828	(119,678)	7,568,000	7,568,000	7,895,467	(327,467)
Operating labor	5,016,316	5,016,316	4,667,967	348,349	4,792,976	4,792,976	4,845,682	(52,706)
Payroll Taxes	975,633	975,633	933,287	42,346	1,093,590	1,093,590	705,079	388,511
Employee Benefits	1,618,735	1,618,735	1,500,182	118,553	1,788,744	1,788,744	2,073,356	(284,612)
Repairs and maintenance	513,800	513,800	483,060	30,740	401,650	401,650	580,586	(178,936)
Vehicle expense	122,600	122,600	64,045	58,555	114,550	114,550	85,325	29,225
Utilities	1,005,579	1,005,579	861,365	144,214	1,031,508	1,031,508	897,793	133,715
Supplies	198,350	198,350	282,019	(83,669)	155,900	155,900	221,230	(65,330)
Water quality testing	210,000	210,000	60,339	149,661	270,000	270,000	68,292	201,708
Chemicals	830,000	830,000	670,059	159,941	755,000	755,000	634,242	120,758
Information systems	97,000	97,000	86,943	10,057	50,750	50,750	58,522	(7,772)
Licenses, Permits	69,000	69,000	80,559	(11,559)	59,500	59,500	70,167	(10,667)
Education, travel, exams, and dues	31,300	31,300	36,518	(5,218)	27,000	27,000	24,889	2,111
Professional services	167,500	167,500	227,580	(60,080)	117,500	117,500	167,498	(49,998)
Other	23,750	23,750	64,815	(41,065)	30,450	30,450	61,235	(30,785)
Total cost of providing services	<u>18,593,713</u>	<u>18,593,713</u>	<u>17,852,566</u>	<u>741,147</u>	<u>18,257,118</u>	<u>18,257,118</u>	<u>18,389,363</u>	<u>(132,245)</u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Operating Revenues and Expenditures Funded by Operating Revenues,
Compared to Budget
For the Years Ended March 31, 2020 and 2019

Schedule V(Continued)

	2020				2019			
	Original Budget	Final Budget	Actual	Excess/ (Deficit)	Original Budget	Final Budget	Actual	Excess/ (Deficit)
Expenses (continued)								
Administrative expenses:								
Salaries	\$ 5,675,268	\$ 5,675,268	\$ 5,401,702	\$ 273,566	\$ 5,514,524	\$ 5,514,524	\$ 5,437,345	\$ 77,179
Payroll Taxes	1,161,179	1,161,179	1,109,441	51,738	941,734	941,734	1,309,061	(367,327)
Employee Benefits	2,552,509	2,552,509	2,421,406	131,103	1,796,498	1,796,498	1,444,517	351,981
Repairs & Maintenance	119,000	119,000	75,758	43,242	84,350	84,350	80,134	4,216
Vehicle Expense	28,350	28,350	89,549	(61,199)	21,500	21,500	58,143	(36,643)
Utilities	407,881	407,881	436,223	(28,342)	466,808	466,808	410,105	56,703
Supplies	178,500	178,500	165,761	12,739	157,650	157,650	179,357	(21,707)
Information systems	282,200	282,200	246,175	36,025	210,200	210,200	213,149	(2,949)
Professional services	418,600	418,600	541,656	(123,056)	388,000	388,000	332,918	55,082
Postage	85,900	85,900	88,823	(2,923)	95,300	95,300	80,649	14,651
Education, travel, dues and fees	68,800	68,800	56,160	12,640	69,700	69,700	48,045	21,655
Insurance	333,963	333,963	341,363	(7,400)	330,238	330,238	325,666	4,572
Other	83,650	83,650	106,968	(23,318)	76,050	76,050	85,952	(9,902)
Total administrative expense	11,395,800	11,395,800	11,080,985	314,815	10,152,552	10,152,552	10,005,041	147,511
Total operating expenses	29,989,513	29,989,513	28,933,551	1,055,962	28,409,670	28,409,670	28,394,404	15,266
Other Reserves	500,000	500,000	-	500,000	1,000,000	1,000,000	-	1,000,000
Principal maturity	3,922,145	3,922,145	3,614,805	307,340	5,809,038	5,809,038	3,461,638	2,347,400
Interest expense	2,242,413	2,242,413	1,288,883	953,530	2,695,522	2,695,522	1,385,297	1,310,225
Total debt service & other	6,664,558	6,664,558	4,903,688	1,760,870	9,504,560	9,504,560	4,846,935	4,657,625
Total costs funded by operating activities	36,654,071	36,654,071	33,837,239	2,816,832	37,914,230	37,914,230	33,241,339	4,672,891
Excess/(deficit) of revenues over/(under) expenditures	\$ -	\$ -	\$ 3,665,763	\$ 3,665,763	\$ -	\$ -	\$ 3,443,733	\$ 3,443,733

