TOWNSHIP OF NEPTUNE
SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY

ANNUAL FINANCIAL REPORT
YEARS ENDED DECEMBER 31, 2021 and 2020

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY

Board of Commissioners and Management
December 31, 2021

Board of Commissioners

James W. Manning Jr.	Chairman
Harry Devine	Vice Chairman
Alonzo Wright	Treasurer
James Mowczan	Secretary
Linda Johnson	Assistant Secretary

Management

Tina M. Cunningham	Executive Director
Christopher Kelly	Superintendent

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
ANNUAL FINANCIAL REPORT

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December 31, 2021 and 2020

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

FALLON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of
the Board of Commissioners
Township of Neptune Sewerage Authority
County of Monmouth
Township of Neptune, New Jersey

Opinion

We have audited the accompanying financial statements of the Township of Neptune Sewerage Authority of the County of Monmouth, New Jersey ("Authority"), a component unit of the Township of Neptune as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

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

Auditor's Responsibility

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of the Authority's proportionate share of the net pension liability - PERS, schedule of the Authority's contributions - PERS, schedule of the Authority's proportionate share of the net OPEB liability - State Health Benefits Local Government Retired Employees Plan and schedule of the Authority's OPEB contributions - State Health Benefits Local Government Retired Employees Plan as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements. The accompanying supplementary information, such as the schedule of cash receipts, cash disbursements and changes in cash, cash equivalents and investments - unrestricted, schedule of cash receipts, cash disbursements and changes in cash, cash equivalents and investments - restricted, comparative schedule of revenues and expenses compared to budget, and schedule of long-term revenue bonds payable and the accompanying other information such as the roster of officials and surety bond/insurance coverage and general comments and recommendations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information presented for the various funds are 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2023, 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 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.

Charles J. Fallon, CPA, RMA

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

Fallon & Company LLP

FALLON & COMPANY LLP

Hazlet, New Jersey
May 12, 2023

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

Honorable Chairman and Members
Of the Board of Commissioners
Township of Neptune Sewerage Authority
Township of Neptune, New Jersey
County of Monmouth

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 ("Division), the basic financial statements of the Township of Neptune Sewerage Authority, in the County of Monmouth, New Jersey ("Authority"), a component unit of the Township of Neptune as of and for the year ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated May 12, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Neptune Sewerage 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 Authority'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.

Report on 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
May 12, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

Mission

The Authority was created to protect and preserve the vital ecology of its service area and that of adjoining areas. The Authority accomplishes this by effectively treating wastewater and recycling sage, sending clean water back into the Atlantic Ocean. TNSA efficiently meets or surpasses all mandated federal and state regulations and standards.

The Authority extends its mission beyond the geographical boundaries of its service area by affiliating with and participating in various organizations and activities dedicated to preserving the environment. By cooperating with many watershed groups and agencies operating within its Service Area, TNSA further demonstrates its commitment to environmental protection.

Responsibility and Controls

The Authority has prepared, and is responsible for, the financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and the books and records reflect only authorized transactions. Limitations exist in any system of internal controls. However, recognizing that the cost of a system should not exceed its benefits, management believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

The Authority's system of internal accounting controls is evaluated on an ongoing basis by the Authority's financial staff. Independent external auditors also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

Management believes that its policies and procedures provide guidance and reasonable assurance that the Authority's operations are conducted in accordance with management's intentions and to a high standard of business ethics.

In management's opinion, the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Authority in conformity with accounting principles generally accepted in the United States of America. The unqualified opinion of our independent external auditors, Fallon & Company, LLP is included in this report.

Management's Discussion and Analysis (MD&A) provides an introduction to, and should be read with, the basic audited Financial Statements and supplementary information. It presents management's analysis of the Authority's financial condition and performance. Financial Statement data, key financial and operational indicators, the operating budget, bond resolutions and other management tools were used for this analysis.

Financial Highlights

- Total assets decreased $1,514,906.
- Total liabilities decreased by $1,976.344.
- Operating expenses increased $64,301.
- Net position at year-end was $27,136,456, an increase of $461,528.

Overview of Annual Financial Report

The Financial Statements utilize full accrual accounting methods such as are applicable for similar business activities in the private sector. However, rate-regulated accounting principles applied to private utilities are not used by government utilities. The financial statements included a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position, a Statement of Cash Flows; and Notes to the Financial Statements.

The Statement of Net Position presents the Authority's year-end financial position on a full accrual, historical cost basis. It provides information on Authority assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position are an indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position present the results of business activities for the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of related cash flows.

The Statement of Cash Flows presents changes in cash and cash equivalents resulting from operational, financing, and investing activities. Receipts and disbursements are presented on a cash, not an accrual, basis.

The Notes to the Financial Statements present such required disclosures and information as are essential to fully understanding material data provided in the statements, including significant policies, balances, activities, risks, obligations, commitments, contingencies and subsequent events, if any.

Summary of Organization and Business

TNSA, a public body corporate and politic, was created pursuant to Chapter 138 of the Laws of 1946 of the State of New Jersey (the "Original Act"). It serves seven (7) municipal entities: Neptune Township, Ocean Grove, Bradley Beach, Avon-by-the-Sea, Neptune City, Tinton Falls and Wall Township. Each customer municipality must comply with the Authority's Rules and Regulations, wherein uniform requirements for system users assure the Authority's compliance with applicable federal and state laws.

The Authority owns and operates an 8.5 Million Gallons per Day (MGD) wastewater treatment system consisting of a secondary trickling filter treatment facility, with an aerated stabilization pond, and a biological aerated filtration plant that is used as a polishing point before discharging effluent a mile into the Atlantic Ocean via an Authority-owned outfall pipe. The system includes an elaborate series of trunk lines and force mains, plus one pump station (Laird Ave.) that handles the majority of the wastewater flow from customer municipalities.

TNSA has completed many upgrades to its treatment facility over the past ten years. Most notable are: 1) Replacement of trickling filter media, from stone to cross flow plastic, 2) Upgrading the aeration system and cleaning the aerated stabilization pond; and 3) installation of a "state of the Art" biological-filtration-oxygenated-reactor (BIOFOR) system.

In addition to these upgrades, in 2021 the Authority has made several mechanical equipment upgrades at the wastewater treatment facility. These upgrades included the purchase and installation of a new Franklin Miller Grinder and Fiber Optics.

TNSA's treatment facility is divided into three complete sections called "trains". Each train consists of a muffin monster (grinder), flow meter, grit chamber, primary clarifier, trickling filter (with media and distributor), secondary clarifier and a chlorine contact tank. After wastewater has flowed through a treatment train it is pumped from the chlorine contact tank up to the aerated stabilization pond before entering the BIOFOR system.

