

**EVESHAM MUNICIPAL
UTILITIES AUTHORITY**

REPORT OF AUDIT

**WITH
SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEARS ENDED

JUNE 30, 2020 & 2019

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EVESHAM MUNICIPAL UTILITIES AUTHORITY

Roster of Officials
June 30, 2020

<u>Members</u>	<u>Position</u>	<u>Amount of Surety Bond</u>
Edward Waters	Chairperson	
George Tencza	Vice Chairperson	
Albert Lutner	Secretary	
Nancy Jamanow	Assistant Secretary	
Michael Schmidt	Assistant Secretary	
Byron Druss	Alternate Board Member	
Lewis Kipness	Alternate Board Member	
<u>Other Officials</u>		
Jeffrey Rollins	Executive Director	\$1,000,000.00 (A)
Laura Puszc	Deputy Executive Director of Finance	\$1,000,000.00 (A)
Frank Locantore	Assistant Executive Director of Personnel, Safety and Security	\$1,000,000.00 (A)
John Gillespie	General Counsel	
Florio, Perrucci, Steinhardt & Fader, LLC	Labor & Special Counsel	
Richard Alaimo	Consulting Engineer	
TD Bank, N.A.	Trustee	

(A) Public Employees' Faithful Performance\Dishonesty Crime Coverage of \$1,000,000.00 per employee provided by the New Jersey Utility Authorities Joint Insurance Fund and the Municipal Excess Liability Joint Insurance Fund.

EVESHAM MUNICIPAL UTILITIES AUTHORITY

PART I

FINANCIAL SECTION

FOR THE FISCAL YEARS ENDED

JUNE 30, 2020 & 2019

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
Evesham Municipal Utilities Authority
Evesham Township, New Jersey 08053

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Evesham Municipal Utilities Authority, in the County of Burlington, State of New Jersey, a component unit of the Township of Evesham (Authority), as of and for the fiscal years ended June 30, 2020 and 2019 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Evesham Municipal Utilities Authority, in the County of Burlington, State of New Jersey as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows thereof for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance, as required by the State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements

The accompanying supplementary schedules as listed in the table of contents and 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information, as listed in the table of contents, and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
December 22, 2020

**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

The Chairman and Members of
Evesham Municipal Utilities Authority
Evesham Township, New Jersey 08053

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Evesham Municipal Utilities Authority, in the County of Burlington, State of New Jersey, a component unit of the Township of Evesham, (Authority), as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 22, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Evesham Municipal Utilities Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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* and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

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

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
December 22, 2020

Evesham Municipal Utilities Authority
Management's Discussion and Analysis
(Unaudited)

The Evesham Municipal Utilities Authority (the Authority) is a public agency providing potable water and wastewater services to Evesham Township. This section of the Authority's annual financial report provides a discussion and analysis of the financial performance for the fiscal year ending June 30, 2020. The financial section of the annual report consists of five parts: Independent Auditor's Reports, the management's discussion and analysis, the financial statements, the required supplementary information and supplemental information.

FINANCIAL

- **Connection Fees:** Connection Fee Revenues for FY 20 totaled \$483,279.29. This was a \$873,478.96 decrease from FY 19. Developers pay connection fees upon submittal of plans for new construction to connect into the Authority's water and/or sewer system. These deposits are set up as a liability until the connection is completed. Once the water meter is installed and a new billing account is established, the liability is removed and the revenue is realized. The connection fees offset the capital expense of capacity in the water and/or sewer system. Future projections indicate that connection fees will decline as Evesham Township approaches build-out. The Authority has had a rate profile in place for many years which is reviewed annually. The Authority has continued to monitor the rate structure and make adjustments to reduce its dependency on connection fee revenues, which are too volatile to depend on as a revenue source.
- **Total Net Position:** Total assets at June 30, 2020 were \$98,178,536.63. After adding deferred outflows of resources and deducting liabilities and deferred inflows of resources, net position at June 30, 2020 was \$44,220,256.34.
- **Total Operating Revenue:** FY 20 operating revenue compared to FY 19 decreased by \$909,400.16 to \$18,245,240.35. This decrease in operating revenue can be attributed to a decrease in connection fee revenue. In FY 20, the Authority only utilized 81% of its allocated Potomac-Raritan-Magothy aquifer allocation of 958,732 Million Gallons.
- **Total Operating Expenses:** FY 20 Operating expenses of \$23,280,656.66 increased by \$6,879,837.15 from last year's amount of \$16,400,819.51.

FINANCIAL (CONT'D)

- **Interest Income:** In FY20, the Authority generated \$559,723.34 in interest income from investments. Interest income is adjusted by the recording of investments at “fair value”; the Authority’s interest income on investments was \$258,859.00 lower than FY 19. All of the Authority’s investments are in secure investment vehicles which include Federal Home Loan Mortgage Corporation, Freddie Mac, GNMA’s and FNMA’s. The Authority continuously monitors all potential investment opportunities to maximize its rate of return. The interest income generated from these secure investments is an important component of the rate profile and is used in consideration of the service charge rate structure to help minimize any necessary rate increase.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The comparative statements of net position includes all of the Authority’s assets, deferred outflows and inflows of resources and liabilities. The Authority follows an accrual method of accounting, the current year’s revenues and expenses are accounted for in the comparative statements of revenues, expenses and changes in net position regardless of when cash is received or paid. Net position – the difference between the Authority’s assets, deferred outflows of resources, liabilities and deferred inflows of resources – is a measure of the Authority’s financial health or position.

The comparative statements of revenues, expenses and changes in net position provides a breakdown of the various areas of revenues and expenses encountered during the current fiscal year.

The comparative statements of cash flows provides a breakdown of the various sources of cash flow, categorized into three areas: Cash flows from operating activities, capital and related financing activities and investing activities.

FINANCIAL ANALYSIS OF THE AUTHORITY

The Authority's total assets were \$98,178,536.63 on June 30, 2020. Total assets, total deferred outflow of resources, total liabilities, total inflow of resources and total net position are detailed below:

Evesham Municipal Utilities Authority Net Position As of June 30,					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Change from FY 2019 to 2020</u> <u>Amount</u>	<u>Percentage</u>
Current & Non-Current Assets	\$ 47,169,575.32	\$ 28,135,872.00	\$ 29,115,419.92	\$ 19,033,703.32	67.65%
Capital Assets (net of accumulated depreciation)	<u>51,008,961.31</u>	<u>49,131,216.27</u>	<u>49,848,244.80</u>	<u>1,877,745.04</u>	3.82%
Total Assets	<u>98,178,536.63</u>	<u>77,267,088.27</u>	<u>78,963,664.72</u>	<u>20,911,448.36</u>	27.06%
Deferred Outflows of Resources	<u>2,313,164.00</u>	<u>3,119,432.91</u>	<u>4,376,541.31</u>	<u>(806,268.91)</u>	-25.85%
Current Liabilities	3,796,166.79	3,693,286.56	6,467,493.82	102,880.23	2.79%
Long-term Liabilities	<u>44,705,633.30</u>	<u>23,843,352.03</u>	<u>26,645,545.61</u>	<u>20,862,281.27</u>	87.50%
Total Liabilities	<u>48,501,800.09</u>	<u>27,536,638.59</u>	<u>33,113,039.43</u>	<u>20,965,161.50</u>	76.14%
Deferred Inflows of Resources	<u>7,769,644.20</u>	<u>3,551,843.69</u>	<u>3,571,261.25</u>	<u>4,217,800.51</u>	118.75%
Net Position					
Net Investment in Capital Assets	33,977,142.53	33,859,976.27	30,731,047.95	117,166.26	0.35%
Restricted	6,978,323.77	6,493,653.14	9,424,557.88	484,670.63	7.46%
Unrestricted (Deficit)	<u>3,264,790.04</u>	<u>8,944,409.49</u>	<u>6,500,299.52</u>	<u>(5,679,619.45)</u>	-63.50%
Total Net Position	<u>\$ 44,220,256.34</u>	<u>\$ 49,298,038.90</u>	<u>\$ 46,655,905.35</u>	<u>\$ (5,077,782.56)</u>	-10.30%

FINANCIAL ANALYSIS OF THE AUTHORITY (CONT'D)

Evesham Municipal Utilities Authority Revenues, Expenses and Changes in Net Position For the Fiscal Years Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Change from FY 2019 to 2020</u>	
				<u>Amount</u>	<u>%</u>
Operating Revenues:					
Service Charges	\$ 16,756,887.25	\$ 16,762,665.39	\$ 16,717,626.93	\$ (5,778.14)	-0.03%
Connection Fees	483,279.29	1,356,758.25	2,449,237.40	(873,478.96)	-64.38%
Other Operating Revenues	1,005,073.81	1,035,216.87	979,727.65	(30,143.06)	-2.91%
Total Operating Revenues	18,245,240.35	19,154,640.51	20,146,591.98	(909,400.16)	-4.75%
Operating Expenses	19,009,458.71	12,077,810.83	11,043,125.23	6,931,647.88	57.39%
Major Repairs and Other Expenses	750,538.15	889,521.17	788,841.77	(138,983.02)	-15.62%
Depreciation Expense	3,520,659.80	3,433,487.51	3,213,545.39	87,172.29	2.54%
Total Operating Expenses	23,280,656.66	16,400,819.51	15,045,512.39	6,879,837.15	41.95%
Operating Income (Loss)	(5,035,416.31)	2,753,821.00	5,101,079.59	(7,789,237.31)	-282.85%
Non-Operating Revenues (Expenses)					
Investment Income	579,363.05	564,564.93	379,763.71	14,798.12	2.62%
Change in Fair Value of Investments	(19,639.71)	254,017.41	(108,956.78)	(273,657.12)	-107.73%
Bond and Loan Interest	(351,681.64)	(180,895.79)	(368,633.09)	(170,785.85)	94.41%
Municipal Appropriation	(770,000.00)	(749,374.00)	(823,393.00)	(20,626.00)	2.75%
Cancellation of Lease Payable	23,433.97			23,433.97	100.00%
Cost of Issuance	(198,613.60)			(198,613.60)	100.00%
Loss on Disposal of Capital Assets	(17,643.42)			(17,643.42)	100.00%
Total Non-Operating Revenues (Expenses)	(754,781.35)	(111,687.45)	(921,219.16)	(643,093.90)	575.80%
Contributions-Capital Assets	712,415.10	-	921,330.60	712,415.10	100.00%
Change in Net Position	(5,077,782.57)	2,642,133.55	5,101,191.03	(7,719,916.12)	-292.18%
Net Position, Beginning of Year	49,298,038.90	46,655,905.35	41,554,714.32	2,642,133.55	5.66%
Net Position – End of Year	\$ 44,220,256.33	\$ 49,298,038.90	\$ 46,655,905.35	\$ (5,077,782.57)	-10.30%

The Authority had operating loss of \$5,035,416.31 for the current fiscal year.

OVERALL ANALYSIS

Overall, the Authority is in a sound financial position due, in part, to the long term goal to eliminate its reliance on connection fees to meet its annual operating expenses. The connection fees realized in FY 20 were \$483,279.29, which was not consistent with our FY 2019 amount but was consistent with our expectations that connection fee revenue is declining. The realized connection fees were used to partially offset the capital budget. The rates also support a contribution of 5% of the Authority's annual operating budget to the Township pursuant P.L. 2004, Chapter 87. The Township has continued to request this annual contribution since 2010. The Authority also monitors its service charge rate structure on an annual basis, making adjustments to the rate structure as necessary. This results in gradual, predictable rate increases, which support the Authority's operations, allows for routine maintenance, capital expense repairs and capital improvement projects. The Authority implemented a Financial Model during FY 2018 for use in rate projection modeling, cash flow and future debt management. The information collected through the financial model continues to assist the Authority in establishing practices and policies regarding available and planned cash reserves for emergent projects as well as long-term planned capital improvement projects.

BUDGET VARIANCES

The Authority expended 79.70% of its \$13,890,660.00 operating budget with no major variances except the revenue lines for water and sewer service charges, water and sewer connection fees, miscellaneous revenue and expense lines for water salaries & wages, water and sewer fringe benefits, water and sewer vehicle lease program and water and sewer electric and other utilities. The percentage of the amount expended to the amount budgeted compares favorably to past years.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

During the current fiscal year, the Authority paid \$5,335,801.92 from its General and Renewal and Replacement accounts for capital activities. \$747,624.76 was classified as repairs and charged as operating expenses. The remaining \$4,588,177.16 was capitalized as either construction in progress or capital assets for the following projects:

Heritage Village Water Main Replacement	\$1,272,665.50
ASR Wells	1,408,048.73
Elmwood Treatment Facility Improvements	92,314.00
Knox Blvd. Water Main Replacement	736,694.18
Well 14 Screen Replacement	145,031.57
Hydrogeologic Evaluation of Wells 13 & 14 ASR	46,155.55

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY (CONT'D)

Buildings, Equipment and Vehicles	\$589,650.69
Locust Avenue Pump Station Improvements	186,533.17
Greenbrook Drive Main Replacement	51,705.05
Other Miscellaneous Projects	59,378.72

As part of the Authority's continued capital improvement program, the Authority is financed three projects through the NJIB (New Jersey Infrastructure Bank): Locust Avenue Pump Station Upgrade, Elmwood WWTP Resiliency Improvements, and the ASR Well 13/14 Well Treatment Upgrades. In addition, the Authority will use capital reserves for the Route 70 Water Main Replacement and Sewer Main rehabilitation and the Elmwood WWTP Tertiary filter replacement.

Wells 13 and 14 Treatment Improvements: The Authority recently completed the ASR Well 13/14 Well Treatment Upgrades, which included installing iron precipitation and filtration equipment in an expanded well building and required ancillary equipment. This project was necessary to maintain peak water supply capacity through the use of an existing aquifer storage and supply well pair. The cost for this project was \$1.97 million.

Locust Avenue Pump Station Upgrade: The Locust Avenue pumping station is nearly 50 years old and has reached the end of its useful life. The Authority has pursued NJIB financing for the rehabilitation of this pumping station and construction is nearing completion. The improvements include a new wet well, pumps, electrical systems, a Dri-Prime diesel backup pump, site improvements, landscaping and fencing. This project is necessary to prevent possible overflows due to aged equipment. The cost for this project is \$1.26 million.

Elmwood WWTP Resiliency Improvements: The resiliency improvements at Elmwood were designed to install protective measures to prevent flooding during 500 - year storm events. Several buildings and treatment processes have been overcome by flood waters in the past. The Authority will be installing barriers to prevent such flooding, which will ensure that proper treatment of raw wastewater can still be achieved during flood events. The Authority recently awarded a contract to begin construction for this project in the amount of \$343,970.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY (CONT'D)

Elmwood WWTP Tertiary Filter Rehabilitation: This project will convert the existing mixed media, traveling bridge tertiary filters to rotating disc filters. The existing tertiary filters were constructed in 1989 and are nearing the end of their useful life. It is expected that the disc filters will reduce energy and backwash water requirements while improving effluent quality. The Authority recently awarded a contract for this project in the amount of \$1,658,487.

Route 70 Water Main Replacement: The replacement of 3,100 LF of older cast iron water mains with 8" PVC, while relocating them out of the traffic lane on Route 70 is currently in the planning and design phase. The anticipated cost for this project is \$540,000.

Route 70 Sewer Rehabilitation: The Route 70 Sewer Rehabilitation project is currently in the planning and design phase. This project includes installing Cured in Place Pipe (CIPP) lines approximately 4,600 linear feet of 8" diameter Asbestos Cement pipe. The pipe is approximately 50 years old and video inspections have revealed significant deterioration of the internal pipe material. The CIPP liner will restore the structural integrity of the existing Asbestos Cement pipe. The anticipated cost for this project is \$550,000.

The Authority continues to identify and make improvements to its water system, as part of its continued capital improvement plan. It has been determined that financing through the issuance of revenue bonds is the most prudent option. Projects to be financed through revenue bonds include water main replacements and Well 7 building upgrades.

