

**NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
WANAQUE SOUTH PROJECT**

REPORT OF AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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WANAQUE SOUTH PROJECT
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LERCH, VINCI & HIGGINS, LLP

**CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS**

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
RALPH M. PICONE, III, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
ROBERT LERCH, CPA
CHRIS SOHN, CPA
CHRISTOPHER M. VINCI, CPA, PSA
CHRISTINA CUIFFO, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the Board of Commissioners
North Jersey District Water Supply Commission
Wanaque, New Jersey

Report on the Financial Statements

We have audited the accompanying statements of assets, liabilities and net assets-modified accrual basis of the North Jersey District Water Supply Commission (the "Commission") - Wanaque South Project (the "Project"), as of and for the years ended December 31, 2020 and 2019, and the related statements of revenues, expenses and changes in net assets-modified accrual basis and changes in net assets by component-modified accrual basis for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified accrual basis of accounting, which differs in certain respects from accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements of the Wanaque South Project are prepared by the North Jersey District Water Supply Commission on the modified accrual basis of accounting. This basis of accounting does not present the financial statements in accordance with accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the modified accrual basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph above, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the North Jersey District Water Supply Commission - Wanaque South Project as of December 31, 2020 and 2019, or changes in financial position, or, where applicable, cash flows for the years then ended.

Opinion on Modified Accrual Basis of Accounting

In our opinion, the financial statements – modified accrual basis referred to above present fairly, in all material respects, the financial position – modified accrual basis of the North Jersey District Water Supply Commission Wanaque South Project as of December 31, 2020 and 2019, and the respective changes in net assets – modified accrual basis and changes in net assets by component-modified accrual basis for the years then ended in accordance with the basis of financial accounting and reporting principles and practices as described in Note 1.

Emphasis of Matter

As discussed in Note 1 (A), the financial statements-modified accrual basis of the North Jersey District Water Supply Commission Wanaque South Project, are intended to present the financial position-modified accrual basis, the changes in net assets-modified accrual basis and the changes in net assets by component-modified accrual basis of only that portion of the North Jersey District Water Supply Commission that is attributable to the transactions of the Wanaque South Project. They do not purport to, and do not, present fairly the financial position-modified accrual basis of the North Jersey District Water Supply Commission as of December 31, 2020 and 2019, the changes in its net assets-modified accrual basis and the changes in its net assets by fund-modified accrual basis for the years then ended in accordance with the basis of financial accounting and reporting principles and practices as described in Note 1. Our opinion on the financial statements-modified accrual basis is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the North Jersey District Water Supply Commission - Wanaque South Project as a whole. The supplementary schedules listed in the table of contents and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid are presented for purposes of additional analysis and are not a required part of the financial statements of the North Jersey District Water Supply Commission Wanaque South Project.

The supplementary schedules listed in the table of contents and the schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 schedules listed in the table of contents and the schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 20, 2021 on our consideration of the North Jersey District Water Supply Commission - Wanaque South Project'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Jersey District Water Supply Commission - Wanaque South Project's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the North Jersey District Water Supply Commission Wanaque South Project's internal control over financial reporting and compliance.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
October 20, 2021

NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
WANAQUE SOUTH PROJECT
COMPARATIVE STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
(MODIFIED ACCRUAL BASIS)
AS OF DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Unrestricted Current Assets		
Cash and Cash Equivalents	\$ 42,209,901	\$ 31,438,718
Investments	242,281	244,936
Equity in Wanaque South, a Joint Venture	<u>2,500</u>	<u>2,500</u>
Total Unrestricted Current Assets	<u>42,454,682</u>	<u>31,686,154</u>
Restricted Current Assets		
Investments	11,778,767	16,083,975
NJEIT Loans Receivable	<u>8,781,120</u>	<u>13,795,441</u>
Total Restricted Current Assets	<u>20,559,887</u>	<u>29,879,416</u>
Non Current Assets		
Investment in Dundee Water Power and Land Company	1,958,015	1,958,015
Capital Assets		
Property, Plant and Equipment	<u>149,578,076</u>	<u>141,027,977</u>
Total Non Current Assets	<u>151,536,091</u>	<u>142,985,992</u>
Total Assets	<u><u>\$ 214,550,660</u></u>	<u><u>\$ 204,551,562</u></u>

**NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
WANAQUE SOUTH PROJECT
COMPARATIVE STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
(MODIFIED ACCRUAL BASIS)
AS OF DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities (Payable from Unrestricted Assets)		
Due to Wanaque South, a Joint Venture	\$ 442,669	\$ 150,691
Due to Wanaque North Project	<u>7,731,083</u>	<u>5,364,235</u>
Total Current Liabilities Payable from Unrestricted Assets	<u>8,173,752</u>	<u>5,514,926</u>
Current Liabilities (Payable from Restricted Assets)		
Bonds Payable	445,000	425,000
Intergovernmental Loans Payable	959,669	476,789
Temporary Note - EIT	<u>11,384,023</u>	<u>22,038,144</u>
Total Current Liabilities Payable from Restricted Assets	<u>12,788,692</u>	<u>22,939,933</u>
Non-Current Liabilities		
Bonds Payable	3,700,000	4,145,000
Intergovernmental Loans Payable	<u>13,925,730</u>	<u>4,168,018</u>
Total Non-Current Liabilities	<u>17,625,730</u>	<u>8,313,018</u>
Total Liabilities	<u>38,588,174</u>	<u>36,767,877</u>
NET ASSETS		
Investment in Capital Assets, net of related debt	<u>142,163,744</u>	<u>136,423,054</u>
Restricted For:		
Operating Reserve	8,296,712	8,296,712
Debt Service	844,647	459,600
Debt Reserve	576,000	576,000
Renewal and Replacement	9,395,958	9,395,958
Unrestricted	<u>14,685,425</u>	<u>12,632,361</u>
Total Restricted and Unrestricted Net Assets	<u>33,798,742</u>	<u>31,360,631</u>
Total Net Assets	<u>175,962,486</u>	<u>167,783,685</u>
Total Liabilities and Net Assets	<u>\$ 214,550,660</u>	<u>\$ 204,551,562</u>

**NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
 WANAQUE SOUTH PROJECT
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
 AND CHANGES IN NET ASSETS
 (MODIFIED ACCRUAL BASIS)
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Charges for Services	\$ 16,352,253	\$ 16,352,253
Added Assessments	501,888	496,082
Miscellaneous Income	<u>75,095</u>	<u>52,615</u>
Total Operating Revenues	<u>16,929,236</u>	<u>16,900,950</u>
OPERATING EXPENSES		
Payroll and Related Expenses	3,294,762	2,991,717
Utilities and Fuel	840,397	880,959
Chemicals	593,280	572,713
Real Estate Taxes	807,236	877,710
Use Fee	301,908	302,514
Insurance	1,227,758	1,157,068
Legal and Accounting	97,798	77,286
Engineering and Consulting	437,484	402,281
Supplies and Expenses	713,695	820,920
Trustee Fees	<u>163,380</u>	<u>58,102</u>
Total Operating Expenses	<u>8,477,698</u>	<u>8,141,270</u>
Operating Income	<u>8,451,538</u>	<u>8,759,680</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	238,157	907,658
Interest Expense	(264,041)	(269,296)
Other Debits	<u>(246,853)</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>(272,737)</u>	<u>638,362</u>
Excess of Revenues over Expenditures	8,178,801	9,398,042
Capital Contribution from Wanaque North Project	<u>-</u>	<u>2,923,774</u>
Change in Net Assets	8,178,801	12,321,816
Net Assets - Beginning of Year	<u>167,783,685</u>	<u>155,461,869</u>
Net Assets - End of Year	<u>\$ 175,962,486</u>	<u>\$ 167,783,685</u>

NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
 WANAQUE SOUTH PROJECT
 COMPARATIVE STATEMENTS OF CHANGES IN NET ASSETS BY COMPONENT
 (MODIFIED ACCRUAL BASIS)
 YEARS ENDED DECEMBER 31, 2020 AND 2019