The BIOFOR system is the last treatment process the wastewater goes through before being discharged into the Atlantic Ocean. The BIOFOR treatment system employs a biological fixed-film technology, using proprietary media that acts as both a biological contactor and a filter, thereby eliminating the need for separate clarification. The primary advantages of the BIOFOR system, when compared to conventional activated sludge systems, are reduced space requirements, elimination of secondary clarifiers, and improved treatment of cold and diluted wastewaters, rapid startup and fully automated operation.

A five member board of Commissioners, appointed by Neptune Township, governs the Authority. An Executive Director, appointed by the Commissioners, administers the Authority. Including the Executive Director, TNSA has 18 full time employees and 1 part time administrative employee.

The Authority has no power to levy or to collect taxes. Operation and maintenance costs are funded from service fees and other charges. Acquisition and construction of capital assets are funded through Operating Revenues, the General Fund, Federal and State Grants, Sewer Revenue Bonds and New Jersey Environmental Infrastructure Trust Financing Program Loans.

Trends

In the early 1960s, the Township of Neptune constructed a wastewater treatment plant with a capacity of 2.5 million gallons per day to serve the western part of the Township. The plant employed the trickling filter process to provide "secondary treatment" according to then-current New Jersey treatment standards.

The Public Sanitary Sewerage Facilities Assistance Act of 1965 authorized municipal participation in federal grants-in-aid programs for wastewater treatment. In 1972, in furtherance of the State's regionalization policy, the Township of Neptune Sewerage Authority (TNSA) was created to implement build and operate pollution abatement facilities for Avon-by-the-Sea, Bradley Beach, Neptune City, Neptune Township (including Ocean Grove) and parts of Tinton Falls and Wall Township.

Under the Federal Water Pollution Control Act Amendments of 1972 (PL92-500), the United States Environmental Protection Agency ("USEPA") provided substantial funding of wastewater treatment facilities, provided those facilities were designed according to USEPA national standards. TNSA's plan called for the nucleus of the plant to be Neptune Township's original 2.5 million gallon per day trickling filter plant, called "Train #1". The Authority would add a parallel, interconnected, 2.5 million gallon per day "Train #2", and a parallel, essentially separate, 3.5 million gallon per day "Train #3".

Over time, as USEPA's standards became more stringent, additional treatment procedures were required. An aerated effluent stabilization lagoon, to enhance the trickling filter process, added in 1976. The State of New Jersey and USEPA provided 14.5 million of grants-in-aid to TNSA for construction.

In 1977, the State adopted the Water Pollution Control Act (N.J.S.A. 58:10A-1 et seq.) to address requirements of the Federal Clean Water Act of 1977 (PL 95-217). Under the New Jersey Act, wastewater treatment plants were required to obtain permits for the discharge of effluents to State waters. The permits would contain specific effluent limitations for each wastewater discharger based on so-called "conventional pollutants" (oxygen demand, suspended solids, coliforms, and certain physical/chemical parameters widely used at the time). The same pollutants had been the basis for both design and approval of the original TNSA treatment plant. Eventually, USEPA delegated permitting authority to the New Jersey Department of Environmental Protection ("NJDEP") under the New Jersey Pollutant Discharge Elimination System ("NJPDES").

The Clean Water Act emphasized toxic substances that had not been addressed by the USEPA national standards nor, therefore, by most 1970s plant designs. In 1986, NJDEP added a limit on effluent acute toxicity to TNSA's permit. Consequently, from January 1987 through December 1990, TNSA failed 56 percent of its quarterly toxicity tests, although maintaining a solid record of passing grades for conventional pollutants.

NJDEP did not cite TNSA for the failures because its plant had not been designed to handle toxicity. However, in 1994 and under 1991 amendments to NJ's Pollution Control Act (N.J.S.A. 58:10A-1 et seq.), NJDEP was compelled to initiate enforcement action. On June 26, 1995, TNSA accepted an Administrative Consent Order ("ACO") with NJDEP that temporarily set aside toxicity limitations in its permit while the Authority sought the causes of, and remedies to, the toxicity problem.

Events

TNSA embarked on a comprehensive program aimed at bringing the treatment facility to complete compliance with all NJDEP parameters. The comprehensive program included:

- Pilot studies (GAC/Activated Sludge/BIOFOR)
- Toxicity identification, evaluation and reduction studies
- Service area studies and surveys

As a result of many upgrades the Authority has effected the plant has passed the majority of its bioassay tests with a 100% result and no measurable trace of toxicity.

Financial Analysis

Financial Condition

The Authority's financial condition remained strong at year end with adequate liquid assets, a reasonable level of unrestricted net position, and reliable facilities and systems to meet demand. The Authority's financial condition, technical capabilities, and operating and modernization plans are secure.

	2021	2020
Total Current Assets	$16,239,697	$16,594,058
Total Deferred Outflow of Resources	1,259,528	1,767,565
Plant, Property and Equipment, Net	26,779,184	27,431,692
Total Assets	$44,278,409	$45,793,315
Total Current Liabilities (payable from unrestricted assets)	$ 1,383,250	$ 1,234,342
Total Current Liabilities (payable from restricted assets)	3,414,068	3,466,748
Total Non-Current Liabilities	7,495,177	9,773,037
Deferred Inflow of Resources Pension and OPEB deferrals	4,849,458	4,644,170
Total Liabilities	$17,141,953	$19,118,297
Total Net Position Invested in Capital Assets, Net of Related Debt	$26,079,050	$27,761,094
Total Restricted Net Position	1,472,800	1,472,800
Total Unrestricted Net Position	(415,394)	(2,558,876)
Total Net Position	$27,136,456	$26,675,018
Total Liabilities and Net Position	$44,278,409	$45,793,315

Results of Operations

Operations and administrative functions were conducted as intended by, and within the budget established by, TNSA's Board of Commissioners:

	2021	2020
Total Operating Revenues	$ 6,730,222	$6,728,022
Operating Expenses	4,191,030	4,093,051
Depreciation	1,201,890	1,235,568
Total Operating Expenses	5,392,920	5,328,619
Operating Income	1,337,302	1,399,403
Nonoperating Revenues/(expenses):		
Interest Income	36,501	122,077
Impairment of fixed assets	(1,010,938)	(1,703,743)
Interest Expense	(28,402)	(45,774)
Amortization expense	(3,471)	(5,675)
Total Nonoperating Revenues (expenses)	(1,006,310)	(1,633,115)
Net Income (Loss)	461,438	(233,712)
Net Position, January 1	26,675,018	26,908,730
Net Position, December 31	$27,136,456	$26,675,018

Statement of Cash Flows

Cash flow was adequate to meet operating, capital and debt requirements.