Water Main Replacements: The Authority has identified several areas throughout the Township in need of water main replacements due to their age, type of material and size of the main on Knox Boulevard and within the entire Heritage Village Development. The existing water mains are approximately 60 years and near the end of their useful life. They are mostly asbestos cement pipe and some are undersized (6") according to current standards. They will be replaced with 8" PVC to bring them up to current standards. Construction commenced in FY 20 on Knox Blvd and for Phase 1 (of 3) in Heritage Village. The contract amounts awarded were \$1.5 million for Knox Blvd. and \$1.846 million for Phase 1 in Heritage Village. The Authority also recently awarded a contract in the amount of \$193,160 to replace the water mains on portions of Woodlake Drive within the Kings Grant Development. These mains were originally constructed in the early 1980's from a variety of materials, including copper and are failing prematurely. Many of the copper mains are undersized (3") according to current standards. The existing water mains will be replaced with 6" PVC to bring

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY (CONT'D)

Water Main Replacements (Cont'd):

them up to current standards. The water main replacement project also includes the relocation of some water services on East Main Street from an older 6" asbestos cement water main to a newer 12" ductile iron water main. This water main replacement project will improve system reliability and increase available flows. A contract for the design of Phase 2 of 3 in Heritage Village has been awarded with construction anticipated in FY 22. We continue to replace smaller sections of water mains wherever isolated failure occurs frequently and/or prematurely. Defense Drive in the Ravens Cliff development is one example where highly corrosive soils in the Northern area of Evesham have caused pitting and subsequent pipe failure requiring partial or sectional replacement in FY 21.

Well 7 Building: A new building will be constructed, which will house the well head, which is currently exposed, an emergency generator, upgraded chemical feed systems with improved safety/security features and telemetry equipment with connectivity to our existing SCADA system. This new building will replace the existing building, which will be demolished. The anticipated cost for this project is \$1.10 million. This project is currently in the planning and design phase.

The proposed FY 21 Capital Budget and five-year Capital Program are \$16,975,500.00 and \$35,572,000.00 respectively. The following major line items making up the FY 21 Capital Budget are:

• Lift Station Rehabilitation	\$ 1,450,000.00
• Storage Building at Elmwood Plant	1,800,000.00
• Treatment Plant Improvements	1,910,000.00
• Wells, Tanks and Towers	3,675,000.00
• Water/Sewer Main Replacement	5,400,000.00
• Equipment	465,000.00
• Drinking Water Quality Study	100,000.00
• Water Meters/Fire Hydrants	425,000.00

These projects are currently underway at different stages in the process. The timing and amounts spent on these projects are contingent on the progress of the work and State approvals.

Looking at the five-year Capital Program, the following projects should be mentioned:

• Lift Station Rehabilitation	FY 22-25	\$6,600,000.00
• Water/Sewer Main Replacement	FY 22	6,900,000.00

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY (CONT'D)

The Authority continues to assess underground infrastructure through the use of television cameras in the pipes to gather data on their condition. Type and age of the pipe and the soil conditions are used to determine an ongoing schedule of assessment and capital improvement planning for the next 5-20 years.

The Authority has identified a suitable location to construct a water storage tank to serve the south side water system as directed by the NJDEP. NJDEP regulations require that sufficient water for firefighting purposes be stored in an elevated tank to provide adequate volume and pressure by gravity in case of power failure. The projected costs to construct the tank and acquire suitable land for construction is projected to be \$3 million. The timing of this project is contingent on State and Pinelands approvals.

The Authority continues with the development of a comprehensive asset management plan. Inventory of all assets are registered to GIS followed by condition assessment. Condition assessment can be obtained through direct and/or indirect methods. Probability of failure is determined from the condition found or estimated and the consequence of failure is evaluated which assigns criticality for repair, rehabilitation or replacement considering economic, environmental and social costs/benefits.

The Authority intends to upgrade at least one sewer pump station per year for the next 12 years which will replace the existing ≥ 50 -year aged infrastructure with added operational efficiencies, safety and security enhancements and increased reliability with redundant features for failsafe operation. This can be accomplished without taking on new debt as the Authority has accumulated enough net position in the sewer utility to fund these needed improvements.

These are essential projects that will have an effect on the operation of our water and sewer facilities and must be included as part of the capital budget.

Although the Authority does not operate under any debt limitations, it is required to receive approval from the Local Finance Board prior to issuing any debt. In Fiscal Year 2020, the Authority issued Revenue Bonds, Series 2019 totaling \$16,230,000.00. The bond proceeds were used to finance the costs of certain water main replacements, a new well building and pay costs associated with the issuance of the bonds. At June 30, 2020, the Authority had debt outstanding totaling \$28,421,729.57.

COVID 19

The Authority has continued to safely provide clean drinking water and wastewater treatment during the pandemic, while complying fully with continuing Executive Orders and evolving guidelines issued by the Center for Disease Control and New Jersey Departments of Health and Human Services, Department of Labor and Burlington County Health Department. The Authority continues to comply with these guidelines in its everyday operations while providing essential water utility services to the community and maintaining a safe workplace for all employees.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide New Jersey, and Evesham Township residents in particular, and our customers, clients, investors and creditors, with a general overview of the Authority's finances. If you have any questions about this report or need additional financial information, contact the Authority at 100 Sharp Road, P.O. Box 467, Marlton, New Jersey 08053 or by telephone at (856) 983-1878.

EVESHAM MUNICIPAL UTILITIES AUTHORITY

Comparative Statements of Net Position

As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Unrestricted Assets:		
Revenue/Operating Account:		
Cash and Cash Equivalents	\$ 3,045,644.22	\$ 1,038,845.08
Investments	1,066,764.89	3,097,904.01
Accrued Interest Receivable	2,946.90	8,880.37
General Account:		
Cash and Cash Equivalents	17,104,868.06	13,431,241.55
Investments	75,549.82	75,922.44
Accrued Interest Receivable	154.29	159.32
Consumer Accounts Receivable	1,053,636.05	1,102,676.01
Other Accounts Receivable	61,827.67	185,249.79
Prepaid Expenses	1,006,653.21	936,892.53
Total Unrestricted Assets	<u>23,418,045.11</u>	<u>19,877,771.10</u>
Restricted Assets:		
Bond Service Account:		
Cash and Cash Equivalents	2,236,428.75	1,823,144.95
Accrued Interest Receivable	42,691.71	40,863.24
Bond Service Reserve Account:		
Cash and Cash Equivalents	939,147.79	605,719.52
Investments	1,905,940.58	3,397,888.40
Accrued Interest Receivable	5,293.93	8,965.86
Renewal and Replacement Account:		
Cash and Cash Equivalents	1,000,000.00	1,000,000.00
Investments	598,928.95	571,509.00
Accrued Interest Receivable	2,083.33	2,083.33
Construction Account:		
Cash and Cash Equivalents	15,416,029.73	
Other Accounts:		
Cash and Cash Equivalents	1,438,687.44	807,926.60
Due from New Jersey Infrastructure Bank	166,298.00	
Total Restricted Assets	<u>23,751,530.21</u>	<u>8,258,100.90</u>
Capital Assets:		
Construction in Progress	5,194,956.13	1,140,574.18
Completed (Net of Accumulated Depreciation)	45,814,005.18	47,990,642.09
Total Capital Assets	<u>51,008,961.31</u>	<u>49,131,216.27</u>
Total Assets	<u>98,178,536.63</u>	<u>77,267,088.27</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pension	2,300,274.00	2,902,117.00
Related to Other Post Employment Benefits	12,890.00	213,435.00
Deferred Loss on Refunding of Bonds		3,880.91
Total Deferred Outflows of Resources	<u>2,313,164.00</u>	<u>3,119,432.91</u>

(Continued)

EVESHAM MUNICIPAL UTILITIES AUTHORITY

Comparative Statements of Net Position

As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
LIABILITIES		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable--Operations	\$ 418,366.89	\$ 662,932.33
Accounts Payable--Related to Pensions	544,452.00	473,617.00
Prepaid Rental Charges	75,690.46	60,044.29
Prepaid Antenna Rental Charges	29,376.35	27,977.48
Total Current Liabilities Payable from Unrestricted Assets	1,067,885.70	1,224,571.10
Current Liabilities Payable from Restricted Assets:		
Accounts Payable	32,826.39	12,510.00
Revenue Bonds Payable - Current Portion	640,000.00	625,000.00
New Jersey Environmental Infrastructure Loan Payable - Current Portion	996,681.34	977,372.70
Other Post Employment Benefits Obligation		148,189.60
Leases Payable	403,508.32	425,000.00
Compensated Absences	57,636.00	57,585.05
Accrued Bond Interest Payable	552,173.95	168,679.38
Escrow Deposits	45,455.09	54,378.73
Total Current Liabilities Payable from Restricted Assets	2,728,281.09	2,468,715.46
Long-term Liabilities:		
Revenue Bonds Payable	19,909,690.93	3,312,435.48
New Jersey Environmental Infrastructure Loan Payable	8,245,048.23	9,241,729.57
New Jersey Infrastructure Bank Note Payable	1,915,662.00	
Related to Pensions	8,256,465.00	8,743,632.00
Other Post Employment Benefits Obligation	5,450,804.00	1,333,706.40
Leases Payable	409,238.14	693,583.16
Compensated Absences	518,725.00	518,265.42
Total Long-term Liabilities	44,705,633.30	23,843,352.03
Total Liabilities	48,501,800.09	27,536,638.59
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	3,158,710.00	3,098,288.00
Related to Other Post Employment Benefits	3,525,671.00	1,760.00
Deferred Revenue	1,085,263.20	451,795.69
Total Deferred Inflows of Resources	7,769,644.20	3,551,843.69
NET POSITION		
Restricted for:		
Bond Covenants:		
Debt Service Reserve Requirement	2,064,078.77	1,520,988.14
System Reserve Requirement	1,500,000.00	1,500,000.00
Operating Requirement	3,414,245.00	3,472,665.00
Net Investment in Capital Assets	33,977,142.53	33,859,976.27
Unrestricted	3,264,790.04	8,944,409.49
Total Net Position	\$ 44,220,256.34	\$ 49,298,038.90

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

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Comparative Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Service Charges	\$ 16,756,887.25	\$ 16,762,665.39
Connection Fees	483,279.29	1,356,758.25
Miscellaneous Charges	1,005,073.81	1,035,216.87
	<hr/>	<hr/>
Total Operating Revenues	18,245,240.35	19,154,640.51
Operating Expenses:		
Administrative Expenses:		
Salaries and Wages	430,365.68	511,823.06
Fringe Benefits	255,729.45	199,415.96
Other	585,237.45	631,858.92
	<hr/>	<hr/>
	1,271,332.58	1,343,097.94
Cost of Service:		
Salaries and Wages	3,550,168.39	3,642,846.65
Fringe Benefits	9,706,351.65	2,604,781.78
Other	4,481,606.09	4,487,084.46
	<hr/>	<hr/>
	17,738,126.13	10,734,712.89
Major Repairs and Other Expenses	750,538.15	889,521.17
Depreciation	3,520,659.80	3,433,487.51
	<hr/>	<hr/>
Total Operating Expenses	23,280,656.66	16,400,819.51
	<hr/>	<hr/>
Operating Income (Loss)	(5,035,416.31)	2,753,821.00
Non-operating Revenue (Expenses):		
Investment Income:		
Interest Revenue	579,363.05	564,564.93
Change in Fair Value of Investments	(19,639.71)	254,017.41
	<hr/>	<hr/>
	559,723.34	818,582.34
Bond and Loan Interest	(351,681.64)	(180,895.79)
Municipal Appropriation	(770,000.00)	(749,374.00)
Loss on Disposal of Capital Assets	(17,643.42)	
Cancellation of Lease Payable	23,433.97	
Cost of Issuance	(198,613.60)	
	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	(754,781.34)	(111,687.45)
	<hr/>	<hr/>
Income (Loss) Before Contributions (Carried Forward)	(5,790,197.66)	2,642,133.55

(Continued)

EVESHAM MUNICIPAL UTILITIES AUTHORITY
 Comparative Statements of Revenues, Expenses and Changes in Net Position
 For the Fiscal Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Income (Loss) Before Contributions (Brought Forward)	\$ (5,790,197.66)	\$ 2,642,133.55
Contributions:		
Developers	<u>712,415.10</u>	<u>-</u>
Change in Net Position	(5,077,782.56)	2,642,133.55
Net Position - Beginning of Year	<u>49,298,038.90</u>	<u>46,655,905.35</u>
Net Position - End of Year:		
Restricted	\$ 6,978,323.77	\$ 6,493,653.14
Unrestricted	\$ 3,264,790.04	\$ 8,944,409.49
Net Investment in Capital Assets	<u>\$ 33,977,142.53</u>	<u>\$ 33,859,976.27</u>

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

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Comparative Statements of Cash Flows
For the Fiscal Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 18,487,964.80	\$ 18,563,880.17
Payments to Suppliers	(8,752,098.01)	(9,839,633.03)
Payments to Employees	(3,980,534.07)	(4,154,669.71)
Other Operating Receipts	1,189,759.56	1,060,052.87
Net Cash Flows Provided by Operating Activities	<u>6,945,092.28</u>	<u>5,629,630.30</u>
Cash Flows from Capital and Related Financing Activities:		
Capital Aquisitions	(4,588,177.16)	(1,192,875.82)
Bond Proceeds	0.00	
Premium on Bonds	0.00	
N.J. Environmental Infrastructure Loan Receivable	1,749,364.00	
Municipal Appropriation	(770,000.00)	(749,374.00)
Leases Payable	(397,858.73)	(405,000.00)
Bond Issue Costs	(7,725.50)	
Debt Service:		
Principal	(1,602,372.70)	(4,808,077.04)
Interest	(318,483.76)	(422,607.51)
Net Cash Flows Provided by (Used in) Capital and Related Financing Activities	<u>(5,935,253.85)</u>	<u>(7,577,934.37)</u>
Cash Flows from Investing Activities:		
Interest on Investments	567,505.30	808,940.64
Change in Investments:		
Purchases/Unrealized Gains and Losses	(662,101.15)	(1,490,790.33)
Sales/Maturities	4,158,140.76	2,301,601.84
Net Cash Flows Provided by Investing Activities	<u>4,063,544.91</u>	<u>1,619,752.15</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,073,383.34	(328,551.92)
Cash and Cash Equivalents--July 1	18,706,877.70	19,035,429.62
Cash and Cash Equivalents--June 30	<u>\$ 23,780,261.04</u>	<u>\$ 18,706,877.70</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (5,035,416.31)	\$ 2,753,821.00
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	3,520,659.80	3,433,487.51
Pension Liability Expense - GASB 68	245,933.00	290,355.00
Other Post Employment Benefits Liability Expense - GASB 75	7,693,364.00	157,497.00
Change in Assets and Liabilities:		
(Increase) Decrease in Consumer Accounts Receivable	49,039.96	(15,455.86)
(Increase) Decrease in Other Accounts Receivable	123,422.12	(156,129.75)
(Increase) Decrease in Prepaid Expenses	(69,760.68)	21,411.80
Increase (Decrease) in Accounts Payable	(224,249.05)	59,027.46
Increase (Decrease) in Overpayments		(3,397.44)
Increase (Decrease) in Prepaid Rents	15,646.17	(11,407.79)
Increase (Decrease) in Prepaid Antenna Rents	1,398.87	1,489.76
Increase (Decrease) in Escrow Deposits	(8,923.64)	9,112.02
Increase (Decrease) in Compensated Absences Payable	510.53	48,494.15
Increase (Decrease) in Connection Fee Deposits	633,467.51	(958,674.56)
Net Cash Provided by Operating Activities	<u>\$ 6,945,092.28</u>	<u>\$ 5,629,630.30</u>

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

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2020 and 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Authority is a public body corporate and politic of the State of New Jersey. The Authority was granted its franchise area consisting entirely of the Township of Evesham when it was first established as the Evesham Sewerage Authority on April 7, 1955. The Authority was reorganized on March 3, 1959 as the Evesham Municipal Utilities Authority, by ordinance of the Township Committee.

The Authority was created for the purpose of constructing, maintaining and operating water supply and distribution and sewerage collection and treatment facilities for the relief of waters in, bordering or entering the areas within the territorial boundaries of the Township from pollution or threatened pollution and for the improvement of conditions affecting the public health.

The Authority provides water supply and sewerage collection and treatment service to all residences and businesses within the Township of Evesham. The Authority also collects a connection fee for new hook-ups.