Schedule V(Continued)

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Operating Revenues and Expenditures Funded by Operating Revenues,
Compared to Budget
For the Years Ended March 31, 2020 and 2019

Reconciliation of budget results to net income:	2020	2019
Budget results	\$ 3,665,763	\$ 3,443,733
Principal maturity	3,614,805	3,461,638
Grant revenue	53,573	-
Depreciation expense	(5,450,692)	(6,301,391)
Change in OPEB obligation	(3,618,441)	(728,018)
Change in state pension obligation	(349,995)	(345,919)
Gain (Loss) on disposal of assets	100,728	9,633
Capital budget studies	-	(607,534)
Amortization of debt issue costs	(48,591)	(48,591)
Amortization of loss on defeasance	(39,724)	(39,724)
Net income (loss)	\$ (2,072,574)	\$ (1,156,173)

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Insurance Coverage
March 31, 2020**

Package Policy:	
Blanket Building and Property.....	\$150,000,000
Boiler and Machinery/Equipment.....	150,000,000
Auto Fleet:	
Liability.....	10,000,000
General Liability.....	10,000,000
Workers' Compensation.....	1,700,000
Public Officials Liability.....	2,000,000
JIF Crime.....	50,000
Terrorism.....	10,000
Cyber Security.....	3,000,000

The above schedule is presented as a memorandum only and we do not express an opinion as to the adequacy of coverage.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
BRICK, NEW JERSEY**

**SCHEDULE OF THE PROPORTIONATE SHARE OF
NET PENSION LIABILITY
Years Ended March 31,
(Last 10 Years)***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the net pension liability	0.1263453410%	0.1195973243%	0.1196571822%	0.1174673320%	0.1110450952%
Proportionate share of the net pension liability	\$ 22,765,514	\$ 23,548,117	\$ 27,854,279	\$ 34,790,454	\$ 24,927,399
Covered - employee payroll	\$ 9,124,230	\$ 9,101,966	\$ 8,468,070	\$ 8,300,450	\$ 7,828,252
Proportionate Share of the net pension liability as percentage of employee payroll	249.51%	258.71%	328.93%	419.14%	318.43%
Proportionate share of plan's fiduciary net position	\$ 29,498,645	\$ 27,198,910	\$ 25,814,799	\$ 23,326,153	\$ 22,943,676
Plan fiduciary net position as a percentage of the total pension liability	56.27%	53.60%	48.10%	40.14%	47.93%

Notes to Schedule:

* - 2016 was the first year of implementation, therefore only five years are shown.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
BRICK, NEW JERSEY**