	2021	2020
Net Cash Flows from Operating Activities	$1,898,164	$ 2,510,455
Net Cash Used in Capital and Related Financing Activities	(2,282,194)	(2,913,952)
Net Cash Provided by Investing Activities	36,689	127,422
Net Increase/(Decrease) in Cash and Cash Equivalents	(347,341)	(276,075)
Cash and Cash Equivalents, Beginning of Year	15,268,093	15,544,168
Cash and Cash Equivalents, End of Year	$14,920,752	$15,268,093

Rates, Billing and Collection Processes

The annual Service Charge to each of TNSA's seven customers is set by allocating the year's operating and debt service requirements among the customers, based on their actual prior-year inflows and capacity ownership, respectively.

Service Charges are certified to each customer not later than January 31st of each year and are due, in equal installments on and be made on or before the 1st day of April, July, October and January. Pursuant to the "Sewerage Authorities Law" (N.J.S.A. 40:14A), customers are assessed interest at the rate of one and one-half percent (1.5%) per month on any Service Charge installment, or portion thereof, unpaid beyond its due date.

Capital Improvement Program and Debt Administration

TNSA's 5-Year Capital Improvement Program ("Plan") was prepared in consultation with, and reviewed by, the Authority's engineer, commissioners, and staff and presented as directed by the Division of Local Government Services ("DLGS"), State of New Jersey. Funding the plan will not result in extraordinary increases in annual Service Charges to customers.

	Est. Total Cost	Unreserved Retained Earnings	Renewal & Replacement Reserve	Debt Auth.
Biofor Integration Upgrade	$ 100,000	$ 100,000		
Upgrades Control Panels	100,000	100,000		
Treatment Train Rehabilitation	300,000	300,000		
Odor Control System	350,000	350,000		
Fleet Maintenance	50,000	50,000		
Raw Sewage Emergency Pump 1	250,000	50,000		
Roaway Improvements	500,000	500,000		
Outfall Pipe Rehabilitation	1,500,000			$1,500,000
Digester No. 4 Rehabilitation	1,500,000			1,500,000
Collection System Evaluation	500,000	500,000		
Stabilization Pond Rehabilitation	1,000,000			1,000,000
Electrical Upgrades	4,000,000	4,000,000		
Total	$10,150,000	$6,150,000		$4,000,000

Closing Comments

The Financial condition of the Township of Neptune Sewerage Authority is strong. Its facilities, staff, management, and its planning and funding options, are sufficient to assure TNSA's ability to meet its operating responsibilities well into the future.

FINANCIAL STATEMENTS

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
DECEMBER 31,

	2021	2020
ASSETS		
Current Assets:		
Unrestricted Assets:		
Cash and cash equivalents	$ 9,466,672	$ 9,605,122
Customer accounts receivable	1,153,364	1,315,854
Other receivables	-	188
Prepaid expenses	9,609	9,923
Total Unrestricted Assets	10,629,645	10,931,087
Restricted Assets:		
Cash and cash equivalents	5,610,052	5,662,971
Total Restricted Assets	5,610,052	5,662,971
Total Current Assets	16,239,697	16,594,058
Deferred Outflow of Resources:		
Pension deferals	166,899	486,386
OPEB deferals	1,091,455	1,276,534
Unamortized deferred charges	1,174	4,645
Total Deferred Outflow of Resources	1,259,528	1,767,565
Plant, Property and Equipment, net	26,779,184	27,431,692
Total Assets	$ 44,278,409	$ 45,793,315
LIABILITIES AND NET POSITION		
Current Liabilities (payable from unrestricted assets):		
Accounts payable	$ 626,508	$ 493,385
Accrued liabilities	14,367	14,682
Retainage payable	34,075	34,075
Current portion of long-term debt	695,000	665,000
Accrued interest payable	13,300	27,200
Total Current Liabilities (payable from unrestricted assets)	1,383,250	1,234,342

The accompanying notes are an integral part of this statement.

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
DECEMBER 31,

	2021	2020
Current Liabilities (payable from restricted assets):		
Security held for member municipalities	$ 3,414,068	$ 3,466,748
Total Current Liabilities (payable from restricted assets)	3,414,068	3,466,748
Non-Current Liabilities:		
Unrestricted Liabilities:		
Accrued employee benefits	514,643	488,320
Pension liability	2,200,418	3,402,393
Net OPEB obligation	4,774,982	5,167,009
Long-term debt (inclusive of premiums of $5,134 and $20,315 for 2021 and 2020, respectively)	5,134	715,315
Total Non-Current Liabilities	7,495,177	9,773,037
Deferred Inflow of Resources:		
Pension deferals	2,082,871	1,928,295
OPEB deferals	2,766,587	2,715,875
Total Deferred Inflow of Resources:	4,849,458	4,644,170
Total Liabilities	17,141,953	19,118,297
Net Position		
Invested in capital assets, net of related debt	26,079,050	27,761,094
Restricted Net Position:		
Bond service reserve	722,800	722,800
Renewal and replacement	750,000	750,000
Total Restricted Net Position	1,472,800	1,472,800
Unrestricted Net Position	(415,394)	(2,558,876)
Total Net Position	27,136,456	26,675,018
Total Liabilities and Net Position	$ 44,278,409	$ 45,793,315

The accompanying notes are an integral part of this statement.

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31,

	2021	2020
Operating Revenues:		
Service charges of member municipalities	$ 6,727,900	$ 6,727,900
Miscellaneous income	2,322	122
Total Operating Revenues	6,730,222	6,728,022
Operating Expenses:		
Personnel costs and benefits	1,386,371	1,933,114
Administrative and general	334,092	454,071
Plant, system and maintenance	2,470,567	1,705,866
Depreciation	1,201,890	1,235,568
Total Operating Expenses	5,392,920	5,328,619
Operating Income	1,337,302	1,399,403
Non-Operating Revenue (Expenses):		
Interest income	36,501	122,077
Impairment of fixed assets	(880,492)	(1,703,743)
Interest expense	(28,402)	(45,774)
Amortization expense	(3,471)	(5,675)
Total Non-Operating Revenues (Expenses)	(875,864)	(1,633,115)
Net Income	461,438	(233,712)
Net Position, January 1	26,675,018	26,908,730
Net Position, December 31	$ 27,136,456	$ 26,675,018

The accompanying notes are an integral part of this statement.