The Authority Board consists of five members and two alternates, who are appointed by Township resolution for staggered, five year terms. The daily operations of the Authority are managed by the Executive Director.

Component Unit

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Authority has no component units and is a component unit of the Township of Evesham.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Presentation**

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

The transactions of the Authority are divided into two separate activities (water and sewer) within the enterprise fund type. Each activity is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflow of resources, net position, revenues and expenditures.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenues -- Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. Water and sewer service charges are recognized as revenue when services are provided. Connection fees are collected in advance and, accordingly, the Authority defers these revenues until the municipality issues a release for certificate of occupancy and determines that water distribution and sewage collection services are being provided to the properties.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Expenses - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the fiscal year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense and deferred loss on defeasance are not included in the budget appropriations.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Budgets and Budgetary Accounting (Cont'd)**

The legal level of budgetary control is established at the detail shown on the Comparative Statements of Revenues, Expenses and Changes in Net Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. The Authority adopted an amending budget resolution during the fiscal year.

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At fiscal year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds and cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or bonds or other obligations of school district of which the local unit is a part or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Additionally, the Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Inventories**

Inventory consists principally of chemicals for the treatment of water, sewerage and sludge and is valued at cost. The Authority has determined that the inventories are immaterial and are not recorded in the financial statements.

Prepaid Expenses

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the applicable fiscal year end.

Capital Assets

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased prior to June 30, 1993 are stated at estimated cost. Assets purchased since are stated at actual cost. Capital assets contributed by developers are valued at estimated fair market value as of the date of contribution.

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the capital asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Costs incurred during construction of an asset are recorded as construction in progress. In the fiscal year that the project is completed, these costs are transferred to Capital Assets - Completed. Interest costs incurred during construction are not capitalized into the cost of the asset.

Expenditures are capitalized when they meet the following requirements:

- 1) Cost of \$1,000.00 or more
- 2) Useful life of more than one year
- 3) Asset is not affected by consumption

Depreciation

Depreciation is provided using the straight-line method over the following estimated useful life of the assets:

	<u>Years</u>
Buildings	40
Fixed & Major Moveable Equipment	5-15
Vehicles	7
Infrastructure	40

Depreciation is taken starting the month after the asset is placed in service.

Bond Premiums

Bond premiums arising from the issuance of long-term debt (bonds) are amortized over the life of the bonds, in a systematic and rational method, from the issue date to maturity as a component of interest expense. Bond premiums are presented as an adjustment of the face amount on the bonds.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Deferred Outflows and Deferred Inflows of Resources**

The Comparative Statements of Net Position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Authority is required to report the following as deferred outflows of resources and deferred inflows of resources: loss on refunding of debt, connection fee funds received prior to providing water and sewer services, defined benefit pension plans and postemployment benefit plans.

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

Unearned Revenue

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension (benefit) expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB (benefit) expense, information about the respective fiduciary net position of the State Health Benefits Local Government Retired Employees Plan (the Plan) and additions to/deductions from the Plan's respective fiduciary net position have been determined on the same basis as they are reported by the Plan. Accordingly, contributions (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Net Position**

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"*, the Authority has classified its net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced, by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at (fiscal) year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component as the unspent amount.

Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." This component includes net position that may be allocated for specific purposes by the Board.

The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Income Taxes

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

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from water distribution and sewer collection facilities (i.e., water and sewer rents and connection fees) and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and on investments in debt securities.

Operating expenses include expenses associated with the operation, maintenance and repair of the water distribution and sewer collection facilities and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt, contribution to Township and major non-recurring receipts.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Impact of Recently Issued Accounting Policies****Recently Issued and Adopted Accounting Pronouncements**

For the fiscal year ended June 30, 2020, the Authority early adopted Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The adoption of this Statement has impacted the fiscal year that the Authority will adopt several of the statements listed in the recently issued accounting pronouncements below.

Recently Issued Accounting Pronouncements

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

Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement originally would have become effective for the Authority in the fiscal year ending June 30, 2020, but as a result of GASB Statement 95 will become effective in the fiscal year ending June 30, 2021. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement originally would have become effective for the Authority in the fiscal year ending June 30, 2021, but as a result of GASB Statement 95 will become effective in the fiscal year ending June 30, 2022. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also simplifies accounting for interest cost incurred before the end of a construction period. This Statement originally would have become effective for the Authority in the fiscal year ending June 30, 2021, but as a result of GASB Statement 95 will become effective in the fiscal year ending June 30, 2022. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 90, *Major Equity Interests*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement originally would have become effective for the Authority in the fiscal year ending June 30, 2020, but as a result of GASB Statement 95 will become effective in the fiscal year ending June 30, 2021. Management does not expect this Statement will have an impact on the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Impact of Recently Issued Accounting Policies (Cont'd)****Recently Issued Accounting Pronouncements (Cont'd)**

Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement originally would have become effective for the Authority in the fiscal year ending June 30, 2022, but as a result of GASB Statement 95 will become effective in the fiscal year ending June 30, 2023. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statements are effective as follows:

1. The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
2. The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 originally would have become effective for the Authority in the fiscal year ending June 30, 2022, but as a result of GASB Statement 95 will become effective in the fiscal year ending June 30, 2023.
3. The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities originally would have become effective for the Authority in the fiscal year ending June 30, 2022, but as a result of GASB Statement 95 will become effective in the fiscal year ending June 30, 2023.
4. The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition originally would have become effective for the Authority in the fiscal year ending June 30, 2022, but as a result of GASB Statement 95 will become effective in the fiscal year ending June 30, 2023.

Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. This Statement will become effective for the Authority in the fiscal year ending June 30, 2021. GASB Statement 95 changed the effective date for paragraphs 13 and 14 to the fiscal year ending June 30, 2022. Management does not expect this Statement will have an impact on the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Impact of Recently Issued Accounting Policies (Cont'd)****Recently Issued Accounting Pronouncements (Cont'd)**

Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The Statement will become effective for the Authority in the fiscal year ending June 30, 2023. Management does not expect this Statement will have an impact on the financial statements.

Statement 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Statement will become effective for the Authority in the fiscal year ending June 30, 2023. Management does not expect this Statement will have an impact on the financial statements.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**Compliance with Finance Related Legal and Contractual Provisions**

Management of the Authority is unaware of any material violations of finance related legal and contractual provisions.

General Bond Resolution

The Authority is subject to the provisions and restrictions of the General Bond Resolution adopted July 25, 1990 (Amended August 1, 1990). On August 2, 1995, July 10, 1996, November 10, 1999, October 16, 2002, February 4, 2004, August 3, 2011 and March 7, 2012, the Authority adopted Supplemental Bond Resolutions, which amended the 1990 Bond Resolution. A summary of the activities of each account created by the 1990 Bond Resolution is covered below.

Revenue Account - All money collected by the Authority for service charges or from any other source for operating, maintaining or repairing the system is deposited in this account. The Trustee, on the first day of each month, shall make payments into the other accounts to satisfy bond resolution or operating requirements.

Operating Account - The balance on deposit must be equal to at least 25% of the annual appropriation for operating expenses. At June 30, 2020, the balance in the operating account meets the requirements of the Bond Resolution.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)**General Bond Resolution (Cont'd)**

Bond Service Account - This account is maintained to pay maturing interest and principal on the 2004 Series A Revenue Bonds, the 2011 Series A Revenue Bonds, the 2012 Series A Revenue Bonds, 2019 Series A Revenue Bonds, and the Authority's New Jersey Environmental Infrastructure Trust Fund Loans. The balance on deposit must be sufficient to enable the Trustee to withdraw amounts equal to interest due on bonds, principal amount maturing on bonds and sinking fund installments when such payments are required. At June 30, 2020, the balance in the account meets the requirements of the bond resolution.

Bond Reserve Account - The amount of funds on deposit must be maintained at a level equal to the Maximum Debt Service to insure funds are available for payment of Debt Service. The balance on June 30, 2020 of \$2,845,088.37 meets the requirements of the Bond Resolution.

Renewal and Replacement Account - These funds are maintained for reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements or maintenance items of a type not recurring annually. Funds on deposit must be equal to the System Reserve Requirement, currently established by the Bond Resolution at \$1,500,000.00. At June 30, 2020, the balance in the account meets the requirements of the bond resolution.

Construction Account - This account was established in accordance with Section 602 of the Bond Resolution and amended by Section 304(a) of the March 28, 2001 Supplemental Bond Resolution. The Construction Fund is held by the Trustee and is used to pay the cost of the project and is pledged, pending application to such costs, for the security of the payment of principal and interest on the Water Revenue Bonds.

General Account - All excess funds of the Authority are recorded in the General Account. If the Authority is not in default in the payment of bond principal or interest and all fund requirements are satisfied, the Authority may use the excess funds for any lawful purpose.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)**General Bond Resolution (Cont'd)****Debt Service Coverage**

The net revenues for the current fiscal year were 321% of the annual debt service for the current bond year ending June 30, 2020. The Authority's Bond Resolution requires that net revenues equal at least 105% of debt service for any such year. Net revenues and debt service coverage is calculated as follows:

	<u>2020</u>	<u>2019</u>
Net Revenue:		
Operating Income (Loss) (Exhibit B)	(\$5,035,416.31)	\$2,753,821.00
Add: Depreciation Expense	3,520,659.80	3,433,487.51
OPEB Expense (GASB 75)	7,693,364.00	157,497.00
Major Repairs & Other Expenses	750,538.15	889,521.17
Interest Revenue	<u>579,363.05</u>	<u>564,564.93</u>
Net Revenues	<u>\$7,508,508.69</u>	<u>\$7,798,891.61</u>
Debt Service:		
Bond Principal	\$1,636,681.34	\$1,602,372.70
Interest Expense:		
Interest Accrued	351,681.64	180,895.79
Less - Amortization	<u>(350,296.69)</u>	<u>(156,462.97)</u>
Debt Service	<u>\$2,338,659.67</u>	<u>\$1,939,731.46</u>
Net Revenues	\$7,508,508.69	\$7,798,891.61
	=321%	=402%
Debt Service	\$2,338,659.67	\$1,939,731.61

Note 3: DETAIL NOTES - ASSETS**Cash and Cash Equivalents**

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule on the following page.

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Cash and Cash Equivalents (Cont'd)****Custodial Credit Risk Related to Deposits (Cont'd)**

As of June 30, 2020 and 2019, the Authority's bank balances were exposed to custodial credit risk as follows:

	June 30,	
	<u>2020</u>	<u>2019</u>
Insured by F.D.I.C.	\$ 250,000.66	\$ 250,000.66
Insured by GUDPA	2,307,743.57	1,297,979.82
Uninsured and Uncollateralized	39,384,100.70	17,466,012.03
	<u>\$ 41,941,844.93</u>	<u>\$ 19,013,992.51</u>

Investments

New Jersey authorities are limited as to the types of investments and types of financial institutions they may utilize for investing. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey authorities. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or other obligations of the local unit or units within which the Authority is located, bonds or other obligations approved by the Division of Investment in the Department of Treasury for investment by authorities, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. The Authority has no investment policy that would further limit its investment choices.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty to the transactions fails. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority has no investment policy to limit its exposure to custodial credit risk. All of the Authority's \$3,647,184.24 as of June 30, 2020 and \$7,143,223.85 as of June 30, 2019 investments in treasury obligations are held in the name of the Authority.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority's investment policies place no limit on the amount the Authority may invest in any one issuer. For the fiscal year ended June 30, 2020, more than 5.0% of the Authority's investments were held with Federal National Mortgage Association (35.92%), Government National Mortgage Association (42.34%) and Federal Home Loan Mortgage Corporation 19.23%). For the fiscal year ended June 30, 2019, more than 5.0% of the Authority's investments were held with Federal National Mortgage Association (45.96%), Government National Mortgage Association (36.92%) and Federal Home Loan Mortgage Corporation (17.12%).

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Investments (Cont'd)****Concentration of Credit Risk (Cont'd)**

As of June 30, 2020 the Authority had the following investments:

<u>Investment</u>	<u>Rating</u>	<u>Maturities</u>	<u>Fair Value Hierarchy Level *</u>	<u>Fair Value</u>
F.N.M.A. Pool 16-94	AAA	12/25/2046	Level 1	\$ 118,723.57
F.N.M.A. Pool 17-11	AAA	3/25/2047	Level 1	282,538.39
F.N.M.A. Pool 17-31	AAA	5/25/2047	Level 1	201,944.74
F.N.M.A. Pool #4716	AAA	10/15/2047	Level 1	24,429.67
F.N.M.A. Pool #4745	AAA	12/15/2047	Level 1	86,795.51
F.N.M.A. Pool #4766	AAA	3/15/2048	Level 1	278,882.88
F.N.M.A. 12-99	AAA	6/25/2042	Level 1	183,279.51
F.N.M.A. 12-130	AAA	12/25/2042	Level 1	38,212.72
F.N.M.A. 17-57	AAA	8/25/2047	Level 1	95,150.11
G.N.M.A. GTD Remic 09-46	AAA	2/20/2039	Level 1	1,014,374.15
G.N.M.A. Pool 15-65	AAA	5/20/2045	Level 1	65,936.01
G.N.M.A. Pool 18-77	AAA	6/20/2048	Level 1	269,132.53
G.N.M.A. Pool 18-103	N/A	8/20/2048	Level 1	194,870.41
Freddie Mac #4150	AAA	1/15/2043	Level 1	91,739.08
F.H.L.M.C. Pool #4402	AAA	4/15/2043	Level 1	149,944.57
F.H.L.M.C. Pool #4845	AAA	5/15/2043	Level 1	130,679.08
F.H.L.M.C. Pool #4643	AAA	1/15/2047	Level 1	95,247.12
F.H.L.M.C. Pool #4185	AAA	3/15/2043	Level 1	325,304.19
				<u>\$ 3,647,184.24</u>

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Investments (Cont'd)****Concentration of Credit Risk (Cont'd)**

As of June 30, 2019, the Authority had the following investments:

<u>Investment</u>	<u>Rating</u>	<u>Maturities</u>	<u>Fair Value Hierarchy Level *</u>	<u>Fair Value</u>
F.N.M.A. Pool 16-94	AAA	12/25/2046	Level 1	\$ 188,618.52
F.N.M.A. Pool 17-11	AAA	3/25/2047	Level 1	517,388.02
F.N.M.A. Pool 17-31	AAA	5/25/2047	Level 1	636,406.10
F.N.M.A. Pool 18-6	AAA	1/25/2048	Level 1	103,750.21
F.N.M.A. Pool 18-11	AAA	2/25/2048	Level 1	219,144.70
F.N.M.A. Pool #4716	AAA	10/15/2047	Level 1	80,921.64
F.N.M.A. Pool #4745	AAA	12/15/2047	Level 1	355,566.96
F.N.M.A. Pool #4766	AAA	3/15/2048	Level 1	500,239.13
F.N.M.A. 12-99	AAA	6/25/2042	Level 1	174,091.38
F.N.M.A. 12-130	AAA	12/25/2042	Level 1	37,817.00
F.N.M.A. 14-37	AAA	7/25/2044	Level 1	148,961.26
F.N.M.A. 17-57	AAA	8/25/2047	Level 1	320,097.40
G.N.M.A. 17-87	AAA	6/30/2047	Level 1	108,800.52
G.N.M.A. GTD Remic 09-46	AAA	2/20/2039	Level 1	985,190.03
G.N.M.A. Pool 15-65	AAA	5/20/2045	Level 1	106,362.86
G.N.M.A. Pool 18-77	AAA	6/20/2048	Level 1	340,376.85
G.N.M.A. Pool 18-103	N/A	8/20/2048	Level 1	560,068.69
G.N.M.A. Pool 19-6	N/A	1/20/2049	Level 1	444,060.52
Freddie Mac #4150	AAA	1/15/2043	Level 1	92,191.54
F.H.L.M.C. Pool #4402	AAA	4/15/2043	Level 1	241,406.18
F.H.L.M.C. Pool #4479	AAA	8/15/2042	Level 1	33,599.67
F.H.L.M.C. Pool #4643	AAA	1/15/2047	Level 1	368,838.66
F.H.L.M.C. Pool #4185	AAA	3/15/2043	Level 1	380,298.01
US Treasury Note	AAA	1/31/2020	Level 1	199,028.00
				<u>\$ 7,143,223.85</u>

* Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation.