	Investment in Capital Assets	Operating Reserve	Debt Service	Restricted Debt Reserve	Renewal and Replacement	Total Restricted	Unrestricted	Total Net Assets
Balance, January 1, 2019	\$ 131,349,258	\$ 3,996,712	\$ 548,091	\$ 576,000	\$ 7,895,958	\$ 13,016,761	\$ 11,095,850	\$ 155,461,869
Additions		4,300,000			1,500,000	5,800,000	88,491	5,888,491
Reductions			(88,491)			(88,491)	(5,800,000)	(5,888,491)
Change in Net Assets	5,073,796	-	-	-	-	-	7,248,020	12,321,816
Balance, December 31, 2019	136,423,054	8,296,712	459,600	576,000	9,395,958	18,728,270	12,632,361	167,783,685
Additions			385,047			385,047	-	385,047
Reductions						-	(385,047)	(385,047)
Change in Net Assets	5,740,690	-	-	-	-	-	2,438,111	8,178,801
Balance, December 31, 2020	\$ 142,163,744	\$ 8,296,712	\$ 844,647	\$ 576,000	\$ 9,395,958	\$ 19,113,317	\$ 14,685,425	\$ 175,962,486

**NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
WANAQUE SOUTH PROJECT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The North Jersey District Water Supply Commission (the "Commission") is a public body politic and corporate established by Chapter 70 and 71, New Jersey Public Law 1916, and amended by Title 58 Chapter 5 of the Revised Statutes of 1937 (Section 58:5-1 et seq.). The law authorized the Commission to supply and distribute water to the counties of Sussex, Warren, Hunterdon, Passaic, Morris, Monmouth, Somerset, Bergen, Hudson, Essex, Union and Middlesex (the "District"). The Commission is empowered to finance, construct, and operate facilities necessary for the treatment, filtration, transmission, and distribution of potable water within the District.

The Commission is governed by a Board of Commissioners ("the Board") consisting of seven members appointed by the Governor, with the advice and consent of the Senate, to serve over-lapping four year terms. An executive director is appointed by the Board and functions chief executive officer responsible for the daily operations of the Commission.

The Commission has no stockholders and its investment in water supply facilities is jointly owned by the participating municipalities in proportion to the amount of water to be taken in the contract between each of the municipalities and the Commission.

The cost of operations of the several water supply projects is apportioned at the end of each year among the participating municipalities based on the amount of actual water consumed by each, but such amount shall not be less than the quantity contracted for. In apportioning operating costs, no participating municipality shall be charged with any item of expense or cost of operation of any water supply project, which is not used in supplying water to the respective municipality.

The Commission has the power to sell any unused water to any municipality or person for the amount of any contracting municipality or municipalities (hereinafter call the "interested municipality") having the right to use such water. The sale of unused water shall be at a price determined by the Commission, but not at a price lower than the cost of water to the interested municipality unless such municipality shall consent thereto.

The Governmental Accounting Standards Board (GASB) requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Commission is financially accountable. The Commission is financially accountable for an organization if the Commission appoints a voting majority of the organization's governing board and (1) the Commission is able to significantly influence the programs or services performed or provided by the organization; or (2) the Commission is legally entitled to or can otherwise access the organization's resources; the Commission is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Commission is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Commission in that the Commission approves the budget, the issuance of debt or the levying of taxes. Based on such criteria, the Commission has no component units. Additionally, the Commission is not considered a component unit of any other entity.

**NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
 WANAQUE SOUTH PROJECT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The Commission, in accordance with its authorization in R.S. 58:5-1 et seq. to supply water to interested municipalities in the North Jersey District, expanded the Ramapo Pump Station (formerly the Wanaque Ramapo Project), developed the Monksville Project and Wanaque South Pump Station. The operation of the Wanaque South Project is governed by an agreement executed on January 25, 1982 between the Commission and the participating municipalities. This report contains the financial statements of the Wanaque South Project only. The Commission does not issue entity wide financial statements and is therefore not in compliance with requirements of the Governmental Accounting Standards Board.

As a public body under existing statute, the Commission is exempt from both Federal and State taxes. The municipalities in the North Jersey District Water Supply contracting with the Commission to receive water as part of the Wanaque South Project are as follows:

<u>MUNICIPALITY</u>	<u>ALLOTMENT PER DAY (IN MILLIONS OF GALLONS)</u>
City of Newark	11.33
City of Bayonne	10.50
Town of Kearny	1.72
Township of Cedar Grove	1.20
Township of Nutley	3.00
Township of Wayne	9.00
Township of Bloomfield	<u>2.75</u>
	<u>39.50</u>

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the Commission are organized on the basis of funds, in accordance with the original Bond Resolution, each of which is considered a separate accounting activity. The operations of each system are accounted for with a separate set of self-balancing accounting records that comprise its assets, liabilities, net assets, revenues and expenses. Government resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various activities are grouped into one generic fund type and one broad fund category, as follows:

Proprietary Fund Type

Enterprise Fund - The Enterprise Fund is used to account for governmental operations which are financed and operated in a manner similar to private enterprises, where the intent of the governing body is that the costs of providing goods or services to its participants on a continuing basis be financed or recovered primarily through participant charges.

**NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
WANAQUE SOUTH PROJECT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Commission's financial transactions are recorded in accounts that are created by various resolutions adopted by the Commission to meet bond or note covenant requirements.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission are charges assessed to participants for water supply services. Operating expenses include the cost of operations and services and administrative expenses and bond principal payments. . Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Transactions or other events that are both unusual in nature and infrequent in occurrence are reported as extraordinary items.

The Commission's financial statements are reported using the *economic resources measurement focus* and the *modified accrual basis of accounting*. Assets and liabilities associated with these operations are included on the Statements of Assets, Liabilities and Net Assets, with exceptions noted below. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, with exceptions noted below. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. These accounting principles differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to government units. The more significant differences are noted below.

Revenues – Revenues are recognized on an accrual basis, with minor exceptions. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual. GAAP does not recognize bond and loan proceeds as revenue for proprietary fund types.

Expenses – Expenses are recognized on the modified accrual basis GAAP requires expenses to be recognized in the accounting period in which the liability is incurred, if measurable. GAAP requires depreciation to be expensed.

Inventories – The cost of inventories of supplies are recorded as expenses at the time the individual items are purchased.

Property, Plant and Equipment – Property, plant and equipment is recorded at cost with no recognition of depreciation. GAAP requires the recognition of depreciation of Property, Plant and Equipment for Proprietary Funds.

Loans Receivable – The Commission has participated in low cost financing through the New Jersey Environmental Infrastructure Trust ("NJEIT"). The Commission is reimbursed for allowable expenditures upon submission of a requisition evidencing actual expenditures.

Net Pension and OPEB Liabilities-The Commission reports its annual pension and other post-employment benefit expenses on a pay as you go basis. GAAP requires pension and OPEB expenses be based on the actuarial determined amounts as determined under GASB Statements 68 and 75 and liabilities to be recorded for the net pension and OPEB obligations at year end.

**NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
 WANAQUE SOUTH PROJECT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Debt Issuance – Deferred amounts on debt refundings are expensed when incurred. GAAP requires that these costs be deferred and amortized over the life of the related bond issue.

Unearned Revenue – Unearned revenue consists primarily of the balance of funds received from various sources that have not been expended and earned.

Net Assets – Net assets are reported in three components:

Investment in capital assets, net of related debt. – This category groups all capital assets, including infrastructure, into one component of net assets. The outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted net assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations or other governments and restrictions imposed by laws through constitution provisions or enabling legislation.

Operating Reserve – Established to provide funds to meet operational needs of the project in the event that budgeted quarterly collections are insufficient. The Reserve may not exceed 6 months of the operating budget, exclusive of debt service.

Debt Service – A cash reserve established to provide bond holders with assurance that cash will be available to meet scheduled bond payments in the event there is a shortfall in budgeted collections.