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2021	2020
Cash Flows from Operating Activities:		
Cash received from member municipalities	$ 6,890,390	$ 6,929,687
Cash paid to suppliers	(3,342,567)	(2,899,038)
Cash paid to employees	(1,496,009)	(1,520,316)
Other operating receipts	2,322	122
Net Cash Flows from Operating Activities	2,054,136	2,510,455
Cash Flows from Capital and Related Financing Activities:		
Acquisition of property, plant and equipment	(1,560,311)	(2,203,356)
Principal payments on bonds payable	(665,000)	(640,000)
Interest expense	(56,883)	(70,596)
Net Cash Provided (Used) in Capital and Related Financing Activities	(2,282,194)	(2,913,952)
Cash Flows from Investing Activities:		
Interest received on investments	36,689	127,422
Net Cash Provided by Investing Activities	36,689	127,422
Net Increase (Decrease) in Cash and Cash Equivalents	(191,369)	(276,075)
Cash and Cash Equivalents, Beginning of Year	15,268,093	15,544,168
Cash and Cash Equivalents, End of Year	$ 15,076,724	$ 15,268,093
Reconciliation to Balance Sheet:		
Unrestricted cash and cash equivalents	$ 9,466,672	$ 9,605,122
Restricted cash and cash equivalents	5,610,052	5,662,971
	$ 15,076,724	$ 15,268,093

The accompanying notes are an integral part of this statement.

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2021	2020
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:		
Operating Income	$ 1,337,302	$ 1,399,403
Depreciation and Amortization	1,205,361	1,241,243
	2,542,663	2,640,646
Change in Assets and Liabilities:		
(Increase)/decrease in receivables	162,678	239,377
(Increase)/decrease in prepaids	314	(446)
(Increase)/decrease in defered pension and OPEB outflows	504,566	(768,429)
Increase/(decrease) in accounts payable	133,123	(120,602)
Increase/(decrease) in accrued expenses and retainage	(315)	(471)
Increase/(decrease) in pension and OPEB liability	(1,441,501)	1,044,819
Increase/(decrease) in deferred pension and OPEB inflows	205,288	(569,636)
Increase/(decrease) in security held for member municipalities	(52,680)	45,197
	(488,527)	(130,191)
Net Cash Flows from Operating Activities	$ 2,054,136	$ 2,510,455

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION

The Township of Neptune Sewerage Authority ("Authority"), a public body, corporate and political of the County of Monmouth, State of New Jersey, was organized and exists under the Sewerage Authority Law, constituting Chapter 138 of the Pamphlet Laws of 1946, of the State of New Jersey, and the acts amendatory thereof and supplemental thereof. The Authority was established in accordance with the provisions of the Act in order to own and operate a regional sewerage treatment system to serve the Townships of Neptune and Wall, Ocean Grove Sewerage Authority, and the Boroughs of Avon-by-the-Sea, Bradley Beach, Tinton Falls, and Neptune City. The Act authorized the Authority to issue its bonds and other obligations in an unlimited aggregate amount in order to accomplish its public purpose of promoting the relief of waters in or bordering the State of New Jersey from pollution by providing adequate sewerage treatment and disposal services to the Service Area.

The Authority provides sewerage treatment to its seven member municipalities in accordance with service agreements established with each municipality. The service agreements obligate each member to the Authority for their proportionate share of the Authority's operating expenses, debt service and required reserve additions to the extent not met by other sources.

Reporting Entity

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 61, *The Financial Reporting Entity Omnibus - An Amendment of GASB 14 and 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units* the Authority's basic financial statements include those of the Authority and any component units. Component units are legally separate organizations whose majority of officials are appointed by the primary government or the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

An organization has a financial benefit or burden relationship with the primary government if any one of the following conditions exist:

1. The primary government (Authority) is legally entitled to or can otherwise access the organization's resources.

2. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.

3. The primary government is obligated in some manner for the debt of the organization.

Based on the application of the above criteria, this report includes all programs and activities operated by the Authority. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year.

Based on the application of the above criteria, the Authority is a component unit of the Township of Neptune. 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 with the Township's on a blended basis. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year.

NOTE 1 ORGANIZATION (continued)

A. Basis of Presentation and Accounting

The Authority's financial statements are presented on the full accrual basis in accordance with the accounting principles generally accepted in the United States of America.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund.

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

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Total Net Position (i.e., total assets net of total liabilities) are segregated into invested capital assets, net of related debt; restricted for capital activity; restricted for debt service; and unrestricted components.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

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 the Authority has sufficient cash to operate and pay debt service. As such, certain items such as bond payments are included in budgetary expenses while depreciation is not included. A reconciliation from the budgetary basis to the statement of revenues, expenses and changes in net position is included in Schedule 1 of the Supplementary Information.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Cash, Cash Equivalents and Investments

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

N.J.S.A. 17:9-42 requires government units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

Public funds are defined as the funds of any government unit. Public depositories include banks (both state and national banks), savings and loan institutions and savings banks, the deposits of which are federally insured. All public depositories pledge collateral, having a market value of five percent of the average daily balance of collected public funds, to secure the deposits of government units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories in the collateral pool, is available to pay the full amount of their deposits to the government units.

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.

D. Restricted Accounts

In accordance with the Bond Resolutions and the Trust Agreement securing the 2010 and 2012 Revenue Bonds ("Bonds"), the Authority has established various cash and investment accounts with a trustee with restrictions on the use of funds. These funds, accounts and the related principal restrictions are as follows:

Construction Fund - The Construction Fund has been established for the payment of the cost of each project for which bonds have been issued under the Trust Agreement. Upon completion of the construction project, any funds remaining and not reserved for unpaid costs shall be applied to payment of costs of any portion of the system, payment of any principal or interest on the bonds, payment of any sinking fund installment, or redemption of any bonds.

Revenue Fund - All pledged revenues as defined in the Trust Agreement are required to be paid over to the Trustee upon receipt and deposited in the Revenue Fund. Transfers from the Revenue Fund shall be made on the first business day of each month in amounts needed to establish the respective fund balances as follows:

Operating Fund - to increase the amount which is on deposit in the Operating Fund to an amount equal to the Authority's net operating expenses for the current month and the next succeeding three months.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Restricted Accounts (continued)

Bond Service Fund - to equal the interest and principal falling due on the Bonds during the fiscal year.

Bond Reserve Fund - to maintain or provide an amount equal to the average annual debt service requirement as defined in the Trust Agreement in the bonds for any succeeding fiscal year.

Renewal and Replacement Fund - to equal the reasonably required reserve called for by the Trust Agreement.

General Fund - to deposit therein the balance of the pledged revenues to the extent any monies are available.

Operating Fund - to pay all reasonable and necessary costs of operating, maintaining and repairing the sewer system.

Bond Service Fund - to pay principal and interest on the bonds.

Bond Reserve Fund - to make up any deficiencies in the Bond Service Fund or any other Sinking Fund Account. In addition to transfers from the Revenue Fund, monies from the Renewal and Replacement and the General Funds may be transferred into this Fund.

Renewal and Replacement Fund - If the amount in the Bond Reserve Fund shall be less than the Bond Reserve requirement, the Trustee shall withdraw from the General Fund and then from the Renewal and Replacement Fund, and pay into the Bond Reserve Fund the amount needed to increase the amount in the Bond Reserve Fund so that it equals the Bond Reserve requirement. Monies in this Fund may be applied to the reasonable and necessary expenses of the Authority with respect to the Sewer System for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals.