Level 3 inputs are unobservable inputs for the asset; they should be used only when the relevant Level 1 and Level 2 inputs are unavailable.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority 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 – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As stated in note 1, investments are purchased in accordance with N.J.S.A. 40A:5-15.1. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority has no investment policy that would further limit its exposure to credit risk.

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Service Fees**

The following is a three-year comparison of service charge billings and collections for all types of accounts maintained by the Authority:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Billings</u>	<u>Total Collections</u>	<u>Percentage of Collections</u>
2020	\$1,102,676.01	\$16,756,887.25	\$16,805,927.21	94.10%
2019	1,087,220.15	16,762,665.39	16,747,209.53	93.82%
2018	1,274,949.37	16,717,626.93	16,905,356.15	93.96%

Capital Assets

During the fiscal year ended June 30, 2020, the following changes in Capital Assets occurred:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Capital Assets Not Being Depreciated:				
Land	\$ 5,332,318.00	\$ -	\$ -	\$ 5,332,318.00
Capital Assets Being Depreciated:				
Buildings	55,247,246.36			55,247,246.36
Infrastructure	104,632,698.33	772,015.62		105,404,713.95
Fixed Equipment	15,880,420.47	310,875.66	64,250.40	16,127,045.73
Equipment	2,169,096.89	156,281.65	57,035.94	2,268,342.60
Vehicles	3,767,977.85	122,493.38	223,036.00	3,667,435.23
Total Capital Assets				
Being Depreciated	181,697,439.90	1,361,666.31	344,322.34	182,714,783.87
	187,029,757.90	1,361,666.31	344,322.34	188,047,101.87
Less Accumulated Depreciation	139,039,115.81	3,520,659.80	326,678.92	142,233,096.69
	\$ 47,990,642.09	(\$ 2,158,993.49)	\$ 17,643.42	\$ 45,814,005.18

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Capital Assets (Cont'd)**

During the fiscal year ended June 30, 2019, the following changes in Capital Assets occurred:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Capital Assets Not Being Depreciated:				
Land	\$ 5,332,318.00	\$ -	\$ -	\$ 5,332,318.00
Capital Assets Being Depreciated:				
Buildings	55,127,947.27	119,299.09		55,247,246.36
Infrastructure	103,776,767.04	855,931.29		104,632,698.33
Fixed Equipment	15,740,568.02	233,979.55	94,127.10	15,880,420.47
Equipment	2,125,439.85	54,715.19	11,058.15	2,169,096.89
Vehicles	2,518,855.32	1,510,521.13	261,398.60	3,767,977.85
Total Capital Assets Being Depreciated	<u>179,289,577.50</u>	<u>2,774,446.25</u>	<u>366,583.85</u>	<u>181,697,439.90</u>
	184,621,895.50	2,774,446.25	366,583.85	187,029,757.90
Less Accumulated Depreciation	<u>135,972,212.15</u>	<u>3,433,487.51</u>	<u>366,583.85</u>	<u>139,039,115.81</u>
	<u>\$ 48,649,683.35</u>	<u>(\$ 659,041.26)</u>	<u>\$ -</u>	<u>\$ 47,990,642.09</u>

Depreciation expense by major class of capital assets is:

	<u>Fiscal Year</u>	
	<u>2020</u>	<u>2019</u>
Buildings and Improvements	\$ 983,908.41	\$ 988,271.46
Infrastructure	1,147,135.88	1,175,075.47
Fixed Equipment	1,047,678.16	1,040,176.85
Equipment	77,942.04	66,387.25
Vehicles	<u>263,995.31</u>	<u>163,576.48</u>
	<u>\$ 3,520,659.80</u>	<u>\$ 3,433,487.51</u>

Note 4: DETAIL NOTES – LIABILITIES**Long-term Liabilities**

During the fiscal year ended June 30, 2020, the following changes occurred in long-term obligations:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
Bonds, Loans and Note Payable:					
Bonds Payable	\$ 3,575,000.00	\$ 16,230,000.00	\$ (625,000.00)	\$ 19,180,000.00	\$ 640,000.00
NJEIT Loans	10,219,102.27		(977,372.70)	9,241,729.57	996,681.34
NJIB Note		1,915,662.00		1,915,662.00	
Issuance Premiums	362,435.48	1,361,433.05	(354,177.60)	1,369,690.93	
Total Bonds and Loans Payable	14,156,537.75	19,507,095.05	(1,956,550.30)	31,707,082.50	1,636,681.34
Other Liabilities:					
Net Pension Liability	8,743,632.00	5,545,759.00	(6,032,926.00)	8,256,465.00	
Net OPEB Obligation	1,481,896.00	9,346,950.57	(5,378,042.57)	5,450,804.00	
Vehicle Lease Agreements	1,118,583.16	115,456.00	(421,292.70)	812,746.46	403,508.32
Compensated Absences	575,850.47	98,452.35	(97,941.82)	576,361.00	57,636.00
Total Other Liabilities	11,919,961.63	15,106,617.92	(11,930,203.09)	15,096,376.46	461,144.32
Total Long Term Liabilities	\$ 26,076,499.38	\$ 34,613,712.97	\$ (13,886,753.39)	\$ 46,803,458.96	\$ 2,097,825.66

During the fiscal year ended June 30, 2019, the following changes occurred in long-term obligations:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due Within</u> <u>One Year</u>
Bonds and Loans Payable:					
Bonds Payable	\$ 7,420,000.00		\$ (3,845,000.00)	\$ 3,575,000.00	\$ 625,000.00
NJEIT Loans	11,182,179.31		(963,077.04)	10,219,102.27	977,372.70
Issuance Premiums	526,347.85		(163,912.37)	362,435.48	
Total Bonds and Loans Payable	19,128,527.16	\$ -	(4,971,989.41)	14,156,537.75	1,602,372.70
Other Liabilities:					
Net Pension Liability	10,518,275.00	5,321,358.00	(7,096,001.00)	8,743,632.00	
Net OPEB Obligation	1,480,222.00	153,523.00	(151,849.00)	1,481,896.00	148,189.60
Vehicle Lease Agreements		1,523,583.16	(405,000.00)	1,118,583.16	425,000.00
Compensated Absences	527,356.32	101,229.78	(52,735.63)	575,850.47	57,585.05
Total Other Liabilities	12,525,853.32	7,099,693.94	(7,705,585.63)	11,919,961.63	630,774.65
Total Long Term Liabilities	\$ 31,654,380.48	\$ 7,099,693.94	\$ (12,677,575.04)	\$ 26,076,499.38	\$ 2,233,147.35

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Revenue Bonds Payable****2004 Series A**

The 2004 Series A Revenue Bonds in the original amount of \$4,435,000.00 were issued by the Authority on March 1, 2004 pursuant to the 2004 Supplemental Bond Resolution. The Bonds carry interest rates ranging from 1.10% to 4.15%.

Proceeds from the 2004 Bonds were used to refund \$715,000.00 outstanding 1995 Series A bonds and \$3,310,000.00 Series 1996 Series A bonds and to pay certain costs of the issuance of the 2004 Bonds, including the premium for a municipal bond insurance policy.

2011 Series A

The 2011 Series A Revenue Bonds in the original amount of \$3,655,000.00 were issued by the Authority on November 16, 2011 pursuant to the 2011 Supplemental Bond Resolution. The Bonds carry interest rates ranging from 1.75% to 5.00%.

Proceeds from the 2011 Bonds were used to finance the acquisition, construction, renovation, and/or installation of an infrastructure project consisting of the rehabilitation of a sewerage pump station and the replacement and reconstruction of sewer mains and related improvements, make a deposit to the Bond Reserve Fund and to pay costs of issuing the 2011 Bonds.

2012 Series A

The 2012 Series A Revenue Bonds in the original amount of \$18,865,000.00 were issued by the Authority on April 4, 2012 pursuant to the 2012 Supplemental Bond Resolution. The Bonds carry interest rates ranging from 2.00% to 4.00%.

Proceeds from the 2012 Bonds were used to refund \$13,065,000.00 outstanding 2002 Series A bonds and \$7,335,000.00 Series 2003 Series A bonds and to pay costs of issuing the 2012 Bonds.

2019 Series A

The 2019 Series A Revenue Bonds in the original amount of \$16,230,000.00 were issued by the Authority on October 17, 2019 pursuant to the 2019 Supplemental Bond Resolution. The Bonds carry interest rates ranging from 3.0% to 5.0%.

Proceeds from the 2019 bonds were used to finance the Elmwood WWTP Tertiary Filter Rehabilitation and the Elmwood WWTP Resiliency Improvements.

A summary of maturities on the 2004, 2011, 2012 and 2019 Revenue Bonds Payable at June 30, 2020 is presented on the following page:

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Revenue Bonds Payable (Cont'd)**

The following schedule reflects the Debt Requirements until 2049.

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 640,000.00	\$ 801,170.82	\$ 1,441,170.82
2022	920,000.00	676,862.50	1,596,862.50
2023	945,000.00	640,587.50	1,585,587.50
2024	425,000.00	607,150.00	1,032,150.00
2025	445,000.00	586,962.50	1,031,962.50
2026 - 2030	2,245,000.00	2,607,706.25	4,852,706.25
2031 - 2035	2,525,000.00	2,072,325.00	4,597,325.00
2036 - 2040	3,085,000.00	1,511,000.00	4,596,000.00
2041 - 2045	3,675,000.00	923,475.00	4,598,475.00
2046 - 2049	4,275,000.00	328,125.00	4,603,125.00
	19,180,000.00	<u>\$ 10,755,364.57</u>	<u>\$ 29,935,364.57</u>
Less: Current Maturities	640,000.00		
Premium on Bonds	<u>(1,369,690.93)</u>		
Long-term Portion	<u>\$ 19,909,690.93</u>		

New Jersey Environmental Infrastructure Trust

In November 2006, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$5,695,000.00 from the Trust and a \$5,699,574.00 from the Fund. The loan proceeds are being used to fund the Kings Grant Sewer Treatment Plant rehabilitation project. As of June 30, 2020, the Authority has drawn all of these funds.

The Fund Loan is a non-interest bearing loan with the first semi-annual principal payment paid July 1, 2007. The Trust Loan carries rates from 4.00% to 5.00%. Both loans have a final maturity of July 1, 2026.

In November 2008, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$1,325,000.00 from the Trust and a \$1,307,340.00 from the Fund. The loan proceeds are being used to fund the Kings Grant Sewer Treatment Plant rehabilitation project. As of June 30, 2020, the Authority has drawn all of these funds.

The Fund Loan is a non-interest bearing loan with the first semi-annual principal payment paid July 1, 2009. The Trust Loan carries rates from 5.00% to 5.50%. Both loans have a final maturity of July 1, 2028.

In November 2009, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$830,588.00 from the Fund and a \$270,000.00 from the Trust. A portion of the Fund loan principal totaling \$553,725.00 was funded by American Recovery Reinvestment Act proceeds and subsequently forgiven. As a result, the Authority is only liable for \$276,863.00 of the Fund loan. The loan proceeds are being used to fund the Kings Grant Infiltration Basin project. As of June 30, 2020, the Authority has drawn all of these funds.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**New Jersey Environmental Infrastructure Trust (Cont'd)**

In May 2014, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$1,050,000.00 from the Trust and a \$3,222,073.00 from the Fund. The loan proceeds are being used to fund the Elmwood / Woodstream SCADA project and the Elmwood / Woodstream Treatment Plant Upgrades for Energy Conservation. As of June 30, 2020, the Authority has drawn all of these funds.

The Fund Loan is a non-interest bearing loan with the first semi-annual principal payment due July 1, 2014. The Trust Loan carries rates from 3.00% to 5.00%. Both loans have a final maturity of July 1, 2033.

The following schedule reflects the Debt Service Requirements for the Authority's N.J.E.I.T. Loans until 2034.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 996,681.34	\$ 181,393.76	\$ 1,178,075.10
2022	1,015,472.69	160,615.63	1,176,088.32
2023	1,036,695.42	138,787.50	1,175,482.92
2024	1,056,975.26	115,768.75	1,172,744.01
2025	1,075,785.99	90,375.00	1,166,160.99
2026	1,107,376.88	64,662.50	1,172,039.38
2027	1,087,972.81	39,737.50	1,127,710.31
2028	357,911.98	23,175.00	381,086.98
2029	367,911.98	15,375.00	383,286.98
2030	253,219.58	10,100.00	263,319.58
2031	233,834.21	7,775.00	241,609.21
2032	233,834.21	5,675.00	239,509.21
2033	233,834.21	3,531.25	237,365.46
2034	184,223.01	1,218.75	185,441.76
	<u>9,241,729.57</u>	<u>\$ 858,190.64</u>	<u>\$ 10,099,920.21</u>
Current Portion	<u>996,681.34</u>		
Long Term	<u>\$ 8,245,048.23</u>		

New Jersey Infrastructure Bank (NJIB) Interim Loan

On July 17, 2019, the Authority closed on an interim loan from the New Jersey Infrastructure Bank in the amount of \$1,915,662.00 at no interest. The maturity date of the loan is the date of the anticipated permanent financing program of NJIB. The loan proceeds held by NJIB are being used to fund the costs associated with the Authority's Well No. 13 Disinfection Project

Compensated Absences

Authority employees may accumulate unused sick days with no restrictions. Employees are compensated for accumulated sick leave upon retirement or resignation at one-half of their then current hourly rate of pay times the number of days accumulated, up to a maximum of \$15,000.00. Vacation days not used during the year may be carried forward for one year. Upon separation from the Authority, the employee will be paid for all accrued vacation time at their then current hourly rate. The accrued liability for accumulated sick leave and vacation time at June 30, 2020 and 2019 is estimated at \$576,361.00 and \$575,850.47, respectively.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Net Pension Liability**

For details on the net pension liability, see the Pension Plans section of this note that follows. The Authority's annual required contribution to the Public Employees' Retirement System is budgeted and paid on an annual basis.

Net OPEB Liability

For details on other postemployment benefits, see the Postemployment Benefits Other Than Pensions (OPEB) section of this note that follows. The Authority's contributions to the postemployment benefits plan are budgeted and paid as they are due.

Lease Obligations

At June 30, 2020, the Authority had capital lease agreements in effect for the following:

- 2019 Ford Escape (4)
- 2019 Ford F-350 with Plow (3)
- 2018 Ford F-550 Crane Trucks (2)
- 2019 Ford F-550 Electricians Truck
- 2019 Ford F-750 Dump Truck & Salt Spreader
- 2019 GapVax Combo Jet/Vac
- 2019 Kenworth Tractor
- Kubota Mini Backhoe
- 2018 Water Main Break Trailer
- Two Utility Trailers
- Two Lawn Mowers
- John Deere Loader
- Kubota Tractors/Carts
- John Deere Excavator
- Genie Telehandler Lift

At June 30, 2020 and 2019, the Authority had operating lease agreements in effect for a copier and GPS Tracking System.