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Debt Service Reserve	\$844,647	\$459,600
Debt Service Requirement	<u>844,647</u>	<u>459,600</u>
	<u>\$ -0-</u>	<u>\$ -0-</u>

Debt Reserve – A Debt Service Reserve Fund is established under the General Bond Resolution for the benefit of all Bonds Outstanding from time to time thereunder. The General Bond Resolution defines the “Debt Service Reserve Fund Requirement” to mean, as of any date of computation, an amount which is equal to the lesser of (i) the greatest sum of interest and principal installments on Outstanding Bonds (which does not include the Subordinated Bonds) payable in the then current or any future calendar year, (ii) 125% of the average annual amount of interest and principal installments payable on Outstanding Bonds (which does not include the Subordinated Bonds) or (iii) 10% of the “proceeds” of Outstanding Bonds (which does not include the Subordinated Bonds). All or a portion of the Debt Service Reserve Fund Requirement may be provided in the form of a “Debt Service Reserve Credit Facility” meeting certain requirements contained in the South Bond Resolution. The Commission will satisfy the Debt Service Reserve Fund Requirement by obtaining a surety bond from the Bond Insurer in the initial face amount of \$5,031,500 with respect to the South 2003A Bonds and \$1,796,500 with respect to the South 2003B Bonds. The Commission will satisfy the Debt Service Reserve Fund Requirement with respect to the 2015 bonds by depositing a cash equity contribution with the trustee in the amount of \$576,000 (which is equal to 10% of the par amount of the bonds.)

**NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
WANAQUE SOUTH PROJECT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Net Assets (Continued)

Renewal and Replacement – Funds which have been appropriated in the budgetary process for various purposes i.e. major plant repairs, upgrades, fleet renewal and replacement, etc.

Unrestricted net assets – This category represents net assets of the Wanaque South Project not restricted for any project or other purpose.

Capital Outlays – Capital projects that relate to infrastructure or other capitalizable assets are capitalized but not depreciated. GAAP requires that these costs be capitalized and depreciated over the estimated life of the asset.

Budget - In accordance with the Commission's enabling legislation, the Commission holds public hearings and adopts an annual budget for operating expenses, debt service and capital outlays. The budget is adopted on a basis consistent with the cash basis of accounting, including no provision for depreciation and amortization. It is monitored at various levels of classification detail within the enterprise funds. Expenses at the fund level may not exceed the total budget.

Use of Estimates – The preparation of financial statements requires management of the Commission 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 accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassifications - Certain reclassifications may have been made to the December 31, 2019 balances to conform to the December 31, 2020 presentation.

C. Financial Statements – Modified Accrual Basis

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Commission presents the modified accrual basis financial statements listed in the table of contents which differ from the basic financial statements required by GAAP.

NOTE 2 CASH DEPOSITS AND INVESTMENTS

The Commission considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

Cash Deposits

The Commission's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Commission is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC or NCUSIF.

**NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
 WANAQUE SOUTH PROJECT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 2 CASH DEPOSITS AND INVESTMENTS (Continued)

Cash Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2020 and 2019, the book value of the Commission's deposits for the Wanaque South Project were \$42,209,901 and \$31,438,718 and bank and brokerage firm balances of the Commission's deposits for the Wanaque South Project amounted to \$42,209,901 and \$31,438,718, respectively. The Commission's deposits which are displayed on the balance sheet as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2020</u>	<u>2019</u>
Insured	<u>\$ 42,209,901</u>	<u>\$ 31,438,718</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Commission does not have a formal policy for custodial credit risk. As of December 31, 2020 and 2019, the Commission's Wanaque South Project bank balances were not exposed to custodial credit risk.

Investments

The Commission is required by its Bond Resolutions to maintain each of its Wanaque South investments in the fund (account) in which the investment is made. In all accounts, except the operating accounts, the securities and the underlying collateral are held by the Bond Trustees and are within their care, custody and control. The type, quality and length of time of investment are regulated by the Bond Resolution.

Investments permitted under the Commission's Bond Resolution include the following:

- Direct obligations of the United States of America or obligations which are unconditionally guaranteed by the United States of America.
- Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are back by the full faith and credit of the United States of America: (1) U.S. Export-Import Bank; (2) Farmers Home Administration; (3) Federal Financing Bank; (4) Federal Housing Administration Debentures; (5) General Services Administration; (6) Government National Mortgage Association; (7) U.S. Maritime Administration; and (8) U.S. Department of Housing and Urban Development.
- Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies: (1) Federal Home Loan Bank System; (2) Federal Home Loan Mortgage Corporation; (3) Federal National Mortgage Association; (4) Student Loan Marketing Association; (5) Resolution Funding Corp. obligations; and (6) Farm Credit System.
- Money market funds registered under the Federal Investment Company Act of 1940.

**NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
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FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 2 CASH DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

- Certificates of deposit secured at all times by collateral described above.
- Certificates of deposit, savings accounts, deposit accounts, or money market deposits which are fully insured by FDIC, including Bank Insurance Fund (“BIF”) and Savings Association Insurance Fund (“SAIF”).
- Investment Agreements, including Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to Municipal Bond Insurance Association (“MBIA”).
- Commercial paper rated, at the time of purchase “Prime – 1” by Moody’s and “A-1” or better by Standard & Poor’s (“S&P”).
- Bonds or Notes issued by any state or municipality, which are rated, by Moody’s and S&P in one of the two highest rating categories assigned by such agencies.
- Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” or “A-3” or better by Moody’s and “A-1” or “A” or better by S&P.
- The New Jersey Cash Management Fund and Repurchase Agreements for 30 days or less. Repurchase agreements, which exceed 30 days, must be acceptable to the insurer.

As of December 31, 2020 and 2019, the Commission had the following Wanaque South Project investments:

<u>Investment Type</u>	<u>Fair Value</u>	
	<u>2020</u>	<u>2019</u>
U.S. Government Security Funds		
Unrestricted	\$ 242,281	\$ 244,936
Restricted	<u>11,778,767</u>	<u>16,083,975</u>
	<u>\$ 12,021,048</u>	<u>\$ 16,328,911</u>

Custodial Credit Risk - Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Commission does not have a policy for custodial risk. As of December 31, 2020 and 2019, \$12,021,048 and \$16,328,911, respectively of the Commission’s Wanaque South Project investments were exposed to custodial credit risk as follows:

	<u>Fair Value</u>	
	<u>2020</u>	<u>2019</u>
Uninsured and Collateralized		
Collateral Held by Pledging Financial Institutions' Trust Department or Agent But Not in the Commission's Name	<u>\$ 12,021,048</u>	<u>\$ 16,328,911</u>

**NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
 WANAQUE SOUTH PROJECT
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 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest Rate Risk – The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The Bond Resolution limits investments as noted above. The Commission does not have an investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Commission places no limit in the amount the Commission may invest in any one issuer. 100% of the Commission's Wanaque South Project investments are in U.S. Government Security Funds.

The fair value of the above-listed investments were based on market prices and values provided by the respective financial institution.

NOTE 3 RESTRICTED ASSETS

Bond covenants of the Commission require portions of the debt proceeds as well as other resources to be set aside for various purposes under the control of the Bond Trustee. These amounts are reported as restricted assets. The "Revenue Fund" account reserves all revenues received for future distribution to the various accounts of the Commission in accordance with the Bond Resolution. The "Construction Fund" account segregates cash and investments that are restricted for use in construction or capital asset acquisitions. Cash and investments restricted for debt service payment on bonds are segregated in "Bond Service Fund" and "Sinking Fund" accounts. Cash and investments reserved to meet future debt service contingencies are segregated in "Bond Reserve Fund" accounts. Cash and investments reserved for major repairs, renewals, replacements and non-routine maintenance items are segregated in "Renewal and Replacement Fund" accounts. Cash and investments reserved for funding any deficiencies under the bond resolution are segregated in the "General Fund" accounts. Cash and investments reserved to pay debt issuance costs on revenue bonds are segregated in the "Cost of Issuance" accounts.