General Fund - If the amount in the Bond Reserve Fund shall be less than the Bond Reserve requirement the Trustee shall withdraw from the General Fund and pay into the Bond Reserve Fund the amount needed to increase the amount in the Bond Reserve Fund so that it equals the Bond Reserve requirement. Under the condition set forth in the Trust Agreement, the Trustee may transfer monies from the General Fund to the Revenue Fund or to the Authority to be spent for any lawful purpose.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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 estimated useful lives of the assets are:

Treatment Plant	75 years
Force Main and Ocean Outfall	75 years
BioFor Treatment Plant	40 years
Pumping Station	10-40 years
Equipment	5-15 years
Vehicles	5 years
Office Furniture	5 years

F. 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.

G. Investment Income

Investment Income on amounts held by the Authority as security for member municipalities is restricted and added to principal amounts for reinvestment. All other investment income earned is unrestricted and is utilized to defray the cost of operations and debt service.

H. Inventory of Supplies

Minimal inventories of replacement parts, chemicals and supplies are maintained by the Authority and are expensed at the time the individual items are purchased.

I. Income Taxes

The Authority is exempt from federal and state income taxes as it is a public body politic and corporate of the State of New Jersey.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Net Position

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: net investment in capital assets, restricted, and unrestricted. Net invested in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted includes resources with external restrictions. Unrestricted consists of all other resources not included in the above categories.

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS

A. Deposits

Cash and Cash Equivalents consist of the following at December 31:

	2021	2020
Cash	$ 78,692	$ 77,265
Money Market Funds	14,998,032	15,190,828
	$ 15,076,724	$ 15,268,093

As of December 31, 2021, the Authority's Cash and Cash Equivalents are insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

The carrying amount of the Authority's cash and cash equivalents at December 31, 2021 was $15,076,724 and the bank balance was $15,098,594. Of the bank balance, $350,371 was covered by federal depository insurance, and the remaining $14,748,223 was covered under the unit certificate of eligibility as required by New Jersey statutes (GUDPA).

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a financial institution or counterparty to a transaction, the Authority will not be able to recover the value of its investment. The Authority mitigates this risk by depositing or investing with public depositories protected from loss under the provisions of the Act.

B. Investments

The Authority had no investments at December 31, 2021 and 2020.

NOTE 4 PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment consisted of the following at December 31:

	Balance December 31, 2020	Additions	Transfers or Disposals	Balance December 31, 2021
Land	$ 346,264			$ 346,264
Plant and Improvements	55,220,008	$ 317,157		55,537,165
Equipment and Vehicles	615,355	79,635		694,990
Construction in Progress	484,448	1,163,519	$ 1,010,929	637,038
	56,666,075	1,560,311	1,010,929	57,215,457
Less: Accumulated Depreciation	29,234,383	1,201,890		30,436,273
Property, Plant and Equipment, Net	$ 27,431,692	$ 358,421	$ 1,010,929	$ 26,779,184

NOTE 5 DEFERRED CHARGES

Deferred Charges relate to the issuance costs, including legal, printing and financing costs, of the 2012 Sewer Revenue Bond Series. These charges are being amortized on the interest method over the life of the respective bonds. During 2012, the 2003A Sewer Revenue Bond Series was refunded and the deferred charges written off as part of the loss on bond refunding.

Deferred Charges consist of the following at December 31:

	2021	2020
Bond Issuance Costs	$ 4,645	$ 10,320
Less: Accumulated Amortization	3,471	5,675
Net Deferred Charges	$ 1,174	$ 4,645

NOTE 6 LONG-TERM DEBT

Long-Term Debt consisted of the following at December 31:

	2021	2020
2012 Series, Sewer Revenue Refunding Bonds	$ 695,000	$ 1,360,000
Total Long-term Debt	695,000	1,360,000
Unamortized Bond Premium	5,134	20,315
Current Portion	(695,000)	(665,000)
Net Long-term Debt	$ 5,134	$ 715,315

2012 Sewer Revenue Refunding Bonds

The Sewer Revenue Refunding Bonds, Series 2012 were authorized for the purpose of refunding $6,250,000 of the outstanding principal amount of the Authority's Sewer Revenue Bonds, Series 2003A, and to provide funds to pay all fees and expenses incurred with the issuance of the Bonds. The Bonds consist of $5,930,000 in Serial Bonds which mature annually on July 1, 2012 through 2022. Interest during that period ranges from 3.000% to 4.000% payable semi-annually on January 1 and July 1.

Annual Debt Service

The following table sets forth the annual debt service (budgetary basis) of the Authority for all bonds outstanding:

12 Month Period Ending December 31,	2012 Series A	Total Debt Service
2022	$ 722,800	$ 722,800
	$ 722,800	$ 722,800

NOTE 6 LONG-TERM DEBT (continued)

The following table sets forth the debt service requirements for principal and interest:

12 Month Period Ending December 31,	Principal	Interest	Total
2022	$ 695,000	$ 27,800	$ 722,800
	$ 695,000	$ 27,800	$ 722,800

Changes in the outstanding debt for 2021 are as follows:

Issue	Balance December 31, 2020	Issued	Paid	Balance December 31, 2021
Series 2012	$ 1,360,000	$ -	$ 665,000	$ 695,000
	$ 1,360,000	$ -	$ 665,000	$ 695,000

NOTE 7 SECURITY HELD FOR MEMBER MUNICIPALITIES

Service agreements with member municipalities provide that payments shall be at 102% of the member municipality's obligation for sewer treatment services. The additional 2% shall be deposited to the credit of the municipality in a Sewer Rent Reserve Account until deposits and interest earned in investment of such amounts equals the next two quarterly payments to become due from the member municipality.

Investment accounts have been established for each of the member municipalities as directed by the individual governing bodies.

NOTE 8 COMPENSATED ABSENCES

Per the Authority's "Personnel Code", its employees are entitled to sick leave benefits and vacation time.

Sick Leave

Sick leave allowances are determined as follows:

> After one year of employment, an employee will be allowed 15 days sick leave in each twelve-month period. Sick leave eligibility will be credited on the basis of one and one-quarter days for each month in which the employee is on the payroll.

NOTE 8 COMPENSATED ABSENCES (continued)

Unused sick leave may be accumulated from year to year without a limit. An employee is entitled to use the accumulated sick leave with pay when needed.

Sick leave in excess of the accrued time may be granted at the discretion of the Authority when warranted by the employee's overall work record.

An employee who has used five days or less of sick time in a calendar year can elect to be compensated for up to five (5) of the remaining days and banking the remainder of the days in their accumulated sick time totals. The compensation for up to seven (7) unused days may be taken as a cash payment or as compensatory time off. If compensatory time off is chosen, this will be taken as straight time (i.e. 8 hours = 8 hours compensatory time off).