Capital Leases – The Authority is leasing vehicles with a total collective cost of \$1,639,039.16 under a capital lease. The associated capital lease has a four-year term. Capital leases are depreciated in a manner consistent with the Authority's depreciation policy for owned assets.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Capital Leases (Cont'd)**

The following is an analysis of the Authority's capital leases:

<u>Description</u>	<u>Balance June 30,</u>	
	<u>2020</u>	<u>2019</u>
2019 Ford Escape (4)	\$ 115,456.00	
2019 Ford F-350 with Plow (3)	147,285.00	\$ 147,285.00
2018 Ford F-550 Crane Trucks (2)	233,729.00	233,729.00
2019 Ford F-550 Electricians Truck	88,300.00	88,300.00
2019 F-750 Dump Truck & Salt Spreader	135,155.00	135,155.00
2019 GapVax Combo Jet/Vac	403,667.20	403,667.20
2019 Kenworth Tractor	117,793.00	117,793.00
Kubota Mini Backhoe	53,641.84	53,641.84
2018 Water Main Break Trailer	9,443.36	9,443.36
Two Utility Trailers	2,732.04	2,732.04
Two Lawn Mowers	13,780.00	13,780.00
John Deere Loader	56,522.60	56,522.60
Kubota Tractors / Carts	60,253.62	60,253.62
John Deere Excavator	73,730.50	73,730.50
Genie Telehandler Lift	127,550.00	127,550.00
	<u>\$ 1,639,039.16</u>	<u>\$ 1,523,583.16</u>

The following schedule represents the remaining principal and interest payments, through maturity, for capital leases:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 403,508.32	\$ 23,082.00	\$ 426,590.32
2022	<u>409,238.14</u>	<u>11,622.36</u>	<u>420,860.50</u>
Total	<u>\$ 812,746.46</u>	<u>\$ 34,704.36</u>	<u>\$ 847,450.82</u>

Operating Leases - Future minimum lease payments under operating lease agreements are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$13,375.80
2022	2,520.24

Rental payments under operating leases for fiscal years ended 2020 and 2019 were \$15,718.68 and \$15,958.56.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Operating Leases (Cont'd)**

The Authority's administration office was located in the Evesham Township Municipal Complex. During the fiscal year 2017, the Authority's administration office was relocated to another Township owned facility. The Authority previously paid the Township \$300,000.00 for office space for twenty years. In March 2004, in accordance with amendments to the rental agreement, the Authority paid the Township an additional \$150,847.89 for office space extending the lease to thirty years. In August 2004, the Authority paid the Township \$247,824.00 extending the lease for an additional ten years to June 30, 2038. The Authority has recorded a prepaid expense on its balance sheet and will apply the prepayment to subsequent year's budgets over a period of forty years. The Authority's total rental expense for fiscal years 2020 and 2019 was \$77,240.00 and \$74,972.00, respectively, including \$20,000.00 for 2020 and 2019 of the prepaid amount that was applied.

Pension Plans

A substantial number of Authority employees participate in the Public Employees' Retirement System ("PERS"), a defined benefit pension plan, which is administered by the New Jersey Division of Pensions and Benefits ("the Division"). In addition, Authority employees may participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<http://www.state.nj.us/treasury/pensions/financial-reports.shtml>

General Information about the Pension Plans**Plan Descriptions**

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Authority, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Vesting and Benefit Provisions**

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
--------------------	--------------------------

- | | |
|---|--|
| 1 | Members who were enrolled prior to July 1, 2007 |
| 2 | Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008 |
| 3 | Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010 |
| 4 | Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011 |
| 5 | Members who were eligible to enroll on or after June 28, 2011 |

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Defined Contribution Retirement Program - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Contributions

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the member contribution rate was 7.50% in State fiscal year 2019 and 7.34% in State fiscal year 2018. The rate for members who are eligible for the Prosecutors Part of PERS (P.L. 2001, C. 366) was 10.0% in State fiscal year 2019. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Contributions (Cont'd)****Public Employees' Retirement System (Cont'd)**

The Authority's contractually required contribution rate for the fiscal years ended June 30, 2020 and 2019 was 16.96% and 14.23% of the Authority's covered payroll. These amounts were actuarially determined as an amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the fiscal year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2019, the Authority's contractually required contribution to the pension plan for the fiscal year ended June 30, 2020 was \$544,452.00 and was paid by April 1, 2020. Based on the PERS measurement date of June 30, 2018, the Authority's contractually required contribution to the pension plan for the fiscal year ended June 30, 2019 was \$445,715.00, which was paid by April 1, 2019. Employee contributions to the Plan during the fiscal years ended June 30, 2020 and 2019 were \$263,313.66 and \$271,307.24, respectively.

Defined Contribution Retirement Program - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Authority contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period. For the fiscal years ended June 30, 2020 and 2019, there were no employees participating in DCRP.

Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS

At June 30, 2020, the Authority's proportionate share of the net pension liability was \$8,256,465.00. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2019. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2019 measurement date, the Authority's proportion was 0.0458221969%, which was an increase of 0.0014146117% from its proportion measured as of June 30, 2018.

At June 30, 2019, the Authority's proportionate share of the net pension liability was \$8,743,632.00. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2018 measurement date, the Authority's proportion was 0.0444075852%, which was a decrease of 0.0007771160% from its proportion measured as of June 30, 2017.

For the fiscal years ended June 30, 2020 and 2019, the Authority recognized pension expense of \$691,649.00 and \$733,647.00, respectively. These amounts were based on the plan's June 30, 2019 and 2018 measurement dates, respectively.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources - At June 30, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>June 30, 2020</u>		<u>June 30, 2019</u>	
	<u>Measurement Date</u> <u>June 30, 2019</u>		<u>Measurement Date</u> <u>June 30, 2018</u>	
	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between Expected and Actual Experience	\$ 148,193.00	\$ 36,473.00	\$ 166,742.00	\$ 45,085.00
Changes of Assumptions	824,438.00	2,865,793.00	1,440,806.00	2,795,749.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	130,332.00	-	82,016.00
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	783,191.00	126,112.00	820,952.00	175,438.00
Authority Contributions Subsequent to the Measurement Date	544,452.00	-	473,617.00	-
	<u>\$ 2,300,274.00</u>	<u>\$ 3,158,710.00</u>	<u>\$ 2,902,117.00</u>	<u>\$ 3,098,288.00</u>

The deferred outflows of resources related to pensions totaling \$544,452.00 and \$473,617.00 will be included as a reduction of the net pension liability in the fiscal years ended June 30, 2021 and 2020, respectively. This amount is based on an estimated April 1, 2021 and April 1, 2020 contractually required contribution, prorated from the pension plans measurement date of June 30, 2019 and June 30, 2018 to the Authority's fiscal year end of June 30, 2020 and 2019.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)****Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

The Authority will amortize the other deferred outflows of resources and deferred inflows of resources related to pensions over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	-	5.63
June 30, 2019	5.21	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	5.00	-
June 30, 2016	5.00	-
June 30, 2017	-	5.00
June 30, 2018	-	5.00
June 30, 2019	-	5.00
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)****Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension (benefit) expense as follows:

Fiscal Year Ending <u>June 30,</u>	
2021	\$ 71,914.00
2022	(546,518.00)
2023	(625,519.00)
2024	(282,383.00)
2025	(20,382.00)
	<u>\$ (1,402,888.00)</u>

Actuarial Assumptions – PERS

The net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2019 and 2018. These actuarial valuations used the following actuarial assumptions, applied to all periods included in the measurement:

	Measurement Date <u>June 30, 2019</u>	Measurement Date <u>June 30, 2018</u>
Inflation Rate:		
Price	2.75%	2.25%
Wage	3.25%	2.25%
Salary Increases:		
Through 2026	2.00% - 6.00%	1.65% - 4.15%
	Based on Years of Service	Based on Age
Thereafter	3.00% - 7.00%	2.65% - 5.15%
	Based on Years of Service	Based on Age
Investment Rate of Return	7.00%	7.00%
Period of Actuarial Experience		
Study upon which Actuarial Assumptions were Based	July 1, 2014 - June 30, 2018	July 1, 2011 - June 30, 2014

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Actuarial Assumptions – PERS (Cont'd)**

For the June 30, 2019 measurement date, pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

For the June 30, 2018 measurement date, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent modified 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2019 and 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2019 and 2018 are summarized in the table on the following page.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Actuarial Assumptions – PERS (Cont'd)**

<u>Asset Class</u>	<u>Measurement Date</u> <u>June 30, 2019</u>		<u>Measurement Date</u> <u>June 30, 2018</u>	
	<u>Target</u> <u>Allocation</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u>	<u>Target</u> <u>Allocation</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%	5.00%	5.51%
Cash Equivalents	5.00%	2.00%	5.50%	1.00%
U.S. Treasuries	5.00%	2.68%	3.00%	1.87%
Investment Grade Credit	10.00%	4.25%	10.00%	3.78%
High Yield	2.00%	5.37%	2.50%	6.82%
Private Credit	6.00%	7.92%		
Global Diversified Credit			5.00%	7.10%
Credit Oriented Hedge Funds			1.00%	6.60%
Debt Related Private Equity			2.00%	10.63%
Debt Related Real Estate			1.00%	6.61%
Real Assets	2.50%	9.31%	2.50%	11.83%
Real Estate	7.50%	8.33%	6.25%	9.23%
U.S. Equity	28.00%	8.26%	30.00%	8.19%
Non-U.S. Developed Markets Equity	12.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.37%	6.50%	11.64%
Buyouts/Venture Capital			8.25%	13.08%
Private Equity	12.00%	10.85%		
	<u>100.00%</u>		<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2019 was 6.28%. The single blended discount rate as based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from pension plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current pension plan members through 2057. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Actuarial Assumptions – PERS (Cont'd)**

Discount Rate (Cont'd) - The discount rate used to measure the total pension liability at June 30, 2018 was 5.66%. The respective single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates assumed that contributions from pension plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current pension plan members through 2046; therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

Sensitivity of Authority's Proportionate Share of Net Pension Liability to Changes in the Discount Rate – PERS

The following presents the Authority's proportionate share of the net pension liability at June 30, 2019, the pension plan's measurement date, calculated using a discount rate of 5.66%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	June 30, 2020		
	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 10,429,257.00</u>	<u>\$ 8,256,465.00</u>	<u>\$ 6,425,580.00</u>

The following presents the Authority's proportionate share of the net pension liability at June 30, 2018, the plans measurement date, calculated using a discount rate of 5.00%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	June 30, 2019		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 10,994,110.00</u>	<u>\$ 8,743,632.00</u>	<u>\$ 6,855,625.00</u>

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plan Fiduciary Net Position - PERS**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension (benefit) expense, information about the respective fiduciary net position of the PERS and additions to/deductions from PERS' respective fiduciary net position have been determined on the same basis as they are reported by PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS, please refer to the pension plan's Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan**General Information about the OPEB Plan**

In March 2020, the Authority changed its postemployment benefits plan from a private plan provided by the Township of Evesham to the State Health Benefits Local Government Retired Employees Plan. It was determined that the Authority would benefit from significant cost savings by changing to the State Plan.

Plan Description and Benefits Provided - The Authority contributes to the State Health Benefits Local Government Retired Employees Plan (the "Plan"), which 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>.

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

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)****General Information about the OPEB Plan (Cont'd)**

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

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

Contributions - 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 Authority was billed monthly by the Plan and for the fiscal year ended June 30, 2020, the Authority paid \$8,400.00. This amount represents 0.24% of the Authority's covered payroll. During the fiscal year ended June 30, 2020, retirees were required to contribute \$178.48.

Special Funding Situation Component - The State of New Jersey makes contributions to cover those employees eligible under Chapter 330, P.L. 1997, as disclosed below. Local employers remit employer contributions on a monthly basis. Retired member contributions are generally received on a monthly basis. Partially funded benefits are also available to local police officers and firefighters who retire with 25 years of service or on disability from an employer who does not provide coverage under the provisions of Chapter 330, P.L. 1997. Upon retirement, these individuals must enroll in the OPEB plan.

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

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

The Authority does not have a Special Funding Situation within the Plan.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)****OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

OPEB Liability - At June 30, 2020, the Authority's proportionate share of the net OPEB liability was \$5,450,804.00. 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, which was rolled forward to June 30, 2019. The Authority's proportion of the net OPEB liability was based on the ratio of the plan members of an individual employer to the total members of the Plan during the measurement period July 1, 2018 through June 30, 2019. For the June 30, 2019 measurement date, the Authority's proportion was 0.040239%.

OPEB (Benefit) Expense - At June 30, 2020, the Authority's proportionate share of the OPEB (benefit) expense, calculated by the Plan as of the June 30, 2019 measurement date is (\$50,804.00). As previously mentioned, for the fiscal year ended June 30, 2020, the Authority made contributions to the Plan totaling \$8,400.00.

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2020, the Authority had deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	<u>June 30, 2020</u>	
	Measurement Date	
	<u>June 30, 2019</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ -	\$ 1,594,027.00
Changes of Assumptions	-	1,931,644.00
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	4,490.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	-	-
Authority Contributions Subsequent to the Measurement Date	8,400.00	-
	<u>\$ 12,890.00</u>	<u>\$ 3,525,671.00</u>

The deferred outflows of resources related to OPEB totaling \$8,400.00 were the result of the Authority's contributions subsequent to the Plan's measurement date of June 30, 2019. This amount will be included as a reduction of the Authority's net OPEB liability during the fiscal year ending June 30, 2021.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)****OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - The Authority will amortize the other deferred outflow of resources and deferred inflows of resources related to the OPEB liability over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience		
June 30, 2017	-	-
June 30, 2018	-	8.14
June 30, 2019	-	8.05
Changes of Assumptions		
Year of OPEB Plan Deferral:		
June 30, 2017	-	8.04
June 30, 2018	-	8.14
June 30, 2019	-	8.05
Net Difference between Projected and Actual Earnings on OPEB Plan Investments		
Year of OPEB Plan Deferral:		
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		
Year of OPEB Plan Deferral:		
June 30, 2017	8.04	8.04
June 30, 2018	8.14	8.14
June 30, 2019	8.05	8.05

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)****OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)****Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

Other amounts included as deferred outflows of resources and deferred inflows of resources related to the OPEB liability will be recognized in future periods as follows:

Fiscal Year Ending Jun. 30,		
2021	\$	(573,487.00)
2022		(573,487.00)
2023		(573,839.00)
2024		(574,408.00)
2025		(574,928.00)
Thereafter		(651,032.00)
	\$	<u>(3,521,181.00)</u>

Actuarial Assumptions

The actuarial valuation at June 30, 2019 used the following actuarial assumptions, applied to all periods in the measurement:

Measurement Date June 30, 2019	
Inflation Rate	2.50%
Salary Increases *	
PERS:	
Initial Fiscal Year Applied:	
Rate Through 2026	2.00% to 6.00%
Rate Thereafter	3.00% to 7.00%

For the June 30, 2019 measurement date, mortality rates were based on Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019.

100% of active members in the June 30, 2019 measurement date are considered to participate in the Plan upon retirement.

All of the Plan's investments are in the State of New Jersey Cash Management Fund ("CMF"). The New Jersey Division of Investments manages the CMF, which is available on a voluntary basis for investment by State and certain non-State participants. The CMF is considered to be an investment trust fund as defined in GASB Statement No. 31, *Certain Investments and External Investment Pools*. The CMF invests in U.S. Government and Agency Obligations, Commercial Paper, Corporate Obligations and Certificates of Deposit. Units of ownership in the CMF may be purchased or redeemed on any given business day (excluding State holidays) at the unit cost of value of \$1.00. Participant shares are valued on a fair value basis. The CMF pays interest to participants on a monthly basis.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)****Actuarial Assumptions (Cont'd)**

Discount Rate - The discount rate used to measure the OPEB Liability at June 30, 2019 was 3.50%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Health Care Trend Assumptions - For the June 30, 2019 measurement date, the trend rate for pre-Medicare medical benefits 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.

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

The net OPEB liability as of June 30, 2019, the plans measurement date, for the Authority calculated using a discount rate of 3.50%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	June 30, 2020		
	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Authority's Proportionate Share of the Net OPEB Liability	<u>\$ 6,302,516.00</u>	<u>\$ 5,450,804.00</u>	<u>\$ 4,758,675.00</u>

Sensitivity of the net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The Authority's proportionate share of the net OPEB liability as of June 30, 2019, using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate used is as follows:

	June 30, 2020		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Authority's Proportionate Share of the Net OPEB Liability	<u>\$ 4,599,807.00</u>	<u>\$ 5,450,804.00</u>	<u>\$ 6,536,394.00</u>

OPEB Plan Fiduciary Net Position

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB (benefit) expense, information about the respective fiduciary net position of the State Health Benefits Local Government Retired Employees Plan and additions to/deductions from the Plan's respective fiduciary net position have been determined on the same basis as they are reported by the Plan. Accordingly, contributions (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about the Plan, please refer to the Plan's Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) – Authority Plan**

Plan Description - The Authority provided postemployment medical and prescription benefits through a health plan for retirees. The Authority's plan was provided through an agreement with the Township of Evesham (see Note 8) which is a self-insured plan. The Authority's plan was approved by the Board on October 9, 2013 and revised effective July 1, 2017. The plan covered all employees and eligible dependents in which said employee was fifty-five (55) years or older and had at least twenty-five (25) years of service to the Authority provided they were eligible for pension under PERS. Employees hired before July 1, 2017 were eligible at age sixty-two (62) if they completed twenty (20) years of service with the Authority provided they were eligible for pension under PERS. Benefits to the employee and their dependents ceased when the retired employee or spouse reached Medicare age. The benefits were determined by negotiated contract of the collective bargaining unit. A memorandum of understanding limits the authorization of postemployment benefits up to and including June 30, 2019. The Authority withdrew from the Plan in March 2020.