NOTE 4 LOANS RECEIVABLE

The Commission has participated in low cost financing through the New Jersey Environmental Infrastructure Trust ("NJEIT"). The Commission is reimbursed for allowable expenditures upon submission of a requisition evidencing actual expenditures. The Commission received reimbursements of \$3,305,459 and \$6,715,709 during 2020 and 2019, respectively. At December 31, 2020 and 2019, the available balances are as follows:

	<u>2020</u>	<u>2019</u>
2006 Project Bonds	\$	40,251
2016 Project Notes	\$ 749,817	13,755,190
2020 Project Notes	<u>8,031,303</u>	<u>-</u>
	<u>\$ 8,781,120</u>	<u>\$ 13,795,441</u>

**NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
WANAQUE SOUTH PROJECT
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NOTE 5 CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2020 and 2019 was as follows:

<u>2020</u>	Balance, December 31, <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2020</u>
Land	\$ 51,794			\$ 51,794
Buildings and Improvements	113,873,898			113,873,898
Machinery and Equipment	3,295,123			3,295,123
Construction in Progress	<u>23,807,162</u>	<u>\$ 8,566,506</u>	<u>\$ 16,407</u>	<u>32,357,261</u>
	<u>\$ 141,027,977</u>	<u>\$ 8,566,506</u>	<u>\$ 16,407</u>	<u>\$ 149,578,076</u>
<u>2019</u>	Balance, December 31, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2019</u>
Land	\$ 51,794			\$ 51,794
Buildings and Improvements	113,873,898			113,873,898
Machinery and Equipment	3,295,123			3,295,123
Construction in Progress	<u>19,778,773</u>	<u>\$ 4,028,389</u>	<u>-</u>	<u>23,807,162</u>
	<u>\$ 136,999,588</u>	<u>\$ 4,028,389</u>	<u>\$ -</u>	<u>\$ 141,027,977</u>

**NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
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NOTE 6 INVESTMENT IN DUNDEE WATER POWER AND LAND COMPANY

The Commission's Wanaque South Project has a 50% interest in Dundee Water Power and Land Company ("Dundee"), whose business purpose is the selling of land and water rights for power and processing. Wanaque South Project's investment includes amounts contributed for dam repairs and operating shortfalls. As of both December 31, 2020 and 2019, Wanaque South's Investment in Dundee was \$1,958,015.

NOTE 7 LONG TERM DEBT

Revenue Bonds

Revenue bonds outstanding as of December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
\$4,155,000, 2015A Revenue Bonds, due in annual installments of \$320,000 to \$430,000 through July 1, 2028, interest at 3% to 5%	\$ 3,010,000	\$ 3,315,000
\$1,605,000, 2015B Taxable Revenue Bonds, due in annual installments of \$125,000 to \$160,000 through July 1, 2028, interest at 1.547% to 4.2%	<u>1,135,000</u>	<u>1,255,000</u>
	<u>\$ 4,145,000</u>	<u>\$ 4,570,000</u>
Current Portion	\$ 445,000	\$ 425,000
Long-Term Portion	<u>3,700,000</u>	<u>4,145,000</u>
	<u>\$ 4,145,000</u>	<u>\$ 4,570,000</u>

(a) The Series 2003B Bonds are not subject to optional redemption. The Series 2003B Term Bonds maturing July 1, 2020 are subject to mandatory redemption prior to maturity, upon the giving of notice as provided in the South Bond Resolutions, in part by lot, by operation or the sinking fund which has been established and created under the terms of the South Bond Resolutions on July 1 each year as set forth in the official statement. Interest is calculated at rates ranging from 3% to 5% on \$3,915,000 at various intervals through July 2013 and 5.19% on \$5,015,000 on term bonds maturing July 2020. Interest payments are due January 1st and July 1st each year.

(b) The 2015 Series A (Tax-exempt) and Series B (Taxable) bonds shall be subject to optional redemption prior to maturity by or on behalf of the Commission in accordance with the terms and provisions set forth in the official statement and in accordance with the General Bond Resolutions. Interest is calculated at rates ranging from 3% to 5% for the Series A Tax-exempt Bonds and from 1.547% to 4.2% for the Series B Taxable Bonds through July 1, 2028. Interest payments are due on January 1 and July 1 each year.

**NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
WANAQUE SOUTH PROJECT
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NOTE 7 LONG TERM DEBT (Continued)

Intergovernmental Loans

The District has entered into several loan agreements with the State of New Jersey for the financing related to various capital improvement projects. The District pledges revenue from operations to pay debt service on loans issued. Intergovernmental loans outstanding at December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
New Jersey Environmental Infrastructure Trust		
Trust Loan, Series 2000	\$	15,000
Fund Loan, Series 2000		9,612
Trust Loan, Series 2003	\$ 284,233	370,987
Fund Loan, Series 2003	284,242	379,493
Trust Loan, Series 2006	306,800	351,050
Fund Loan, Series 2006	401,746	468,856
Trust Loan, Series 2017	1,070,000	1,115,000
Fund Loan, Series 2017	1,820,997	1,934,809
Trust Loan, Series 2020	2,658,112	
Fund Loan, Series 2020	8,059,269	-
	<u>\$ 14,885,399</u>	<u>\$ 4,644,807</u>
Current Portion	\$ 959,669	\$ 476,789
Long-Term Portion	<u>13,925,730</u>	<u>4,168,018</u>
	<u>\$ 14,885,399</u>	<u>\$ 4,644,807</u>

Changes in Long Term Liabilities

The Commission's long-term liability activity for the Wanaque South Project for the years ended December 31, 2020 and 2019 are as follows:

<u>2020</u>	Balance, December 31, <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2020</u>	Due Within <u>1 Year</u>
Revenue Bonds	\$ 4,570,000		\$ 425,000	\$ 4,145,000	\$ 445,000
Intergovernmental Loans	<u>4,644,807</u>	<u>\$ 10,989,328</u>	<u>748,736</u>	<u>14,885,399</u>	<u>959,669</u>
	<u>\$ 9,214,807</u>	<u>\$ 10,989,328</u>	<u>\$ 1,173,736</u>	<u>\$ 19,030,399</u>	<u>\$ 1,404,669</u>
<u>2019</u>	Balance, December 31, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2019</u>	Due Within <u>1 Year</u>
Revenue Bonds	\$ 5,150,000		\$ 580,000	\$ 4,570,000	\$ 425,000
Intergovernmental Loans	<u>5,110,213</u>	<u>-</u>	<u>465,406</u>	<u>4,644,807</u>	<u>476,789</u>
	<u>\$ 10,260,213</u>	<u>\$ -</u>	<u>\$ 1,045,406</u>	<u>\$ 9,214,807</u>	<u>\$ 901,789</u>

**NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
WANAQUE SOUTH PROJECT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019**

NOTE 7 LONG TERM DEBT (Continued)

Changes in Long Term Liabilities (Continued)

The Commission's schedule of principal and interest requirements for long-term debt of the Wanaque South project issued and outstanding as of December 31, 2020 is as follows:

<u>Year Ended December 31</u>	<u>Revenue Bonds</u>		<u>Intergovernmental Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2021	\$ 445,000	\$ 168,742	\$ 959,669	\$ 160,480	\$ 1,733,891
2022	465,000	148,951	969,510	147,592	1,731,053
2023	485,000	127,894	986,727	133,910	1,733,531
2024	510,000	105,736	803,363	119,402	1,538,501
2025	525,000	82,126	808,868	108,738	1,524,732
2026-2030	1,715,000	117,195	3,420,916	400,327	5,653,438
2031-2035			2,396,667	253,161	2,649,828
2036-2040			1,695,512	63,690	1,759,202
2041-2045			1,522,807	103,624	1,626,431
2046-2049	-	-	1,291,360	31,561	1,322,921
	<u>\$ 4,145,000</u>	<u>\$ 750,644</u>	<u>\$ 14,855,399</u>	<u>\$ 1,522,485</u>	<u>\$ 21,273,528</u>

NOTE 8 TEMPORARY NOTE

The Commission has secured short-term financing through the Water Bank Construction Financing Program of the New Jersey Infrastructure Bank. The purpose of these short-term borrowings was to provide resources for capital construction, acquisitions or improvement projects and after purposes. The amount outstanding as of the December 31, 2020 and 2019 was \$16,384,023 and \$22,038,144, respectively.