One half of the accumulated sick leave shall be paid upon retirement, permanent disability or death. Sick leave will not be granted as credit toward early retirement.

At December 31, 2021 and 2020, the computed contingent liability for accumulated sick leave compensation is $360,217 and $340,294 respectively. This is presented on the comparative balance sheet as an unrestricted noncurrent liability under to caption "Accrued Employee Benefits".

Vacation Time

It is the policy of the Authority that all employees be granted time away from work for the purpose of vacation. Each employee shall take advantage of the authorized vacation period for reasons of health, rest relaxation and pleasure; and therefore, extra compensation in lieu of vacation will not be allowed. The amount of time granted shall be determined by the employee's length of service. A vacation year shall run from the anniversary date of each employee's employment date. All vacation time earned in a given year must be used within the vacation year or be forfeited.

Employees who terminate their employment will receive vacation pay according to their accruals, provided the employee is in compliance with all requirements related to termination.

At December 31, 2021 and 2020, the computed contingent liability for accrued vacation time is $154,426 and $148,026, respectively. This is presented on the comparative balance sheet as an unrestricted current liability included with other accrued liabilities under the caption "Accrued Employee Benefits".

NOTE 9 PENSION PLAN

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 Annual Comprehensive Financial Report which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

NOTE 9 PENSION PLAN (continued)

Description of the System (continued)

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:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 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.

Membership

Membership in the PERS is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school Authority 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.

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 2021, 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

NOTE 9 PENSION PLAN (continued)

Contributions (continued)

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. Authority contributions to PERS amounted to $235,701 and $204,849 for 2021 and 2020, respectively. 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 Authority contribution to the plan for the past three years are as follows:

Year	PERS
2021	$ 235,701
2020	204,849
2019	232,673

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

In 2004 the Authority deferred a portion of their pension obligation as allowed. The present value of the deferral at December 31, 2021 and 2020 is $32,300 and $27,925, respectively. This amount is included as an accrued liability on the balance sheet. The Authority is obligated to pay, at a minimum $6,673 per year plus an adjustment based on the rate of return of the actuarial value of the plans assets for 15 years beginning in 2012 to pay back the deferral.

Net Pension Liability and Pension Expense

At December 31, 2021 and 2020, the Authority's proportionate share of the PERS net pension liability is valued to be $2,200,418 and $3,402,393, respectively. The net pension liabilities were measured as of June 30, 2021 and 2020, 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, 2020, to the measurement date of June 30, 2021. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2020. The Authority's proportion measured as of June 30, 2021, was 0.0185744160%, which was a decrease of 0.0022897086% from its proportion measured as of June 30, 2020 of 0.0208641246%.

NOTE 9 PENSION PLAN (continued)

Net Pension Liability and Pension Expense (continued)

	2021	2020	Increase/ (Decrease)
Actuarial Valuation Date	July 1, 2020	July 1, 2019	
Net Pension Liability	$ 2,200,418	$ 3,402,393	$ (1,201,975)
Authority's Proportion of the Plan's Total Net Pension Liability	0.0185744160%	0.0208641246%	-0.0022897086%

For the year ended December 31, 2021 and 2020 the Authority recognized pension expense/(income) of ($495,294) and $4,790, respectively. The Authority reported deferred outflow of resources and deferred inflow of
resources related to pension from the following sources:

Year ended December 31, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 61,952	$ 12,032
Changes of assumptions	110,377	1,424,614
Changes in proportion	197,760	459,349
Net difference between projected and actual investment earning on pension plan investments	116,297	-
	$ 486,386	$ 1,895,995

NOTE 9 PENSION PLAN (continued)

Net Pension Liability and Pension Expense (continued)

Year ended December 31, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 34,703	$ 15,752
Changes of assumptions	11,460	783,363
Changes in proportion	120,736	704,108
Net difference between projected and actual investment earning on pension plan investments	-	579,648
	$ 166,899	$ 2,082,871

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 December 31,	
2022	$ (725,754)
2023	(568,581)
2024	(343,338)
2025	(268,487)
2026	(9,812)
Total	$ (1,915,972)

	December 31, 2021
Deferred Outflows	$ 166,899
Deferred Inflows	(2,082,871)
Net Outflows (Inflows)	$ (1,915,972)

NOTE 9 PENSION PLAN (continued)

Actuarial Assumptions

The collective total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. This actuarial valuation used the following actuarial assumptions:

	PERS
Measurement Date	6/30/21
Actuarial valuation date	7/1/20
Investment rate of return	7.00%
Salary increases: Through 2026	2.00 – 6.00% Based on Years of Service
Thereafter	3.00 – 7.00% Based on Years of Service

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-2021.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021) 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 range 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 estimate of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2021 are summarized in the following table:

NOTE 9 PENSION PLAN (continued)

Actuarial Assumptions (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	3.00%	3.35%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Investment grade credit	8.00%	1.68%
High yield	2.00%	3.75%
Private credit	8.00%	7.60%
Real assets	3.00%	7.40%
Real estate	8.00%	9.15%
US equity	27.00%	8.09%
Non-U.S. developed markets equity	13.50%	8.71%
Emerging markets equity	5.50%	10.96%
Private equity	13.00%	11.30%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments to determine the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2021, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

NOTE 9 PENSION PLAN (continued)

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate (continued)

	At 1% Decrease (6.00%)	At current Discount (7.00%)	At 1% Increase (8.00%)
Authority's proportionate share of the net pension liability	$ 2,996,523	$ 2,200,418	$ 1,524,810

Pension Plan Fiduciary Net Position

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

NOTE 10 POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB")

General Information About the OPEB Plan

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

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

NOTE 10 POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (continued)

General Information About the OPEB Plan (continued)

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

Basis of Presentation

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

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB (benefit) expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the total OPEB liabilities for the year ended June 30, 2021 were $3,872,142,278 and $14,177,910,609, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2020 through June 30, 2021. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

Special Funding Situation

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

NOTE 10 <u>POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (continued)</u>

<u>Special Funding Situation (continued)</u>

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer. The participating employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the OPEB expense allocated to the State of New Jersey under the special funding situation.

<u>Net OPEB Liability</u>

At December 31, 2021, the Authority reported a liability of $4,774,982 as the Authority's proportionate share of Net OPEB liability. The Net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the Net OPEB liability was determined using update procedures to roll forward the total OPEB liability from an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021. The Authority's proportion measured as of June 30, 2021, was 0.026528% which was a decrease of 0.002263% from its proportion measured as of June 30, 2020.

<u>OPEB Expense</u>

At December 31, 2021, the Authority's proportionate share of the expense (benefit), calculated by the plan as of the June 30, 2021 measurement date is ($59,973).