Employees Covered by Benefit Terms - At June 30, 2019, the following employees were covered by the benefit terms:

	<u>June 30, 2019</u>
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	2
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments	
Active Employees	<u>55</u>
	<u>57</u>

Contributions

Retirees made contributions per Chapter 78 while they received these benefits.

Total OPEB Liability

The Authority's total OPEB liability of \$1,481,896.00 as of June 30, 2019 was measured as of June 30, 2019. The liabilities were determined by an actuarial valuation as of July 1, 2018 with the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2019.

Actuarial Assumptions and Other Inputs

The following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	N/A
Salary Increases	Final Average Salary for Retirees Age 55 and Over is \$79,653.00
Discount Rate	3.58%
Healthcare Cost Trend Rates	7.00% Pre-Medicare 5.00% Post- Medicare
Retirees' Share of Benefit-Related Costs	Pursuant to Chapter 78

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index. Eligible bonds are rated at least AA by Standards and Poor's Rating Services, Aa2 by Moody's or AA by Fitch. If there were multiple ratings, the lowest rating was used.

Mortality rates were based on RP-2000 Combined Mortality Table for Males and Females as appropriate.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) – Authority Plan (Cont'd)****Actuarial Assumptions and Other Inputs (Cont'd)**

Termination rates, other than for death or retirement, were determined in accordance with the U.S. Office of Personnel Management regarding the experience of the employee group covered by the Federal Employee Retirement System. Some excerpts are:

<u>Age</u>	<u>% Terminating</u>
20	70.4%
40	15.9%
50	0.0%

No termination of employment related to disability. Retirements resulting from a disability were factored into age determination at retirement.

Future retirees (current active participants) age at retirement was determined, on average, at no earlier than fifty-five (55) and eligibility criteria is met, active participants who are not eligible at age sixty-five (65) will not accrued enough future service to become eligible for benefits and actual age was used for existing retirees.

All spouses will remain together and receive coverage.

Average salary utilized for retirees age fifty-five (55) and over is \$79,653.00.

An experience study was not performed on the actuarial assumptions used in the June 30, 2018 and 2019 valuations since the plan had insufficient data to produce a study with credible results. Mortality rates, termination rates and retirement rates were based on standard tables issued by SOA. The actuary has used their professional judgment in applying these assumptions to this plan.

Changes in the Total OPEB Liability

The following table shows the changes in the total OPEB liability for the years June 30, 2020 and 2019, respectively:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Balance at Beginning of Year	\$ 1,481,896.00	\$ 1,480,222.00
Changes for the Year:		
Service Cost	\$ 60,000.00	\$ 89,977.00
Interest Cost	33,333.33	50,133.00
Benefit Payments	101,232.67	(151,849.00)
Changes in Benefits	(1,663,049.00)	
Actuarial Assumption Changes	1,760.00	(1,760.00)
Actuarial Demographic Gains / (Losses)	(15,173.00)	15,173.00
Net Changes	<u>(1,481,896.00)</u>	<u>1,674.00</u>
Balance at End of Year	<u>\$ -</u>	<u>\$ 1,481,896.00</u>

There were changes of benefit terms when the Authority discontinued its participation in the Authority plan and enrolled in the State Health Benefits program (See the Preceding Note):

Discount Rate – The rate changed from 3.57 % at June 30, 2018 to 3.58% at June 30, 2019.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Post-Employment Benefits Other Than Pensions (OPEB) – Authority Plan (Cont'd)**

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated for using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	June 30, 2019		
	1.00% Decrease (2.58%)	Current Discount Rate (3.58%)	1.00% Increase (4.58%)
Total OPEB Liability	<u>\$ 1,661,352.00</u>	<u>\$ 1,481,896.00</u>	<u>\$ 1,317,331.00</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	June 30, 2019		
	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Total OPEB Liability	<u>\$ 1,284,493.00</u>	<u>\$ 1,481,896.00</u>	<u>\$ 1,720,392.00</u>

OPEB (Benefit) Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the Authority recognized OPEB expense of \$101,716.00. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions or Other Inputs	\$ 198,262.00	\$ 1,760.00
Changes of Actuarial Gains & Losses	15,173.00	-
	<u>\$ 213,435.00</u>	<u>\$ 1,760.00</u>

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Post-Employment Benefits Other Than Pensions (OPEB) – Authority Plan (Cont'd)****OPEB (Benefit) Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

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

Fiscal Year Ending June 30,	
2020	\$ 18,257.79
2021	18,257.79
2022	18,257.79
2023	18,257.79
2024	18,257.79
Thereafter	120,386.05
	<u>\$ 211,675.00</u>

Note 5: DETAIL NOTES – DEFERRED INFLOWS OF RESOURCES**Connection Fees**

The Authority receives payments for connection fees when new users connect to the water and/or sewer system. The Authority does not supply the user with supplies or services to make the physical connection and is therefore considered a non exchange transaction. The Authority recognizes the revenue in the period that the user exercises their right to connect to the system.

Note 6: NET POSITION APPROPRIATED

As of June 30, 2020, the Authority had a balance an unrestricted net position balance of \$3,264,790.04. After adding back pension (GASB 68) and other postemployment benefits (GASB 75), the adjusted unrestricted net position is \$21,343,276.04. Of that amount, \$484,500.00 has been appropriated and included as support in the sewer operating budget, \$6,736,000.00 in the sewer capital budget, \$294,500.00 in the water operating budget and \$1,714,500 in the water capital budget for the fiscal year ending June 30, 2021.

As of June 30, 2019, the Authority had a balance an unrestricted net position balance of \$8,944,409.49. Of that amount, \$470,000.00 has been appropriated and included as support in the sewer operating budget, \$2,087,500.00 in the sewer capital budget, \$300,000.00 in the water operating budget and \$2,666,000.00 in the water capital budget for the fiscal year ending June 30, 2020.

Note 7: DEVELOPERS' PERFORMANCE DEPOSITS

The Authority has accepted cash deposits for several construction projects in lieu of performance bonds. Performance bonds and deposits are required by the Authority to insure the proper completion of a project. If a project is not completed to the satisfaction of the Authority, this money or bond will be used to pay for the corrections needed to meet the Authority's requirements. The Authority has established individual bank accounts for each developer's deposit. The accounts are in the name of the developer and the Authority. The Authority has no right to the deposits or interest earned until the time of developer default. Therefore, the Authority does not record the deposits in its financial statements. The total amount of performance deposits at June 30, 2020 and 2019 were \$25,815.65 and \$231,271.30, respectively.

Note 8: INTERGOVERNMENTAL AGREEMENTS**Major Customer**

In April 1989, the Authority entered into a five-year renewable agreement with the Municipal Utilities Authorities of Willingboro and Mount Laurel. The agreement was renewed in April 1994 for an additional period of five years and has been extended by mutual agreement. The agreement details the purchase of water by the Mount Laurel Township M.U.A. from the Willingboro M.U.A. and the subsequent resale of water by Mount Laurel to the Evesham M.U.A. Evesham M.U.A. is required to purchase a minimum of 50% of the quarterly gallons purchased by the Mount Laurel Township M.U.A., subject to certain daily requirements, if such water is available. Pursuant to the agreement, the Mount Laurel Township M.U.A. has title to all interconnection assets and is responsible for their maintenance, except for any extraordinary repair costs for certain defined areas of the interconnection system which would be shared equally with Evesham M.U.A.

Effective October 2, 2019, the Authority entered into a revised bulk water sale agreement with Mount Laurel Township M.U.A. The term of the agreement is fifteen years, which may be extended for three five year periods for a total of thirty years. Also effective October 2, 2019, the Authority entered into a memorandum of understanding with Mount Laurel Township M.U.A. The memorandum provides the terms and rate at which the Authority will purchase Mount Laurel Township M.U.A. water under the bulk water sale agreement, as previously discussed.

The payments for water purchases are deemed to be an operating expense to the Evesham M.U.A. and are appropriately charged to the Authority's budget. The amount paid to Mount Laurel Township M.U.A. for fiscal year 2020 was \$374,036.25 and for fiscal year 2019 was \$279,540.75. As of June 30, 2020 and 2019, an accounts payable has been recorded totaling \$27,893.80 and \$48,851.00, respectively, for payment of prior year's usage.

On November 12, 2013, the Authority entered into an agreement with the Township of Evesham to provide health and prescription benefits to the Authority employees and dependents through the Township's self-insured benefits plan. The plan is administered by Insurance Administrator of America, Inc (I.A.A.). The agreement calls for the Authority to be billed for 100% of claims associated with their employees and dependents. The Authority will also pay a percentage of the fixed costs associated with the administration of the plan. The agreement provides a maximum claim amount per employee or dependent (individually) of \$75,000.00. A stop loss policy for claims exceeding \$75,000.00 is provided by an insurance policy acquired through a commercial insurance company. The effective date of the agreement was December 1, 2013 and expired November 30, 2015. Effective March 2020, the Authority terminated the agreement with the Township of Evesham.

Other Service Agreement

In June 2000, the Authority entered into a ten-year renewable agreement with New Jersey American Water Company, Inc. (NJAWC) for the supply, delivery and purchase of water. The agreement stipulates that for the initial term ending December 31, 2010, the Authority must purchase 850,000 gallons per day. The purchase requirement remained unchanged until February 1, 2002, when the minimum amount was increased to 1,000,000 gallons per day. The agreement automatically renews for two successive ten year terms unless the Authority has received final approval from the NJ Department of Environmental Protection for a new source of supply plan naming an alternative supply source other than NJAWC and the Authority provides NJAWC with written notice of termination not later than one year prior to the end of the current term. If the notice of termination is delivered, the Authority's minimum purchase amount would be decreased 20% in each year of the next successive five years. The Authority paid the NJAWC \$1,282,330.73 during the fiscal year 2020 and \$1,267,886.20 during the fiscal year 2019.

Note 9: COMMITMENTS

The Authority had several outstanding or planned construction projects as of June 30, 2020. These projects are evidenced by contractual commitments with contractors and include:

<u>Project</u>	<u>Awarded</u>	<u>Remaining</u>
Sludge Transportation Services	\$ 259,698.40	\$ 6,835.48
Heritage Village Sewer Main Lining	717,800.00	14,074.72
Cold Water Meter with Integrated Meter Interface Unit	299,050.00	65,003.39
ASR Well 13 Treatment	1,296,514.00	211,258.93
ASR Well 14 Screen Replacement	259,500.00	132,345.00
Heritage Village Water Main Replacement	1,854,346.65	654,691.76
Knox Blvd. Water Main Replacement	1,504,751.00	819,054.76
Locust Avenue Pump Station Upgrade	950,500.00	808,536.33
Woodlake Drive Water Main Replacement	<u>193,160.00</u>	<u>193,160.00</u>
	<u>\$ 7,335,320.05</u>	<u>\$ 2,904,960.37</u>

Note 10: DEFERRED COMPENSATION

The Authority offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Authority or its creditors. Since the Authority does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Authority's financial statements.

Note 11: ARBITRAGE REBATE LIABILITY

The Tax Reform Act of 1986 placed restriction on investments of the proceeds of certain tax-exempt bonds issued after December 31, 1986. Specifically, investment earnings which are above arbitrage bond yield are required to be rebated to the United States Treasury Department within sixty days of the end of the fifth bond year. A bond year is defined as ending on the anniversary date of bond settlement.

As a result of potential arbitrage rebate, the Authority established a trustee bank account reserved to pay any future rebate requirement. Regarding the Authority's 2012 Revenue Bonds, Series A, a calculation for the fifth bond year was prepared as of July 17, 2017 and resulted in a rebate liability totaling \$318,329.56. Subsequent to June 30, 2017, the Authority remitted ninety percent of the liability, \$286,496.61, as required by the Internal Revenue Service. The amount on deposit in the trustee rebate account as of June 30, 2020 is \$128,501.43. This amount is available to pay the remaining 10% rebate liability, if necessary.

Note 12: RISK MANAGEMENT

The Authority is a member of the New Jersey Utility Authorities Joint Insurance Fund. The Fund provides the Authority with the following coverage:

Workers' Compensation and Employer's Liability
Liability other than Motor Vehicles
Property Damage other than Motor Vehicles
Motor Vehicles
Crime, which includes Employee Dishonesty
Environmental Legal Liability

Contributions to the Fund, including a reserve for contingencies are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Authority's agreement with the pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of \$500,000.00 for each insured event.

The Fund publishes its own financial report for the year ended December 31, 2019, which can be obtained from:

New Jersey Utility Authorities Joint Insurance Fund
9 Campus Drive, Suite 216
Parsippany, NJ 07054-4412

Note 13: CONTINGENCIES

Litigation - The Authority is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Authority, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Note 14: SUBSEQUENT EVENTS

On December 2, 2020, The Authority's Board approved a change in the Authority's rate schedule. The purpose of the change was to more closely align the Authority's future debt expense with its rates. During FY 2020, the Authority issued a revenue bond for the sole purpose of funding its water related capital projects. Additionally, two of the Authority's sewer related debt issues recently reached their final maturity. As a result, the water rate schedule was adjusted to increase the base rate by \$20.00 and simultaneously decrease the sewer base rate by \$20.00.

The management of the Authority has evaluated its financial statements for subsequent events through the date that the financial statements were issued. As a result of the spread of the COVID-19 coronavirus in New Jersey, economic uncertainties have arisen which could negatively impact the financial position of the Authority. While the impact that COVID-19 will have is currently expected to be temporary, as of the date of the financial statements, the related financial impact and duration cannot be reasonably estimated.