NOTE 9 RELATED COMPANY TRANSACTIONS

Inter-project payable

There are common infrastructure components ("water treatment") of the Commission shared by the participating municipalities of the Wanaque North and Wanaque South Projects. The costs associated with the maintenance of these common infrastructure components are shared by the Wanaque South Project based upon a predetermined formula for prorating water treatment costs, as well as allocation of general overhead costs. At December 31, 2020 and 2019, the amounts due to/(from) the Wanaque North Project are as follows:

	<u>2020</u>	<u>2019</u>
Operating	\$5,268,176	\$1,047,057
Loan Reallocation	960,757	960,759
Construction	<u>1,502,150</u>	<u>3,356,419</u>
	<u>\$7,731,083</u>	<u>\$5,364,235</u>

**NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
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NOTE 9 RELATED PARTY TRANSACTIONS (Continued)

Due to Wanaque South Joint Venture

The Wanaque South Project has a 50% interest in the Wanaque South Project, a Joint Venture (the "JV"). The JV is a joint venture, formed in December 1981, between Wanaque South Project and United Water New Jersey ("UWNJ") (collectively, the "co-owners") for construction of a new pumping station, enlargement of an existing pump station, a transmission pipeline, a reservoir and the continued maintenance of the project. The co-owners have agreed to share equally, the costs of operating the JV, except for certain real estate and sales taxes, which are paid entirely by UWNJ. An annual operating budget is prepared and adopted by the Commission. As of December 31, 2020 and 2019, the amount due to the JV was \$442,669 and \$150,691, respectively. The advances are non-interest bearing, payable on demand.

The governing board and management of the joint venture consist of personnel from both partners in the venture. The personnel have the ability to approve budgets, sign contracts with exercise control over facilities and to determine the outcome or disposition of matters affecting the recipients of services provided. At December 31, 2020 and 2019, the Equity in the JV is \$2,500.

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement system (retirement system) covering substantially all state and local government employees which includes those Commission employees who are eligible for pension coverage.

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage. PERS is a cost-sharing multi-employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

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, if applicable, 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 tier 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 tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members 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 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 a least 25 years of service. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

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NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The cost of living increase for PERS is funded directly by the system, but is currently suspended as a result of reform legislation.

According to state law, all obligations of the retirement system will be assumed by the State of New Jersey should the retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at www.state.nj.us/treasury/doinvest.

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2020 and 2019 is \$16.4 billion and \$18.1 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 58.32% and 56.27% respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2019 and 2018 which were rolled forward to June 30, 2020 and 2019, respectively.

**NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
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NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Actuarial Methods and Assumptions

In the July 1, 2019 and 2018 PERS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension system selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the PERS retirement system requires employee contributions based on 7.50% of employee's annual compensation.

Annual Pension Cost (APC)

For the years ended December 31, 2020 and 2019 for PERS, which is a cost sharing multi-employer defined benefit pension plan, employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. All contributions made by the Commission for 2020, 2019 and 2018 were equal to the required contributions.

During the years ended December 31, 2020, 2019 and 2018, the Commission was required to contribute for normal cost pension contributions, accrued liability pension contributions, early retirement incentive program contributions, long-term disability and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Years Ended</u> <u>December 31,</u>	<u>PERS</u>	<u>Allocated to</u> <u>Wanaque South</u>
2020	\$ 987,913	\$ 249,547
2019	1,066,910	269,502
2018	1,013,908	256,113

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees Retirement System (PERS)

Participating employers in PERS are required to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No.68) their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the fiscal years ended June 30, 2020 and 2019. Employer location percentages have been rounded for presentation purposes.

**NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
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NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

At December 31, 2020 and 2019, the Commission had a liability of \$15,978,754 and \$18,222,722, respectively, for its proportionate share of the PERS net pension liability. This liability is not reflected in the financial statements of the Commission, but is disclosed in the footnotes only. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 and 2018, respectively. The Commission's proportionate share of the net pension liability was based on the ratio of the Commission's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2020, the Commission's proportionate share was .09798 percent, which was a decrease of .00315 percent from its proportionate share measured as of June 30, 2019 of .10113 percent.

For the years ended December 31, 2020 and 2019, the pension system has determined the Commission's pension expense to be \$381,800 and \$208,221, respectively, for PERS based on the actuarial valuation which is less than and more than, respectively, the actual contributions reported in the Commission's financial statements of \$987,913 and \$1,066,910, respectively. At December 31, 2020 and 2019, the Commission's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Commission's financial statements are from the following sources:

	2020		2019	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 290,947	\$ 56,508	\$ 327,074	\$ 80,500
Changes of Assumptions	518,369	6,690,456	1,819,606	6,325,049
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	546,167			287,653
Changes in Proportion and Differences Between Commission Contributions and Proportionate Share of Contributions	<u>115,600</u>	<u>846,762</u>	<u>318,403</u>	<u>787,804</u>
Total	<u>\$ 1,471,083</u>	<u>\$ 7,593,726</u>	<u>\$ 2,465,083</u>	<u>\$ 7,481,006</u>

At December 31, 2020 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense (benefit) as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2021	\$ (2,165,441)
2022	(2,087,577)
2023	(1,226,311)
2024	(534,797)
2025	(108,517)
Thereafter	<u>-</u>
	<u>\$ (6,122,643)</u>

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NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The Commission's total pension liability reported for the year ended December 31, 2020 was based on the June 30, 2020 measurement date as determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2020 and 2019</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00-6.00%
	Based on Years of Service
Thereafter	3.00%-7.00%
	Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2020 and 2019.

The actuarial assumptions used in the July 1, 2019 and 2018 valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

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NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to Pensions (Continued)**

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2020 and 2019 as reported for the years ended December 31, 2020 and 2019, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2020</u>		<u>2019</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	3.40%	3.00%	4.67%
Cash Equivalents	4.00%	0.50%	5.00%	2.00%
U.S. Treasuries	5.00%	1.94%	5.00%	2.68%
Investment Grade Credit	8.00%	2.67%	10.00%	4.25%
US Equity	27.00%	7.71%	28.00%	8.26%
Non-US Developed Markets Equity	13.50%	8.57%	12.50%	9.00%
Emerging Markets Equity	5.50%	10.23%	6.50%	11.37%
High Yield	2.00%	5.95%	2.00%	5.37%
Real Assets	3.00%	9.73%	2.50%	9.31%
Private Credit	8.00%	7.59%	6.00%	7.92%
Real Estate	8.00%	9.56%	7.50%	8.33%
Private Equity	13.00%	11.42%	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Calendar</u>		
<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2020	June 30, 2020	7.00%
2019	June 30, 2019	6.28%

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NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to Pensions (Continued)**

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

	<u>2020</u>	<u>2019</u>
Period of Projected Benefit		
Payments for which the Following		
Rates were Applied:		
Long-Term Expected Rate of Return	All Periods	Through June 30, 2057
Municipal Bond Rate *	Not Applicable	From July 1, 2057 and Thereafter

* The municipal bond return rate used is 3.50% as of the measurement date of June 30, 2019. 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.