NOTE 10 POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (continued)

Deferred Outflows and Deferred Inflows of Resources, and OPEB Expense

At December 31, 2020 the State reported deferred outflows of resources and deferred inflows from resources attributable to the Authority from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between expected and actual experience	$ 136,095	$ 962,194
Net differences between projected and actual investment earnings	3,281	
Changes of assumptions	772,822	1,149,063
Changes in proportion	364,336	604,618
	$ 1,276,534	$ 2,715,875

At December 31, 2021 the State reported deferred outflows of resources and deferred inflows from resources attributable to the Authority from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between expected and actual experience	$ 107,145	$ 998,997
Net differences between projected and actual investment earnings	2,283	-
Changes of assumptions	686,895	844,034
Changes in proportion	295,132	923,556
	$ 1,091,455	$ 2,766,587

The Authority will amortize the above sources of deferred outflows and inflows related to the OPEB over the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan with the exception of net differences between projected and actual earnings on OPEB plan investments which will be amortized over 5 years.

NOTE 10 POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (continued)

Deferred Outflows and Deferred Inflows of Resources, and OPEB Expense (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB that would be recognized in future periods if the Authority was on a GAAP basis of accounting, is as follows:

Year ended December 31,		
2022	$	(411,719)
2023		(412,170)
2024		(412,505)
2025		(273,815)
2026		(123,994)
2027-2028		(40,929)
Total	$	(1,675,132)

		December 31, 2021
Deferred Outflows	$	1,091,455
Deferred Inflows		(2,766,587)
Net Outflows (Inflows)	$	(1,675,132)

Actuarial Assumptions

The total OPEB liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total OPEB liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Inflation	2.50%
Salary Increases*:	
Through 2026	2.00 – 6.00%
Thereafter	3.00 – 7.00%

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

NOTE 10 POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (continued)

Actuarial assumptions (continued)

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

Discount Rate

The discount rate for June 30, 2021 was 2.16%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate:

The following presents the Authority's proportionate share of the net OPEB liability as of June 30, 2021, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1- percentage- point higher than the current rate:

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		June 30, 2021	
	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Authority's proportionate share of the net OPEB liability	$ 5,619,238	$ 4,774,982	$ 4,105,891

NOTE 10 POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (continued)

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

The following presents the Authority's proportionate share of the net OPEB liability as of June 30, 2021, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

		June 30, 2021	
	1% Decrease	Healthcare Costs Trend Rate	1% Increase
Authority's proportionate share of the net OPEB liability	$ 3,983,943	$ 4,774,982	$ 5,807,190

NOTE 11 RISK MANAGEMENT

Health insurance coverage for the Authority's employees is obtained through the New Jersey State Health Benefits Program ("SHBP"). SHBP provides the following basic benefit coverage to all participants: hospital, surgical, group major medical, prescription drug coverage for active and qualified retired Authority employees and their families. Worker's compensation is obtained through the Statewide Joint Insurance Fund, a public entity risk pool. General liability and property coverage is provided by Zurick American Insurance Company; general liability coverage is in the amount of $1,000,000 per occurrence and property coverage is in the amount of $1,000,000 combined single limit. A commercial umbrella policy from American Alternative Insurance Company increases the limits to $10,000,000 for each occurrence and in the aggregate for general liability and property coverage.

There have been no reductions in insurance coverage from the prior year. Additionally, the amount of settlements has not exceeded insurance coverage in the past three years.

NOTE 12 CONTINGENCIES

The Authority is subject to extensive federal and state environmental regulations. The Authority's management is not aware of any violations that may have a material effect on the financial statements.

NOTE 13 LITIGATION

The Authority is party to various lawsuits, none of which the Authority believes will cause any monetary damage to the Authority.

NOTE 14 SUBSEQUENT EVENTS

There are no reportable subsequent events.

Management has evaluated subsequent events through May 12, 2023, the date the financial statements were issued.

SUPPLEMENTARY INFORMATION

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NEPTUNE, NEW JERSEY

SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES (Budgetary Basis)
Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021 Budget	2021 Actual	Variance	2020 Actual
Operating Revenues:				
Unrestricted Net Position Utilized	$ 346,250		$ (346,250)	
Service Charges	6,727,900	$ 6,727,900		$ 6,727,900
Interest Income	60,000	36,501	(23,499)	122,077
Miscellaneous Income		2,322	2,322	122
Total Budget	$ 7,134,150	$ 6,766,723	$ (367,427)	$ 6,850,099
Operating Expenses:				
Personel Costs and Benefits:				
Administrative Salaries and Wages	$ 165,500	$ 175,570	$ (10,070)	$ 157,990
Operational Salaries and Wages	1,600,000	1,320,439	279,561	1,362,326
Pension	220,000	235,701	(15,701)	204,849
Hospitalization & Dental	425,000	371,912	53,088	372,707
Prescription Plan	60,000	49,137	10,863	51,637
Payroll Taxes	129,000	120,843	8,157	85,299
Total Personel Costs and Benefits	2,599,500	2,273,602	325,898	2,234,808
Administrative and General Expenses				
Insurance	198,000	186,968	11,032	186,038
Travel	4,000	1,064	2,936	
Postage	2,000	1,278	722	910
Telephone	15,000	7,850	7,150	9,561
Office Supplies and Equipment	29,000	21,925	7,075	17,562
Affiliation Fees	7,000	5,796	1,204	5,968
Auditing and Financial Consulting	39,750	27,750	12,000	27,750
Legal and Legal Consulting	78,000	64,118	13,882	93,194
Trustee Fees	4,500	4,500		4,500
Other Misc. Admin. Expenses	16,500	12,843	16,500	14,965
Total Administrative and General Expenses	393,750	334,092	72,501	360,448

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NEPTUNE, NEW JERSEY

SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES (Budgetary Basis)
Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021 Budget	2021 Actual	Variance	2020 Actual
Plant, System and Maintenance Expenses				
Electric	$ 650,000	$ 447,368	$ 202,632	$ 437,777
Chemical/Odor Control	150,000	228,920	(78,920)	133,858
Equipment and Maintenence	465,000	237,094	227,906	140,903
Maintenance Agreements	25,000	38,967	(13,967)	
Natural Gas	160,000	114,027	45,973	79,644
Lab Supplies	40,000	39,256	744	32,828
Sodium Hypochlorite	120,000	88,977	31,023	87,498
Sludge Processing	500,000	1,125,135	(625,135)	613,758
Licensing Fees	65,000	18,802	46,198	68,471
Ocean Outfall Inspection	50,000	37,500	12,500	
Engineering and Engineering Consulting	200,000	24,970	175,030	61,108
Other Misc. Operating Expenses	96,500	69,551	26,949	40,708
Total Plant, System and Maintenance Expenses	2,521,500	2,470,567	50,933	1,696,553
Total Operating Expenses	5,514,750	5,078,261	449,332	4,291,809
Other Costs Funded by Operating Revenues:				
Capital Outlay:				
Plant Improvements and Equipment	900,000	1,560,311	(660,311)	2,192,782
Total Capital Outlay	900,000	1,560,311	(660,311)	2,192,782
Debt Service:				
Bond Interest	54,400	41,100	13,300	67,200
Other Interest		2,483	(2,483)	3,396
Bond Principal	665,000	665,000		640,000
Total Debt Service	719,400	708,583	10,817	710,596
Total Other Costs Funded by Operating Revenues	1,619,400	2,268,894	(649,494)	2,903,378
Total Costs Funded by Operating Revenues	7,134,150	7,347,155	(200,162)	7,195,187
Excess (Deficit) of Revenues over Costs		(580,432)	(167,265)	(345,088)
Total Budget	$ 7,134,150	$ 6,766,723	$ (367,427)	$ 6,850,099