REQUIRED SUPPLEMENTARY INFORMATION

EVESHAM MUNICIPAL UTILITIES AUTHORITY
 Required Supplementary Information
 Schedule of the Authority's Proportionate Share
 of the Net OPEB Liability - State Plan
 Plan Year Ended June 30, 2019

	Measurement Date Ended <u>June 30, 2019</u>
Authority's Proportion of the Net OPEB Liability	0.040239%
Authority's Proportionate Share of the Net OPEB Liability	\$ 5,450,804.00
Authority's Covered Payroll (Plan Measurement Period)	\$ 3,525,041.00
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	154.63%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.98%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

EVESHAM MUNICIPAL UTILITIES AUTHORITY
 Required Supplementary Information
 Schedule of the Authority's OPEB Contributions - State Plan
 Fiscal Year Ended June 30, 2020

	Fiscal Year Ended <u>June 30, 2020</u>
Authority's Required Contributions	\$ 8,400.00
Authority's Contributions in Relation to the Required Contribution	<u>(8,400.00)</u>
Authority's Contribution Deficiency (Excess)	<u><u>\$ -</u></u>
Authority's Covered Payroll	\$ 3,510,842.00
Authority's Contributions as a Percentage of Covered Payroll	0.24%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

EVESHAM MUNICIPAL UTILITIES AUTHORITY
 Required Supplementary Information
 Schedule of Changes in the Authority's
 Total OPEB Liability and Related Ratios - Authority Plan
 Fiscal Year Ended June 30, 2020

Total OPEB Liability	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Service Cost	\$ 60,000.00	\$ 89,977.00	\$ 218,436.00	\$ (208,504.00)
Interest Cost	33,333.33	50,133.00	32,416.00	57,787.00
Benefit Payments	101,232.67	(151,849.00)	(92,257.00)	(101,790.00)
Actuarial Assumption Changes	1,760.00	(1,760.00)	367,498.00	
Change in Benefits	(1,663,049.00)			
Actuarial Demographic Gains	(15,173.00)	15,173.00		
Net Change in Total OPEB Liability	(1,481,896.00)	1,674.00	526,093.00	(252,507.00)
Total OPEB Liability - Beginning of Fiscal Year	1,481,896.00	1,480,222.00	954,129.00	1,206,636.00
Total OPEB Liability - End of Fiscal Year	<u>\$ -</u>	<u>\$ 1,481,896.00</u>	<u>\$ 1,480,222.00</u>	<u>\$ 954,129.00</u>
Covered-Employee Payroll	N/A	\$ 3,938,734.46	\$ 3,582,186.00	\$ 3,408,478.00
Total OPEB Liability as a Percentage of Covered-Employee Payroll	N/A	37.62%	41.32%	27.99%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

EVESHAM MUNICIPAL UTILITIES AUTHORITY
 Required Supplementary Information
 Schedule of the Authority's Proportionate Share of the Net Pension Liability
 Public Employees' Retirement System (PERS)
 Last Seven Plan Years

	Measurement Date Ending June 30,			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's Proportion of the Net Pension Liability	0.0458221969%	0.0444075852%	0.0451847012%	0.0433673114%
Authority's Proportionate Share of the Net Pension Liability	\$ 8,256,465.00	\$ 8,743,632.00	\$ 10,518,275.00	\$ 12,844,154.00
Authority's Covered Payroll	\$ 3,210,964.00	\$ 3,131,212.00	\$ 3,191,048.00	\$ 2,942,220.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	257.13%	279.24%	329.62%	436.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.27%	53.60%	48.10%	40.14%
		<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Liability		0.0372569676%	0.0377976045%	0.0375789881%
Authority's Proportionate Share of the Net Pension Liability		\$ 8,363,443.00	\$ 7,076,745.00	\$ 7,182,091.00
Authority's Covered Payroll		\$ 2,613,944.00	\$ 2,417,848.00	\$ 2,483,760.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll		319.95%	292.69%	289.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		47.93%	52.08%	48.72%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

EVESHAM MUNICIPAL UTILITIES AUTHORITY
 Required Supplementary Information
 Schedule of the Authority's Pension Contributions
 Public Employees' Retirement System (PERS)
 Last Seven Fiscal Years

	Fiscal Year Ended June 30,						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 544,452.00	\$ 445,715.00	\$ 441,712.00	\$ 418,588.00	\$ 385,269.00	\$ 320,310.00	\$ 311,598.00
Contributions in Relation to the Contractually Required Contribution	<u>(544,452.00)</u>	<u>(445,715.00)</u>	<u>(441,712.00)</u>	<u>(418,588.00)</u>	<u>(385,269.00)</u>	<u>(320,310.00)</u>	<u>(311,598.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered-Employee Payroll	\$ 3,210,964.00	\$ 3,131,212.00	\$ 3,191,048.00	\$ 2,942,220.00	\$ 2,613,944.00	\$ 2,417,848.00	\$ 2,483,760.00
Contributions as a Percentage of Authority's Covered-Employee Payroll	16.96%	14.23%	13.84%	14.23%	14.74%	13.25%	12.55%

Note: This schedule is presented to illustrate the requirement to show information for 10 years.
 However, until a full 10-year trend is compiled, this presentation will only include information
 for those years for which information is available.

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Other Postemployment Benefits

Changes in Benefit Terms – The Authority changed plans from a private plan as of June 30, 2019 to the State Health Benefits Local Government Retired Employees Plan as of June 30 2020. As a result, benefit terms were changed.

Authority Plan:

Changes in Assumptions – The following changes in actuarial assumptions were made based on the most recent actuarial valuation for the fiscal year ended June 30, 2019:

Discount Rate – Updated discount rates based upon S&P Municipal Bond 20 Year High Grade Rate Index, changed from 3.57% at June 30, 2018 to 3.58% at June 30, 2019.

State Health Benefits Local Government Retired Employees Plan:

Changes in Assumptions – The following changes in actuarial assumptions were made based on the most recent actuarial valuation for the measurement date of June 30, 2019:

The discount rate changed to 3.50% from 3.87%, and there were changes in the assumed health care cost trend, PPO/HMO future retiree elections, and excise tax assumptions. Further, decrements, salary scale, and mortality assumptions were updated based on the July 1, 2013 – June 30, 2018 PFRS and July 1, 2014 - June 30, 2018 PERS experience studies. For mortality related to PFRS members and retirees, the Pub-2010 "Safety" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019 was used. For mortality related to PERS members and retirees, the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019 was used.

Public Employees' Retirement System (PERS)

Changes in Benefit Terms – None

Changes in Assumptions –

The Discount Rate changed at June 30th over the following years, 5.39% 2014, 4.90% 2015, 3.98% 2016, 5.00% 2017, 5.66% 2018 and 6.28% 2019.

The Long-term Expected Rate of Return changed at June 30th over the following years, 7.90% 2014 and 2015, 7.65% 2016, 7.00% 2017, 2018 and 2019.

For 2019, the assumed rates of retirement, mortality, salary increases, and inflation were updated based on the July 1, 2014 - June 30, 2018 Experience Study. For pre-retirement mortality, the Pub-2010 General Below-Median Income Employee mortality table with a 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For healthy retirees and beneficiaries, the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For disabled retiree mortality, the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males, and a 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For mortality improvement, Scale MP-2019 was used.

For 2016, demographic assumptions were revised in accordance with the results of the July 1, 2011 – June 30, 2014 experience study and the mortality improvement scale incorporated the Plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter.

Public Employees' Retirement System (PERS)

Changes in Assumptions (Cont'd) –

For 2015, the social security wage base was set at \$118,500.00 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000.00 for 2015, increasing 3.00% per annum, compounded annually.

SUPPLEMENTAL SCHEDULES

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Schedule of Net Position by Department
As of June 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS			
Unrestricted Assets:			
Revenue/Operating Account:			
Cash and Cash Equivalents		\$ 3,045,644.22	\$ 3,045,644.22
Investments		1,066,764.89	1,066,764.89
Accrued Interest Receivable	\$ 1,031.42	1,915.49	2,946.90
General Account:			
Cash and Cash Equivalents	2,765,182.46	14,339,685.60	17,104,868.06
Investments	26,442.44	49,107.38	75,549.82
Accrued Interest Receivable	54.00	100.29	154.29
Consumer Accounts Receivable	322,075.54	731,560.51	1,053,636.05
Other Accounts Receivable	22,894.68	38,932.99	61,827.67
Prepaid Expenses	343,964.60	662,688.61	1,006,653.21
Total Unrestricted Assets	3,481,645.13	19,936,399.98	23,418,045.11
Restricted Assets:			
Bond Service Account:			
Cash and Cash Equivalents	782,750.06	1,453,678.69	2,236,428.75
Accrued Interest Receivable	14,942.10	27,749.61	42,691.71
Bond Service Reserve Account:			
Cash and Cash Equivalents	328,701.73	610,446.06	939,147.79
Investments	525,000.00	1,380,940.58	1,905,940.58
Accrued Interest Receivable	1,852.88	3,441.05	5,293.93
Renewal and Replacement Account:			
Cash and Cash Equivalents	350,000.00	650,000.00	1,000,000.00
Investments	209,625.13	389,303.82	598,928.95
Accrued Interest Receivable	729.17	1,354.16	2,083.33
Construction Account			
Cash and Cash Equivalents	15,416,029.73		15,416,029.73
Other Accounts:			
Cash and Cash Equivalents	419,619.18	1,019,068.26	1,438,687.44
Due from New Jersey Infrastructure Bank	166,298.00		166,298.00
Interfund Loan	1,500,000.00		1,500,000.00
Total Restricted Assets	19,715,547.99	5,535,982.23	25,251,530.21
Capital Assets:			
Construction in Progress	4,470,143.84	724,812.29	5,194,956.13
Completed (Net of Accumulated Depreciation)	10,639,746.58	35,174,258.60	45,814,005.18
Total Capital Assets	15,109,890.42	35,899,070.89	51,008,961.31
Total Assets	38,307,083.54	61,371,453.09	99,678,536.63
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	805,095.90	1,495,178.10	2,300,274.00
Related to Other Post Employment Benefits	4,511.50	8,378.50	12,890.00
	809,607.40	1,503,556.60	2,313,164.00

(Continued)

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Schedule of Net Position by Department
As of June 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
LIABILITIES			
Current Liabilities Payable from Unrestricted Assets:			
Accounts Payable--Operations	\$ 205,093.32	\$ 213,273.57	\$ 418,366.89
Accounts Payable--Related to Pensions	190,558.20	353,893.80	544,452.00
Prepaid Rental Charges	26,491.66	49,198.80	75,690.46
Prepaid Antenna Rental Charges	29,376.35		29,376.35
	<hr/>		
Total Current Liabilities Payable from Unrestricted Assets	451,519.53	616,366.17	1,067,885.70
	<hr/>		
Current Liabilities Payable from Restricted Assets:			
Accounts Payable	7,110.72	25,715.66	32,826.39
Revenue Bonds Payable--Current Portion	56,006.00	583,994.00	640,000.00
New Jersey Environmental Infrastructure Loan Payable--Current Portion		996,681.34	996,681.34
Leases Payable	141,227.91	262,280.41	403,508.32
Compensated Absences	20,172.60	37,463.40	57,636.00
Accrued Bonds and Loans Interest Payable	403,199.82	148,974.13	552,173.95
Escrow Deposits		45,455.09	45,455.09
	<hr/>		
Total Current Liabilities Payable from Restricted Assets	627,717.05	2,100,564.03	2,728,281.09
	<hr/>		
Long-term Liabilities:			
Revenue Bonds Payable	17,560,135.74	2,349,555.19	19,909,690.93
New Jersey Environmental Infrastructure Loan Payable		8,245,048.23	8,245,048.23
New Jersey Infrastructure Bank Note Payable	1,915,662.00		1,915,662.00
Interfund Loan		1,500,000.00	1,500,000.00
Net Pension Liability	2,889,762.75	5,366,702.25	8,256,465.00
Other Post Employment Benefits Obligation	1,907,781.40	3,543,022.60	5,450,804.00
Leases Payable	143,233.35	266,004.79	409,238.14
Compensated Absences	181,553.75	337,171.25	518,725.00
	<hr/>		
Total Long-term Liabilities	24,598,128.99	21,607,504.31	46,205,633.30
	<hr/>		
Total Liabilities	25,677,365.58	24,324,434.51	50,001,800.09
	<hr/>		
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	1,105,548.50	2,053,161.50	3,158,710.00
Related to Other Post Employment Benefits	1,233,984.85	2,291,686.15	3,525,671.00
Deferred Revenue	295,920.70	789,342.50	1,085,263.20
	<hr/>		
	2,635,454.05	5,134,190.15	7,769,644.20
	<hr/>		
NET POSITION			
Restricted for:			
Bond Covenants:			
Debt Service Reserve Requirement	601,050.00	1,463,028.77	2,064,078.77
System Reserve Requirement	525,000.00	975,000.00	1,500,000.00
Operating Requirement	1,473,341.25	1,940,903.75	3,414,245.00
Net Investment in Capital Assets	10,781,635.60	23,195,506.93	33,977,142.53
Unrestricted (Deficit)	(2,577,155.54)	5,841,945.58	3,264,790.04
	<hr/>		
Total Net Position	\$ 10,803,871.31	\$ 33,416,385.03	\$ 44,220,256.34
	<hr/>		

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenues, Expenses and Changes in Net Position by Department
For the Fiscal Year Ended June 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues:			
Service Charges	\$ 5,443,841.67	\$ 11,313,045.58	\$ 16,756,887.25
Connection Fees	125,200.24	358,079.05	483,279.29
Miscellaneous Charges	939,986.96	65,086.85	1,005,073.81
Total Operating Revenues	6,509,028.87	11,736,211.48	18,245,240.35
Operating Expenses:			
Administrative Expenses:			
Salaries and Wages	215,182.89	215,182.79	430,365.68
Fringe Benefits	133,593.52	122,135.93	255,729.45
Other	259,864.70	325,372.75	585,237.45
	608,641.11	662,691.47	1,271,332.58
Cost of Service:			
Salaries and Wages	1,303,495.13	2,246,673.26	3,550,168.39
Fringe Benefits	3,328,516.04	6,377,835.61	9,706,351.65
Other	2,373,602.24	2,108,003.85	4,481,606.09
	7,005,613.41	10,732,512.72	17,738,126.13
Major Repairs and Other Expenses	262,688.35	487,849.80	750,538.15
Depreciation	822,125.17	2,698,534.63	3,520,659.80
Total Operating Expenses	8,699,068.04	14,581,588.62	23,280,656.66
Operating Loss	(2,190,039.17)	(2,845,377.14)	(5,035,416.31)
Non-operating Revenue (Expenses):			
Investment Income:			
Interest Revenue	208,668.98	370,694.07	579,363.05
Change in Fair Value of Investments	(12,765.81)	(6,873.90)	(19,639.71)
	195,903.17	363,820.17	559,723.34
Municipal Appropriation	(300,000.00)	(470,000.00)	(770,000.00)
Bond and Loan Interest	(277,493.39)	(74,188.25)	(351,681.64)
Loss on Disposal of Capital Assets	(1,596.42)	(16,047.00)	(17,643.42)
Cost of Issuance	(198,613.60)		(198,613.60)
Cancellation of Lease Payable	11,717.97	11,716.00	23,433.97
Interfund Loan	(100,000.00)	100,000.00	
Total Non-Operating Revenues (Expenses)	(670,082.27)	(84,699.08)	(754,781.35)
Loss Before Contributions	(2,860,121.44)	(2,930,076.22)	(5,790,197.66)
Contributions	330,943.10	381,472.00	712,415.10
Change in Net Position	(2,529,178.34)	(2,548,604.22)	(5,077,782.56)
Net Position - Beginning	13,333,049.65	35,964,989.25	49,298,038.90
Net Position, End of Year:			
Restricted	\$ 2,599,391.25	\$ 4,378,932.52	\$ 6,978,323.77
Unrestricted (Deficit)	\$ (2,577,155.54)	\$ 5,841,945.58	\$ 3,264,790.04
Net Investment in Capital Assets	\$ 10,781,635.60	\$ 23,195,506.93	\$ 33,977,142.53

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments
For the Fiscal Year Ended June 30, 2020

	Revenue/Operating		Restricted						
	<u>Accounts</u>	<u>General</u>	<u>Construction</u>	<u>Bond Reserve</u>	<u>Bond Service</u>	<u>Renewal and Replacement</u>	<u>Planning Escrow</u>	<u>Connection Fee</u>	<u>Total</u>
Cash, Cash Equivalents and Investments July 1, 2019	\$ 4,136,749.09	\$ 13,507,163.99	\$ -	\$ 4,003,607.92	\$ 1,823,144.95	\$ 1,571,509.00	\$ 54,383.26	\$ 753,543.34	\$ 25,850,101.55
Receipts:									
User Charges and Fees:									
Water	5,476,641.34								5,476,641.34
Sewer	11,269,241.58								11,269,241.58
Connection Fee Deposits:									
Water	125,200.24							303,876.72	429,076.96
Sewer	358,079.05							812,870.08	1,170,949.13
Miscellaneous Revenue Receivable:									
Water	912,067.40								912,067.40
Sewer	68,839.82								68,839.82
Prepaid Rents:									
Water	26,491.66								26,491.66
Sewer	49,198.80								49,198.80
Other Accounts Receivable	44,320.99	135,155.00							179,475.99
Overpayments	17,765.44								17,765.44
Prepaid Antenna Rents	29,376.35								29,376.35
Bond Proceeds			16,230,000.00						16,230,000.00
Premium on Bond Sale			1,361,433.05						1,361,433.05
N.J.Environmental Infrastructure Bank Note Receivable		1,749,364.00							1,749,364.00
Payroll Deductions Payable	4,121,341.62								4,121,341.62
Planning Escrow Deposits							66,365.33		66,365.33
Investment Income	84,011.01	188,521.01	94,383.86	67,612.81	67,961.76	65,014.85			567,505.30
Transfers In	4,109,456.60	7,123,340.04			2,266,178.50	575,567.97	687.85	17,192.67	14,092,423.63
Total Cash and Investments Available	30,828,780.99	22,703,544.04	17,685,816.91	4,071,220.73	4,157,285.21	2,212,091.82	121,436.44	1,887,482.81	83,667,658.95
Disbursements:									
Budgetary Expenses:									
Water	4,412,811.13								4,412,811.13
Sewer	5,667,030.42								5,667,030.42
Payroll Deductions Payable	4,118,061.68								4,118,061.68
Prepaid Expenses	641,717.68								641,717.68
Other Accounts Receivable	59,864.76								59,864.76
Accounts Payable	648,295.01								648,295.01
Municipal Appropriation	770,000.00								770,000.00
Bond Principal					625,000.00				625,000.00
Loan Principal					977,372.70				977,372.70
Bond and Loan Interest					318,483.76				318,483.76
Transfers Out	9,982,967.03	2,258,497.82		1,226,132.36		613,162.87	674.09	10,989.46	14,092,423.63
Capital Outlays:									
Expensed		747,624.76							747,624.76
Construction in Progress		1,975,482.87	2,078,899.08						4,054,381.95
Fixed Assets		533,795.21							533,795.21