Sensitivity of Net Pension Liability

The following presents the Commission's proportionate share of the PERS net pension liability as of December 31, 2020 and 2019 calculated using the discount rate of 7.00% and 6.28%, respectively, as well as what the Commission's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00% and 5.28%, respectively) or 1-percentage-point higher (8.00% and 7.28%, respectively) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
<u>2020</u>			
Commission's Proportionate Share of the PERS Net Pension Liability	<u>\$ 20,114,586</u>	<u>\$ 15,978,754</u>	<u>\$ 12,469,388</u>
	<u>1% Decrease (5.28%)</u>	<u>Current Discount Rate (6.28%)</u>	<u>1% Increase (7.28%)</u>
<u>2019</u>			
Commission's Proportionate Share of the PERS Net Pension Liability	<u>\$ 23,018,259</u>	<u>\$ 18,222,722</u>	<u>\$ 14,181,803</u>

The sensitivity analysis was based on the proportionate share of the Commission's net pension liability at December 31, 2020 and 2019. A sensitivity analysis specific to the Commission's net pension liability was not provided by the pension system.

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NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

NOTE 11 DEFERRED COMPENSATION PLAN

The Commission offers its employees a Deferred Compensation Plan (the "DCP Plan") created in accordance with Internal Revenue Code Section 457. The DCP plan is administered by the Nationwide Retirement Solutions and The Hartford. The DCP plan permits employees to defer a portion of their salary to future years. Individuals are one hundred percent vested. The DCP Plan, which began formal operations November 1990, is funded solely from voluntary employee deductions. Distribution is available to employees upon termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan are solely property and rights of the individual contributors and are not subject to the claims of the Commission's general creditors.

NOTE 12 POST RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for participating local government agencies including the Commission.

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the following post-retirement health benefit program covering substantially all eligible local government employees from local participating employers.

State Health Benefit Program Fund – Local Government Retired (the Plan) (including Prescription Drug Program Fund) – 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. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

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NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

The Plan provides medical and prescription drug to retirees and their covered dependents of the 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) retires 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) retires and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be assessed via, the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Measurement Focus and Basis of Accounting

The financial statements of the OPEB plan are prepared in accordance with U.S. generally accepted accounting principles as applicable to government organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the other postemployment benefit plan. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

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NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Collective Net OPEB Liability

The collective net OPEB liability of the participating employers and the State, as the non-employer contributing entity, of the Plan at June 30, 2020 was not available and for 2019 is \$13.5 billion and the plan fiduciary net position as a percentage of the total OPEB liability is 1.98% at June 30, 2019.

The total OPEB liability was determined based on an actuarial valuation as of June 30, 2018 which was rolled forward to June 30, 2019.

Actuarial Methods and Assumptions

In the June 30, 2018 OPEB actuarial valuation, the actuarial assumptions and methods used in this valuation were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Post-Retirement Medical Benefits Contribution

The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members. The State of New Jersey makes contributions to cover those employees eligible under Chapter 330, P.L. 1967, as disclosed previously. Local employers remit employer contributions on a monthly basis. Retired member contributions are generally received on a monthly basis.

The employers participating in the OPEB plan made contributions of \$346.4 million and the State of New Jersey, as the non-employer contributing entity, contributed \$43.9 million for fiscal year 2019.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the actuarial determined contribution an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The Commission's contributions to the State Health Benefits Program Fund-Local Government Retired Plan for post-retirement benefits for the years ended December 31, 2020, 2019 and 2018 were \$739,309, \$774,743 and \$1,170,009, respectively, which equaled the required contributions for each year.

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Participating employers in the State Health Benefit Program Fund – Local Government Retired Plan are required to disclose in accordance with GASB Statement No. 75, Accounting and *Financial Reporting for Postemployment Benefits other than Pension (GASB No. 75)* their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions.

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NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Under GASB Statement No. 75 local governmental employers are required to provide certain financial information based on a measurement date no earlier than the end of the employer's prior fiscal year. The GASB 75 financial information from the State's Division of Pensions and Benefits to be reported for the year ended December 31, 2020 for the measurement date of June 30, 2020 was not available as of the date of audit. Accordingly, the State's Division of Local Government Services issued Local Finance Notice 2021-10 which authorizes and permits New Jersey municipalities to present the most recent available audited GASB 75 financial information to be incorporated into the audit and remain in compliance with the regulatory basis of accounting disclosure requirements for notes to the financial statements. As such the GASB 75 financial information for the year ended December 31, 2020 is not presented in the notes to the financial statements.

The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal years ended June 30, 2019. Employer allocation percentages have been rounded for presentation purposes.

At December 31, 2019, the Commission had a liability of \$20,834,264 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The Commission's proportionate share of the net OPEB liability was based on the ratio of the Commission's proportionate share of the OPEB liability attributable to the Commission at June 30, 2019 to the total OPEB liability for the State Health Benefit Program Fund – Local Government Retired Plan at June 30, 2019. As of the measurement date of June 30, 2019 the Commission's proportionate share was .15380 percent, which was a decrease of .02 percent from its proportionate share measured as of June 30, 2018 of .17380 percent.

For the year ended December 31, 2019, the Plan has determined the Commission's OPEB expense (benefit) to be \$(1,071,847) based on the actuarial valuations which is less than the actual contribution reported in the Commission's financial statements of \$774,743. At December 31, 2019, the Commission's deferred outflows of resources and deferred inflows of resources related to the OPEB plan which are not reported on the Commission's financial statements are from the following sources:

	2019	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		\$ 6,092,751
Changes of Assumptions		7,383,200
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ 17,162	
Changes in Proportion and Differences Between Commission Contributions and Proportionate Share of Contributions	383,521	5,877,699
Contributions made Subsequent to the Measurement Date	-	-
Total	<u>\$ 400,683</u>	<u>\$ 19,353,650</u>

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NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to OPEB (Continued)**

At December 31, 2019 the amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense (benefits) as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2020	\$ (3,105,445)
2021	(3,105,446)
2022	(3,106,946)
2023	(3,109,417)
2024	(3,111,104)
Thereafter	<u>(3,414,609)</u>
	<u>\$ (18,952,967)</u>

Actuarial Assumptions

The Commission's total OPEB liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

2019

Inflation Rate	2.50%
Salary Increases*	
PERS:	
Initial Fiscal Year Applied Through	2026
Rate	2.00% to 6.00%
Rate Thereafter	3.00% to 7.00%
PFRS:	
Initial Fiscal Year Applied Through	Rate for All Future Years
Rate	3.25% to 15.25%
Rate Thereafter	Not Applicable
Mortality	
PERS	Pub-2010 General Classification Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2019.

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NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to OPEB (Continued)**

Actuarial Assumptions (Continued)

PFRS

Pub-2010 Safety Classification
 Headcount-Weighted Healthy Employee
 Male/Female Mortality Table with fully
 generational mortality improvement
 projections from the central year using
 Scale MP-2019.

Long-Term Rate of Return

2.00%

*Salary increases are based on the defined benefit pension plan that the member is enrolled in and for 2019 the members years of service.

For the June 30, 2019 measurement date healthcare cost trend rates for pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

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

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

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 2.00% as of June 30, 2019.

Discount Rate

The discount rate used to measure the total OPEB liabilities of the plan was as follows:

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2019	3.50%

The discount rate represents the municipal bond return rate as chosen by the Division. 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.

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NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to OPEB (Continued)**

Sensitivity of Net OPEB Liability to Changes in the Discounts Rate

The following presents the Commission's proportionate share of the OPEB net liability as of December 31, 2019 calculated using the discount rate of 3.50% as well as what the Commission's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
<u>2019</u>			
Commission's Proportionate Share of the Net OPEB Liability	<u>\$ 24,089,709</u>	<u>\$ 20,834,264</u>	<u>\$ 18,188,785</u>

The sensitivity analysis was based on the proportionate share of the Commission's net OPEB liability at December 31, 2019. A sensitivity analysis specific to the Commission's net OPEB liability was not provided by the Plan.

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

The following presents the Commission's proportionate share of the OPEB net liability as of December 31, 2019 calculated using the healthcare trend rates as disclosed above as well as what the Commission's proportionate share of the net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
<u>2019</u>			
Commission's Proportionate Share of the Net OPEB Liability	<u>\$ 17,581,551</u>	<u>\$ 20,834,264</u>	<u>\$ 24,983,647</u>

The sensitivity analysis was based on the proportionate share of the Commission's net OPEB liability at December 31, 2019. A sensitivity analysis specific to the Commission's net OPEB liability was not provided by the pension system.