**SCHEDULE OF PENSION CONTRIBUTIONS
Years Ended March 31,
(Last 10 Years)***

	2020	2019	2018	2017	2016
Contractually required contribution (actuarially determined)	\$ 1,228,968	\$ 1,189,607	\$ 1,108,496	\$ 1,043,563	\$ 954,690
Contributions in relation to the actuarially determined contributions	1,228,968	1,189,607	1,108,496	1,043,563	954,690
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered - employee payroll	\$ 9,124,230	\$ 9,101,966	\$ 8,468,070	\$ 8,300,450	\$ 7,828,252
Contributions as a percentage of covered-employee payroll	13.47%	13.07%	13.09%	12.57%	12.20%
Notes to Schedule:					
Valuation date:	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Inflation rate					
Price	2.75%	2.25%	2.25%	3.08%	3.04%
Wage	3.25%				
Salary Increases	2.00 - 6.00%	1.65 - 4.15%	1.65 - 4.15%	1.65 - 4.15%	2.15 - 4.40%
	based on years of service	based on age	based on age	based on age	based on age
Thereafter	3.00 - 7.00%	2.65 - 5.15%	2.65 - 5.15%	2.65 - 5.15%	3.15 - 5.40%
	based on years of service	based on age	based on age	based on age	based on age
Investment rate of return	7.00%	7.00%	7.00%	7.65%	7.90%

* - 2016 was the first year of implementation, therefore only five years are shown.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
BRICK, NEW JERSEY**

**SCHEDULE OF CHANGES IN THE AUTHORITY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
Years Ended March 31,
(Last 4 Years)**

<u>Total OPEB liability</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Amortization adjustment	\$ 957,958	\$ -	\$ -	\$ -
Service cost	1,363,653	481,316	465,162	633,450
Interest	1,067,934	971,091	924,478	1,037,325
Assumption changes	18,857,552	-	-	-
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	1,720,435	(131,654)	681,025	1,367,369
Benefit payments	(1,020,595)	(917,337)	(808,766)	(500,634)
Net change in total OPEB liability	<u>22,946,937</u>	<u>403,416</u>	<u>1,261,899</u>	<u>2,537,510</u>
Total OPEB liability - beginning	26,019,894	25,616,478	24,354,579	21,817,069
Total OPEB liability - ending	<u>\$ 48,966,831</u>	<u>\$ 26,019,894</u>	<u>\$ 25,616,478</u>	<u>\$ 24,354,579</u>
 Covered-employee payroll	 \$ 8,784,179	 \$ 8,557,204	 \$ 7,994,093	 \$ 7,835,855
 Total OPEB liability as a percentage of covered-employee payroll	 557.44%	 304.07%	 320.44%	 310.81%

PART II
SINGLE AUDIT SECTION

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

The Board of Commissioners
Brick Authority Municipal Utilities Authority
Brick, New Jersey

Report on Compliance for Each Major State Program

We have audited the Brick Authority Municipal Utilities Authority's ("Authority") compliance with the types of compliance requirements described in the New Jersey OMB Circular 15-08 that could have a direct and material effect on the Authority's major state programs for the year ended March 31, 2020. The Authority's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as referenced by New Jersey OMB's Circular 15-08 *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and the New Jersey OMB's Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Charles J. Fallon CPA RMA

Charles J. Fallon
Certified Public Accountant
Registered Municipal Accountant #506

Fallon & Company LLP

FALLON & COMPANY LLP

Hazlet, NJ
September 23, 2020

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
COUNTY OF OCEAN
STATE OF NEW JERSEY