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NEPTUNE, NEW JERSEY

SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES (Budgetary Basis)
Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021 Actual	2020 Actual
Reconciliation of Budgetary Basis to Net Income		
Excess (Deficit) of Revenues over Costs	$ (580,432)	$ (345,088)
Gasb 68 Pension Adjustment	730,995	200,059
Gasb 75 OPEB Adjustment	156,236	101,635
Capitalized Plant Improvements	1,560,311	2,192,782
Impairment of fixed assets	(880,492)	(1,703,743)
Depreciation Expense	(1,201,890)	(1,235,568)
Amortization of Bond Premium	15,181	24,822
Amortization of Deferred Charges	(3,471)	(5,675)
Debt Service - Bond Principal	665,000	640,000
Net Income	$ 461,438	$ (130,776)

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NEPTUNE, NEW JERSEY

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

	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.0185744160%	0.0208641246%	0.0202479592%	0.0233918165%	0.0231375835%	0.0221332915%	0.0231464044%
Proportionate share of the net pension liability	$ 2,200,418	$ 3,402,393	$ 3,648,375	$ 4,605,732	$ 5,386,060	$ 6,555,246	$ 5,195,904
Covered - employee payroll	$ 1,494,663	$ 1,509,816	$ 1,586,348	$ 1,653,583	$ 1,786,383	$ 1,718,894	$ 1,657,203
Proportionate Share of the net pension liability as percentage of employee payroll	147.22%	225.35%	229.99%	278.53%	301.51%	381.36%	313.53%
Proportionate share of plan's fiduciary net position	$ 5,272,680	$ 3,429,147	$ 4,727,419	$ 5,319,784	$ 4,991,694	$ 4,395,133	$ 4,782,414
Plan fiduciary net position as a percentage of the total pension liability	70.33%	42.51%	56.27%	53.60%	48.10%	40.14%	47.93%

Notes to Schedule:

* - 2015 was the first year of implementation, therefore only seven years are shown.

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NEPTUNE, NEW JERSEY

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

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 217,528	$ 228,243	$ 196,953	$ 232,673	$ 214,345	$ 195,997	$ 180,288
Contributions in relation to the actuarially determined contributions	217,528	228,243	196,953	232,673	214,345	195,997	180,288
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered - employee payroll	$ 1,494,663	$ 1,509,816	$ 1,586,348	$ 1,653,583	$ 1,786,383	$ 1,718,894	$ 1,657,203
Contributions as a percentage of covered-employee payroll	14.55%	15.12%	12.42%	14.07%	12.00%	11.40%	10.88%

Notes to Schedule:

Valuation date:	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Inflation rate (Price/Wage)	2.75% / 3.25%	2.75% / 3.25%	2.25%	2.25%	2.25%	3.08%	3.04%
Salary Increases Through 2026 for 2019	2.00 - 6.00% Based on Years of Service	2.00 - 6.00% Based on Years of Service	2.00 - 6.00% Based on Years of Service	1.65 - 4.15% Based on Age	1.65 - 4.15% Based on Age	1.65 - 4.15% Based on Age	2.15 - 4.40% Based on Age
Thereafter	3.00 - 7.00% Based on Years of Service	3.00 - 7.00% Based on Years of Service	3.00 - 7.00% Based on Years of Service	2.65 - 5.15% Based on Age	2.65 - 5.15% Based on Age	2.65 - 5.15% Based on Age	3.15 - 5.40% Based on Age
Investment rate of return	7.00%	7.00%	7.00%	7.00%	7.00%	7.65%	7.90%

* - 2015 was the first year of implementation, therefore only seven years are shown.

Schedule IV

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NEPTUNE, NEW JERSEY

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

	2021	2020	2019	2018	2017	2016
Authority's proportion of the net OPEB liability	0.026528%	0.028791%	0.028615%	0.030899%	0.028594%	0.030546%
Authority's proportionate share of the net OPEB liability	$ 4,774,982	$ 5,167,009	$ 3,876,208	$ 4,840,828	$ 5,837,691	$ 6,633,817
Authority's covered-employee payroll	$ 1,494,663	$ 1,509,816	$ 1,586,348	$ 1,653,583	$ 1,786,383	$ 1,718,894
Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	319.47%	342.23%	244.35%	292.75%	326.79%	385.94%
Plan fiduciary net position as a percentage of the total OPEB liability	0.28%	0.91%	1.98%	1.97%	1.03%	0.69%

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

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NEPTUNE, NEW JERSEY

SCHEDULE OF OPEB CONTRIBUTIONS
Years Ended December 31, (Last 10 Years)*

	2021	2020	2019	2018	2017	2016
Contractually required contribution (actuarially determined)	$ 352,695	$ 353,747	$ 408,498	$ 366,197	$ 415,633	$ 360,248
Contributions in relation to the actuarially determined contributions	352,695	353,747	408,498	366,197	415,633	360,248
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -

Notes to Schedule:

Valuation date:	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Inflation rate	2.50%	2.50%	2.25%	2.50%	2.50%	2.50%
Salary Increases Through 2026	2.00 - 6.00% Based on Years of Service	2.00 - 6.00% Based on Years of Service	2.00 - 6.00% Based on Years of Service	1.65 - 8.98% Based on Age	1.65 - 8.98% Based on Age	1.65 - 8.98% Based on Age
Thereafter	3.00 - 7.00% Based on Years of Service	3.00 - 7.00% Based on Years of Service	3.00 - 7.00% Based on Years of Service	2.65 - 9.98% Based on Age	2.65 - 9.98% Based on Age	2.65 - 9.98% Based on Age
Discount rate	2.16%	2.21%	3.50%	3.87%	3.58%	2.85%

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

PART II
COMMENTS AND RECOMMENDATIONS

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
COUNTY OF MONMOUTH

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended December 31, 2021

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.

Section I – Financial Statement Findings

None.

Section II – Summary Schedule of Prior Audit Findings

None.