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

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NOTE 13 RISK MANAGEMENT

The Commission is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Commission has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Commission should they occur.

There has been no significant reduction in insurance coverage from the previous year.

NOTE 14 CONTINGENT LIABILITIES

The Commission is a party defendant in some lawsuits, none of a kind unusual for a entity of its size and scope of operation. In the opinion of the Commission's Attorney, the potential claims against the Commission not covered by insurance policies would not materially affect the financial condition of the Commission.

The Commission is subject to various regulations promulgated by the U.S. and State of New Jersey Department of Environmental Protection (collectively, "DEP"). Laws and regulations governing DEP are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines and penalties. The Commission is not aware of non-compliance of said laws and regulations.

State Awards - The Commission participates in state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Commission may be required to reimburse the grantor government. As of December 31, 2020 and 2019, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Commission believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Commission.

NOTE 15 FEDERAL ARBITRAGE REGULATIONS

The Commission is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2020 and 2019, the Commission has not estimated its estimated arbitrage earnings due to the IRS, if any, pertaining to the Wanaque South Project.

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YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 16 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC

The World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first discovered in China and has since spread to other countries, including the United States (and to the Borough) (the “COVID-19 Pandemic”). On March 13, 2020, the President of the United States declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy, of the State of New Jersey, also instituted mandatory measures via various executive orders to contain the spread of the virus, including closing schools and nonessential businesses and limiting social gatherings. These measures, which altered the behaviors of businesses and people, had negative impacts on regional, state and local economies. The Governor, pursuant to various executive orders, then implemented a multi-stage approach to restarting New Jersey’s economy. The declaration of the state of emergency and of a public health emergency was terminated by the Governor, by executive order, on June 4, 2021. Also, on June 4, 2021, the Governor signed into law Assembly Bill No. 5820 which terminates most of the Governor’s pandemic-related executive orders in early July. The remaining executive orders (dealing with coronavirus testing and vaccinations, moratoriums on evictions and utility shutoffs and various other matters) will terminate on January 1, 2022. In the event of substantial increases in COVID-19 hospitalizations, spot positivity or rates of transmission, the Governor is empowered to impose more restrictive measures than currently in place. Recently, the United States Congress has passed relief and stimulus legislation including the American Rescue Plan Act signed into law by President Biden on March 12, 2021, comprising of \$1.9 trillion in funding to address the COVID-19 Pandemic. This legislation is intended to address the financial impact of the pandemic on the U.S. economy and alleviate the health effects of the COVID-19 pandemic. It is too early to predict if the legislation will have its intended affect.

In compliance with the Governor’s executive orders, the Commission has instituted necessary precautions and procedures, so as to allow the Commission to continue to provide services during this time. The Commission is functioning administratively, and its departments continue to operate both remotely and on-site, where safe and practicable. The Commission will continue to collect assessments and other revenues. Because of the evolving nature of the outbreak and federal, state and local responses thereto, the Commission cannot predict how the outbreak will impact the financial condition or operations of the Commission. The Commission cannot predict costs associated with this or any other potential infectious disease outbreak, including whether there will be any increase in operational costs incurred to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease. At this time, it is not possible to predict any future financial impacts as a result of this pandemic on the Commission’s operations; however, such amounts, if any, could be material.

SUPPLEMENTARY SCHEDULES

NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
WANAQUE SOUTH PROJECT
SCHEDULE OF ACTUAL REVENUES AND EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2020
(With Comparative Amounts for the Year Ended December 31, 2019)

	2020 <u>Budget</u>	2020 <u>Actual</u>	<u>Variance</u>	2019 <u>Actual</u>
Revenues:				
Assessments	\$ 16,352,253	\$ 16,352,253		\$ 16,352,253
Income and Other Credits (Debits)	<u>675,000</u>	<u>815,140</u>	<u>\$ 140,140</u>	<u>1,456,355</u>
 Total Revenues	 <u>17,027,253</u>	 <u>17,167,393</u>	 <u>140,140</u>	 <u>17,808,608</u>
Expenditures:				
Direct Expenses				
Common Facilities	515,750	515,496	254	278,557
Wanaque South Pump Station	1,079,081	387,114	691,967	255,121
Ramapo Pump Station	281,750	36,693	245,057	33,152
Monksville Reservoir	32,000	9,527	22,473	11,207
Allocated Wanaque North Operating Costs	6,076,016	4,510,274	1,565,742	4,626,727
Allocated Joint Venture Operating Costs	2,952,582	2,716,686	235,896	2,633,992
Use Fee	301,908	301,908		302,514
Debt Service	1,847,068	1,437,777	409,291	1,314,702
Capital Items	<u>5,569,456</u>	<u>5,569,456</u>	<u>-</u>	<u>5,527,055</u>
 Total Expenditures	 <u>18,655,611</u>	 <u>15,484,931</u>	 <u>3,170,680</u>	 <u>14,983,027</u>
 Excess (Deficiency) of Revenue Over (Under) Expenditures	 <u>\$ (1,628,358)</u>	 1,682,462	 <u>\$ 3,310,820</u>	 2,825,581
 <u>Reconciliation to Change in Net Assets</u>				
Capital Outlay - Non-Budget		5,569,456		5,527,055
Debt Principal Payments		1,173,736		1,045,406
Non-Operating Revenues (Expenses)		(246,853)		
Capital Contribution (Distribution) - Wanaque North		<u>-</u>		<u>2,923,774</u>
 Change in Net Assets		 <u>\$ 8,178,801</u>		 <u>\$ 12,321,816</u>

Note: Wanaque North and Joint Venture participation is included in this schedule.

NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
 WANAQUE SOUTH PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS BY FUND
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>Operating</u>	<u>Revenue</u>	<u>Construction</u>	<u>Debt Service</u>	<u>Debt Service Reserve</u>	<u>Total (Memo Only)</u>
						<u>2020</u> <u>2019</u>
OPERATING REVENUES						
Municipal Assessments	\$ 14,505,185			\$ 1,847,068		\$ 16,352,253
Added Assessments	501,888					496,082
Miscellaneous	75,095	-	-	-	-	52,615
TOTAL OPERATING REVENUES	15,082,168	-	-	1,847,068	-	16,900,950
OPERATING EXPENDITURES						
Payroll and Related Expenses	3,294,762					2,991,717
Utilities and Fuel	840,397					880,959
Chemicals	593,280					572,713
Real Estate Taxes	807,236					877,710
Use Fee	301,908					302,514
Insurance	1,227,758					1,157,068
Legal and Accounting	97,798					77,286
Engineering and Consulting	437,484					402,281
Supplies and Expenses	713,695			125,275		820,920
Trustee Fees	38,105			1,173,736		58,102
Bond Principal	-	-	-	-	-	1,045,406
TOTAL OPERATING EXPENDITURES	8,352,423	-	-	1,299,011	-	9,186,676
OPERATING INCOME	6,729,745	-	-	548,057	-	7,714,274
NON OPERATING REVENUES (EXPENSES)						
Interest Income	115,814	\$ 33,557	66,968	21,818		907,658
Interest Expense				(264,041)		(269,296)
Other Income and (Debits)	(246,853)			79,213		-
Transfer in	21,312	(33,557)	(66,968)	-	-	318,137
Transfer out	-					(318,137)
TOTAL NON OPERATING REVENUES (EXPENSES)	(109,727)	-	-	(163,010)	-	638,362
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	\$ 6,620,018	\$ -	\$ -	\$ 385,047	\$ -	\$ 8,352,636
Add:						
Capital Contribution - Wanaque North						2,923,774
Bond Principal - Non-Budget	1,173,736	-	-	-	-	1,045,406
CHANGE IN NET ASSETS	\$ 7,793,754	\$ -	\$ -	\$ 385,047	\$ -	\$ 12,321,816

**NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
WANAQUE SOUTH PROJECT
ROSTER OF OFFICIALS
DECEMBER 31, 2020**

The following officials were in office at December 31, 2020:

COMMISSIONERS

Howard L Burrell, Chairman

Charles P. Shotmeyer, Vice-Chairman

Jerome P. Amedeo

Alan S. Ashkinaze

James L. Cassella

Robert C. Garofalo

Donald C. Kuser

EXECUTIVE OFFICERS

Timothy J. Eustace

Executive Director

Lloyd L. Naideck

Deputy Executive Director

William Schaffner

Chief Financial Officer

GOVERNMENT AUDITING STANDARDS

AND

SINGLE AUDIT



LERCH, VINCI & HIGGINS, LLP

**CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS**

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
RALPH M. PICONE, III, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
ROBERT LERCH, CPA
CHRIS SOHN, CPA
CHRISTOPHER M. VINCI, CPA, PSA
CHRISTINA CUIFFO, CPA

**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**

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the Board of Commissioners
North Jersey District Water Supply Commission
Wanaque, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements –modified accrual basis of the North Jersey District Water Supply Commission Wanaque South Project, as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2021. Our report on the financial statements – modified accrual basis indicated that the financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented in accordance with the modified accrual basis of accounting as described in Note 1.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the North Jersey District Water Supply Commission Wanaque South Project's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the North Jersey District Water Supply Commission Wanaque South Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Jersey District Water Supply Commission Wanaque South Project'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 Commission's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

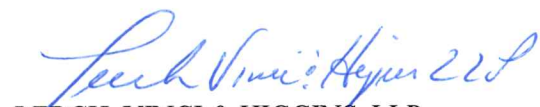
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Jersey District Water Supply Commission Wanaque South Project'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 North Jersey District Water Supply Commission Wanaque South Project's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the North Jersey District Water Supply Commission Wanaque South Project's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
October 20, 2021



LERCH, VINCI & HIGGINS, LLP

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**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the Board of Commissioners
North Jersey District Water Supply Commission
Wanaque, New Jersey

Report on Compliance for Each Major State Program

We have audited the North Jersey District Water Supply Commission Wanaque South Project's compliance with the types of compliance requirements described in the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the North Jersey District Water Supply Commission Wanaque South Project's major state programs for the year ended December 31, 2020. The North Jersey District Water Supply Commission Wanaque South Project's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the North Jersey District Water Supply Commission Wanaque South Project's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and New Jersey Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the North Jersey District Water Supply Commission Wanaque South Project's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the North Jersey District Water Supply Commission Wanaque South Project's compliance.

Opinion on Each Major State Program

In our opinion, the North Jersey District Water Supply Commission Wanaque South Project complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the North Jersey District Water Supply Commission Wanaque South Project is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the North Jersey District Water Supply Commission Wanaque South Project's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the North Jersey District Water Supply Commission Wanaque South Project's internal control over compliance.


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

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

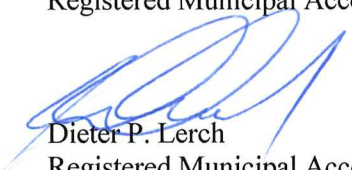
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

We have audited the financial statements of the North Jersey District Water Supply Commission Wanaque South Project as of and for the year ended December 31, 2020, and the related notes to the financial statements, listed in the table of contents, and have issued our report thereon dated October 20, 2021, which contained a modified opinion on those financial statements because they were not prepared in accordance with accounting principles generally accepted in the United States of America and also contained an unmodified opinion on those financial statements prepared in accordance with the modified accrual basis of accounting. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by New Jersey OMB Circular 15-08 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
October 20, 2021

NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
 WANAUKE SOUTH PROJECT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2020

Grantor/Program Title	State Account/ Project Number	Grant Period		Program or Award Amount	2020 Cash Receipts	Balance January 1, 2020	Revenue Realized	Expended	Adjustment	Balance December 31, 2020	Cumulative Expenditures December 31, 2020
		From	To								
Department of Environmental Protection											
New Jersey Environmental Infrastructure Trust											
Pump Station	Not Available	12/28/2016	Completion	\$ 3,352,720	\$ 1,171,221	\$ 1,916,289		\$ 1,171,221	\$ 4,749	\$ 749,817	\$ 2,607,652
Security Upgrade	1613001-033 (CLP)	12/28/2016	Completion	1,385,800	440,037	654,584		440,037	(214,547)		1,171,253
Lagoon - Phase II	1613001-025 (CLP)	12/28/2016	Completion	2,467,400	735,126	1,958,685		735,126	(1,223,559)		1,243,841
Basins 5&6	1613001-022 (CLP)	12/28/2016	Completion	17,000,000	959,075	9,265,883	-	959,075	(8,306,808)	-	8,693,192
RTF/Lagoon Upgrade 2	NJWB-CFP-20-2	11/18/2020	Completion	8,031,303	-	-	8,031,303	-	-	8,031,303	-
				<u>32,237,223</u>	<u>3,305,459</u>	<u>13,795,441</u>	<u>8,031,303</u>	<u>3,305,459</u>	<u>(9,740,165)</u>	<u>8,781,120</u>	<u>13,715,938</u>
Total Department of Environmental Protection											
Total State Assistance				<u>\$ 32,237,223</u>	<u>\$ 3,305,459</u>	<u>\$ 13,795,441</u>	<u>\$ 8,031,303</u>	<u>\$ 3,305,459</u>	<u>\$ (9,740,165)</u>	<u>\$ 8,781,120</u>	<u>\$ 13,715,938</u>

**NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
WANAQUE SOUTH PROJECT
NOTES TO THE SCHEDULES OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2020**

NOTE 1 GENERAL

The accompanying schedule presents the activity of all state financial assistance programs of the North Jersey District Water Supply Commission Wanaque South Project. The Commission is defined in Note 1(A) to the Commission's financial statements. All state financial assistance passed through other government agencies is included on the schedule of expenditures of state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedule is prepared and presented using the modified accrual basis of accounting which differs in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1 to the Commission's financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agrees with amounts reported in the Commission's financial statements. NJ EIT Loan Receipts are reported in the Commission's financial statements on the basis of accounting described above as follows:

State

\$3,305,459

NOTE 4 RELATIONSHIP TO STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedule may not necessarily agree with the amounts reported in the related state financial reports due to timing differences between the Commission's fiscal year and grant program year.

NOTE 5 STATE LOANS OUTSTANDING

The Commission's state loans outstanding at December 31, 2020, which are not required to be reported on the schedule of expenditures of financial assistance, are as follows:

Loan Program

Amount

New Jersey Environmental Infrastructure Trust

\$14,885,399

Part I – Summary of Auditor’s Results

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
1) Material weakness(es) identified?	<u> </u> yes	<u> X </u> no	
2) Were significant deficiency(ies) identified that were not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported	
Noncompliance material to the basic financial statements noted?	<u> </u> yes	<u> X </u> no	

Not Applicable

Dollar threshold used to determine Type A programs:	<u> \$750,000 </u>
Auditee qualified as low-risk auditee?	<u> </u> yes <u> X </u> no
Type of auditors' report on compliance for major programs:	<u> Unmodified </u>
Interlal Control over compliance:	
1) Material Weakness(es) identified?	<u> </u> yes <u> X </u> no
2) Were significant deficiencies identified that are not considered to be material weaknesses?	<u> </u> yes <u> X </u> no
Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 15-08?	<u> </u> yes <u> X </u> no
Identification of major programs:	

GMIS Number(s)	Name of State Program
1613001-022/025/033	Environmental Infrastructure Trust

**NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
WANAQUE SOUTH PROJECT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

There are none.

**NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
WANAQUE SOUTH PROJECT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB Circular 15-08.

FEDERAL AWARDS

Not applicable.

STATE AWARDS

There are none.

**NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
WANAQUE SOUTH PROJECT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*.

STATUS OF PRIOR YEAR FINDINGS

There were none.