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

For the Year Ended March 31, 2020

<u>State Grantor / Pass-through Grantor / Program</u>	<u>State Account Number or Other Identifying Number</u>	<u>Grant Period</u>	<u>Grant/Loan Award</u>	<u>Program Expenditures</u>	<u>Cumulative Expenditures</u>
N.J. Department of Environmental Protection					
Notes Relating to the Construction Financing Loan Program of the New Jersey					
Infrastructure Bank					
Water Meter Replacement	1506001-012	Open	\$ 1,375,000	\$ 1,051,448	\$ 1,213,807
Hydrant Replacement in Baywood Section	1506001-010	Open	860,669	79,283	817,639
Granular Activated Carbon (GAC) Treatment Addition	1506001-011	Open	17,094,937	9,200,328	9,698,575
Undersized Water Main Replacement in Cedar Park East and West	1506001-008	Open	5,442,253	587	161,074
Breton Woods Water Main Replacement - Phase I	1506001-009	Open	3,000,000	1,996,352	2,149,586
Water Main Replacement on Cartagena Drive, Alhama Drive, Cadiz Drive, Valencia Drive and Monterey Drive	1506001-014	Open	2,092,406	8,752	82,552
Water Main Stream Crossings Replacements at Route 70 (16" Diameter), at the Beaver Dam Creek at Midstreams Road (16" Diameter) and Five 12" Diameter Stream Crossings in the Township of Brick	1506001-013	Open	4,188,446	25,802	294,850
Sanitary Sewer Manhole Rehabilitation and Replacement	S340448-12	Open	4,824,000	-	-
Cadiz Drive, Valencia Drive and Monterey Drive	S340448-13	Open	4,189,049	-	-
Meter Replacement - Phase II	S340448-14	Open	1,609,341	74,878	74,878
Wastewater Pump Station Rehabilitation - Phase II	S340448-11	Open	5,278,297	1,766,963	1,936,134
Total N.J. Department of Environmental Protection			49,954,398	14,204,393	16,429,095
Total State Expenditures			\$ 49,954,398	\$ 14,204,393	\$ 16,429,095

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to the Schedule of Expenditures of State Financial Assistance
For the Year Ended March 31, 2020

NOTE 1: ORGANIZATION AND BASIS OF PRESENTATION

A. Organization

The Brick Township Municipal Utilities Authority is the prime sponsor and recipient of various federal and state grant funds. The Authority has delegated the administration of grant programs and the reporting function to various departments within the Authority. Substantially all grant and program cash funds are commingled with the Authority's other funds, although each grant is accounted for separately within the Authority's financial records. The Authority's Department of Finance performs the accounting functions for all grants.

B. Basis of Presentation

The accompanying schedule of expenditures of state financial assistance includes the grant activity of the Brick Township Municipal Utilities Authority. The schedule is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of New Jersey OMB Circular 15-08. Because the schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position or changes in fund balances of the Authority.

Pass-through entity identifying numbers are presented where available. When state account numbers (State of New Jersey identifying number) are not included in the grant agreement, the State Schedule of Financial Assistance (GN06) is reviewed to obtain the State account numbers. If no funds were received in the fiscal year, the grant will not appear on the GN06. In these instances, other identifying numbers such as the grant agreement numbers are utilized if available.

NOTE 2: CONTINGENCIES

Each of the grantor agencies reserves the right to conduct additional audits of the Authority's grant programs for economy, efficiency and program results. However, Authority management does not believe such audits would result in material amounts of disallowed costs.

NOTE 3: LOAN BALANCES

The Authority loans outstanding at March 31, 2020 are as follows:

	<u>State</u>
New Jersey Infrastructure Bank	<u>\$ 3,866,168</u>

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended March 31, 2020

Section I - Summary of Auditors' Results

Financial Statements Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? _____ Yes X No

Reportable condition identified not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

a) State Awards

Internal Control over major programs:

Material weakness identified? _____ Yes X No

Significant deficiency identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with New Jersey OMB's 15-08? _____ Yes X No

Identification of major state programs:

Name of State Program or Cluster

Notes relating to the Construction Financing Loan Program of the New Jersey Infrastructure Bank

Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as a low-risk auditee? _____ YES X No

BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs (continued)
For the Year Ended March 31, 2020

Section II – Financial Statement Findings

None reported.

Section III – Summary Schedule of Prior Audit Findings

None.

PART III
FINDINGS AND RECOMMENDATIONS

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
COUNTY OF OCEAN**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended March 31, 2020**

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

None.

**BRICK TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
COUNTY OF OCEAN**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND RECOMMENDATIONS AS PREPARED BY MANAGEMENT
Year Ended March 31, 2020**

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

None.