(Continued)

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments
For the Fiscal Year Ended June 30, 2020

	Revenue/Operating Accounts	General	Construction	Bond Reserve	Bond Service	Restricted Renewal and Replacement	Planning Escrow	Connection Fee	Total
Disbursements (Cont'd):									
Expenditures for Planning Escrow							\$ 75,288.97		\$ 75,288.97
Cost of Issuance		\$ 7,725.50	\$ 190,888.10						198,613.60
Lease Payable	\$ 397,858.73								397,858.73
Overpayments	17,765.44								17,765.44
Due to Unrestricted Funds								\$ 483,279.29	483,279.29
Total Disbursements	26,716,371.88	5,523,126.16	2,269,787.18	\$ 1,226,132.36	\$ 1,920,856.46	\$ 613,162.87	75,963.06	494,268.75	38,839,668.72
Cash, Cash Equivalents and Investments June 30, 2020	\$ 4,112,409.11	\$ 17,180,417.88	\$ 15,416,029.73	\$ 2,845,088.37	\$ 2,236,428.75	\$ 1,598,928.95	\$ 45,473.38	\$ 1,393,214.06	\$ 44,827,990.23
<u>Analysis of Balance June 30, 2020</u>									
Cash and Cash Equivalents	\$ 3,045,644.22	\$ 17,104,868.06	\$ 15,416,029.73	\$ 939,147.79	\$ 2,236,428.75	\$ 1,000,000.00	\$ 45,473.38	\$ 1,393,214.06	\$ 41,180,805.99
Investments:									
F.N.M.A. Notes	152,466.11			164,176.23					316,642.34
F.N.M.A. Pool	407,470.77			585,843.99					993,314.76
F.H.L.M.C.	130,679.08			570,495.88					701,174.96
Freddie Mac		75,549.82		16,189.26					91,739.08
GNMA Remic				415,445.20		598,928.95			1,014,374.15
GNMA Pool	376,148.93			153,790.02					529,938.95
	\$ 4,112,409.11	\$ 17,180,417.88	\$ 15,416,029.73	\$ 2,845,088.37	\$ 2,236,428.75	\$ 1,598,928.95	\$ 45,473.38	\$ 1,393,214.06	\$ 44,827,990.23

EVESHAM MUNICIPAL UTILITIES AUTHORITY

Schedule of Water Anticipated Revenues, Operating Appropriations

Principal Payments and Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
For the Fiscal Year Ended June 30, 2020

	Budget (As Amended)	2019-20 Actual	Favorable (Unfavorable)
Anticipated Revenues:			
Operating Revenues:			
Service Charges	\$ 5,401,575.00	\$ 5,443,841.67	\$ 42,266.67
Connection Fees	60,000.00	125,200.24	65,200.24
Miscellaneous	700,000.00	939,986.96	239,986.96
Total Operating Revenues	6,161,575.00	6,509,028.87	347,453.87
Other Budget Revenues:			
Investment Income	135,000.00	208,668.98	73,668.98
Change in Fair Value of Investments		(12,765.81)	(12,765.81)
	135,000.00	195,903.17	60,903.17
Total Anticipated Revenues	6,296,575.00	6,704,932.04	408,357.04
Operating Appropriations:			
Administrative:			
Salaries and Wages	252,000.00	215,182.89	36,817.11
Fringe Benefits	166,480.00	133,593.52	32,886.48
Trustee Fees	20,000.00	7,239.80	12,760.20
Audit Fees	39,000.00	7,162.50	31,837.50
Legal Fees	81,300.00	72,573.53	8,726.47
Engineer Fees	28,500.00	15,163.30	13,336.70
Office Expenses	220,000.00	128,660.93	91,339.07
Cellular Lease/Insurance Consultant	40,000.00	18,022.50	21,977.50
Dues and Meetings	8,000.00	4,520.35	3,479.65
Education and Training	35,000.00	6,521.79	28,478.21
Total Administrative Expenses	890,280.00	608,641.11	281,638.89
Cost of Service			
Salaries and Wages	1,458,500.00	1,303,495.13	155,004.87
Fringe Benefits	788,700.00	549,762.64	238,937.36
Electric and Utilities	400,000.00	329,360.25	70,639.75
Insurance	145,000.00	145,860.50	(860.50)
Vehicle Expense	41,300.00	16,329.46	24,970.54
Vehicle Repairs	35,000.00	20,066.33	14,933.67
Parts and Supplies	108,000.00	87,718.83	20,281.17
Chemicals	64,500.00	39,475.45	25,024.55
Repairs and Maintenance	100,000.00	59,563.45	40,436.55
Telephone and Communications	46,500.00	46,397.90	102.10
Well Testing	74,000.00	32,537.01	41,462.99
Bulk Water Purchases	1,615,000.00	1,508,950.33	106,049.67
Uniforms and Safety Equipment	29,000.00	18,424.71	10,575.29
Dues and Meetings	5,000.00	3,046.50	1,953.50

(Continued)

EVESHAM MUNICIPAL UTILITIES AUTHORITY

Schedule of Water Anticipated Revenues, Operating Appropriations

Principal Payments and Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis

For the Fiscal Year Ended June 30, 2020

	Budget (As Amended)	2019-20 Actual	Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Cost of Service (Cont'd)			
Education and Training	\$ 27,000.00	\$ 4,294.70	\$ 22,705.30
State Fees	57,500.00	35,041.78	22,458.22
Public Information	12,300.00	10,305.31	1,994.69
One Call/Public Relations	9,300.00	5,911.65	3,388.35
Vehicle Lease Program	132,000.00	10,318.08	121,681.92
Total Cost of Service	5,148,600.00	4,226,860.01	921,739.99
Principal Payments on Debt Service in Lieu of Depreciation	56,006.00	54,640.00	1,366.00
	6,094,886.00	4,890,141.12	1,204,744.88
Non-Operating Appropriations:			
Interest on Bonds	403,689.00	404,039.91	(350.91)
Municipal Appropriation	300,000.00	300,000.00	
Total Operating, Principal Payments and Non-Operating Appropriations	6,798,575.00	5,594,181.03	1,204,393.97
Unrestricted Net Position to Balance Budget	(502,000.00)	-	(502,000.00)
Total Appropriations and Unrestricted Net Position	6,296,575.00	5,594,181.03	702,393.97
Excess Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations	\$ -	\$ 1,110,751.01	\$ 1,110,751.01
<u>Reconciliation to Operating Loss</u>			
Excess Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations			\$ 1,110,751.01
Add:			
Bond Principal		\$ 54,640.00	
Bond Interest		404,039.91	
Municipal Appropriation		300,000.00	
			758,679.91
			1,869,430.92
Less:			
Investment Income		195,903.17	
Depreciation		822,125.17	
Other Postretirement Benefits (GASB 75)		2,692,677.40	
Related to Pensions (GASB 68)		86,076.00	
Major Repairs and Replacements		262,688.35	
			4,059,470.09
Operating Loss (Schedule 2)			\$ (2,190,039.17)

EVESHAM MUNICIPAL UTILITIES AUTHORITY

Schedule of Sewer Anticipated Revenues, Operating Appropriations

Principal Payments and Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis

For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>2019-20 Actual</u>	<u>Favorable (Unfavorable)</u>
Anticipated Revenues:			
Operating Revenues:			
Service Charges	\$ 9,472,390.00	\$ 11,313,045.58	\$ 1,840,655.58
Connection Fees	100,000.00	358,079.05	258,079.05
Miscellaneous	38,000.00	65,086.85	27,086.85
Total Operating Revenues	9,610,390.00	11,736,211.48	2,125,821.48
Other Budget Revenues:			
Investment Income	120,000.00	370,694.07	250,694.07
Change in Fair Value of Investments		(6,873.90)	(6,873.90)
	120,000.00	363,820.17	243,820.17
Total Anticipated Revenues	9,730,390.00	12,100,031.65	2,369,641.65
Operating Appropriations:			
Administrative:			
Salaries and Wages	252,000.00	215,182.79	36,817.21
Fringe Benefits	151,480.00	122,135.93	29,344.07
Trustee Fees	45,000.00	35,183.20	9,816.80
Audit Fees	39,000.00	7,162.50	31,837.50
Legal Fees	81,300.00	72,573.50	8,726.50
Engineer Fees	66,500.00	44,258.46	22,241.54
Office Expenses	220,000.00	136,980.51	83,019.49
Cellular Lease/Insurance Consultant	25,000.00	13,022.50	11,977.50
Dues and Meetings	8,000.00	4,325.51	3,674.49
Education and Training	40,000.00	11,866.57	28,133.43
Total Administrative Expenses	928,280.00	662,691.47	265,588.53
Cost of Service:			
Salaries and Wages	2,532,000.00	2,246,673.26	285,326.74
Fringe Benefits	1,447,800.00	1,217,292.01	230,507.99
Electric and Utilities	850,000.00	653,008.07	196,991.93
Insurance	145,000.00	145,860.50	(860.50)
Vehicle Expense	93,000.00	38,206.72	54,793.28
Vehicle Repairs	72,500.00	37,552.15	34,947.85
Parts and Supplies	128,000.00	92,078.45	35,921.55
Chemicals	260,000.00	256,143.20	3,856.80
Repairs and Maintenance	190,000.00	112,352.63	77,647.37
Telephone and Communications	109,500.00	108,058.02	1,441.98
Wastewater Testing	27,000.00	22,059.24	4,940.76
Sludge Removal	532,000.00	468,857.69	63,142.31
Uniforms and Safety Equipment	65,500.00	46,438.75	19,061.25
Dues and Meetings	8,500.00	4,670.50	3,829.50

(Continued)

EVESHAM MUNICIPAL UTILITIES AUTHORITY

Schedule of Sewer Anticipated Revenues, Operating Appropriations

Principal Payments and Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	2019-20 <u>Actual</u>	Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Cost of Service (Cont'd):			
Education and Training	\$ 33,000.00	\$ 6,236.48	\$ 26,763.52
State Fees	71,000.00	62,281.68	8,718.32
Public Information	32,100.00	23,728.87	8,371.13
One Call/Public Relations	6,600.00	5,209.39	1,390.61
Vehicle Lease Program	320,000.00	25,261.51	294,738.49
Total Cost of Service	6,923,500.00	5,571,969.12	1,351,530.88
Principal Payments on Debt Service in Lieu of Depreciation	1,580,678.00	1,547,732.70	32,945.30
	9,432,458.00	7,782,393.29	1,650,064.71
Non-Operating Appropriations:			
Interest on Bonds	297,932.00	297,938.42	(6.42)
Municipal Appropriation	470,000.00	470,000.00	
Total Operating, Principal Payments and Non-Operating Appropriations	10,200,390.00	8,550,331.71	1,650,058.29
Unrestricted Net Position to Balance Budget	(470,000.00)	-	(470,000.00)
Total Appropriations and Unrestricted Net Position	9,730,390.00	8,550,331.71	1,180,058.29
Excess in Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations	\$ -	\$ 3,549,699.94	\$ 3,549,699.94
<u>Reconciliation to Operating Loss</u>			
Excess in Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations			\$ 3,549,699.94
Add:			
Bond Principal		\$ 1,547,732.70	
Bond Interest		297,938.42	
Municipal Appropriation		470,000.00	
			2,315,671.12
			5,865,371.06
Less:			
Investment Income		363,820.17	
Depreciation		2,698,534.63	
Other Postretirement Benefits (GASB 75)		5,000,686.60	
Related to Pensions (GASB 68)		159,857.00	
Major Repairs and Replacements		487,849.80	
			8,710,748.20
Operating Loss (Schedule 2)			\$ (2,845,377.14)

EVESHAM MUNICIPAL UTILITIES AUTHORITY

Schedule of Consumer Accounts Receivable

For the Fiscal Year Ended June 30, 2020

	<u>Water</u>	<u>Sewer</u>
Balance July 1, 2019	\$ 375,890.71	\$ 726,785.30
Rental Charges	<u>5,443,841.67</u>	<u>11,313,045.58</u>
	5,819,732.38	12,039,830.88
Less:		
Collections	\$ 5,476,641.34	\$ 11,269,241.58
Prepaid Applied	<u>21,015.50</u>	<u>39,028.79</u>
	<u>5,497,656.84</u>	<u>11,308,270.37</u>
Balance June 30, 2020	<u><u>\$ 322,075.54</u></u>	<u><u>\$ 731,560.51</u></u>

Schedule 6**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

Schedule of Connection Fees Receivable

For the Fiscal Year Ended June 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
2019-20 Charges	\$ 125,200.24	\$ 358,079.05	\$ 483,279.29
Less:			
Cash Receipts	<u>\$ 125,200.24</u>	<u>\$ 358,079.05</u>	<u>\$ 483,279.29</u>

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Schedule of Miscellaneous Charges Receivable
For the Fiscal Year Ended June 30, 2020

	<u>Balance</u> <u>July 1, 2019</u>	<u>2019-2020</u> <u>Charges</u>	<u>Cash</u> <u>Receipts</u>	<u>Prepayments</u> <u>Applied</u>	<u>Balance</u> <u>June 30, 2020</u>
Water Meter Charges		\$ 72,055.36	\$ 72,055.36		
Filing, Review and Application Fees		740.00	740.00		
AT&T Rental Agreement		180,509.39	152,531.91	\$ 27,977.48	
Sprint Rental Agreement		156,727.82	156,727.82		
Verizon Rental Agreement		113,981.43	113,981.43		
T-Mobile Rental Agreement		252,031.48	252,031.48		
Clearwire Rental Agreement		182,499.38	182,499.38		
Shared Services - Revenue		11,785.96	11,785.96		
Prior Year Refund of Expenses	\$ 5,773.80	82.81	5,856.61		
Repair Reimbursements		4,228.88	2,265.97		\$ 1,962.91
Sale of Scrap Metal		1,442.65	1,442.65		
Sale of Obsolete Equipment/Vehicles		12,460.00	12,460.00		
Insurance Dividends		2,503.65	2,503.65		
Returned Check Fees		1,175.00	1,175.00		
Water Turn-On/Off Charges		12,850.00	12,850.00		
	<u>\$ 5,773.80</u>	<u>\$ 1,005,073.81</u>	<u>\$ 980,907.22</u>	<u>\$ 27,977.48</u>	<u>\$ 1,962.91</u>
Recap:					
Water	\$ 2,020.83	\$ 939,986.96	\$ 912,067.40	\$ 27,977.48	\$ 1,962.91
Sewer	3,752.97	65,086.85	68,839.82		
	<u>\$ 5,773.80</u>	<u>\$ 1,005,073.81</u>	<u>\$ 980,907.22</u>	<u>\$ 27,977.48</u>	<u>\$ 1,962.91</u>

EVESHAM MUNICIPAL UTILITIES AUTHORITY

Schedule of Accrued Interest Receivable
For the Fiscal Year Ended June 30, 2020

	<u>Balance July 1, 2019</u>	<u>Investment Income</u>	<u>Received</u>	<u>Balance June 30, 2020</u>
Unrestricted:				
Revenue/Operating Accounts	\$ 8,880.37	\$ 78,077.54	\$ 84,011.01	\$ 2,946.90
General Account	159.32	188,515.98	188,521.01	154.29
	<u>9,039.69</u>	<u>266,593.52</u>	<u>272,532.02</u>	<u>3,101.19</u>
Restricted:				
Bond Reserve Account	8,965.86	63,940.88	67,612.81	5,293.93
Bond Service Account	40,863.24	69,790.23	67,961.76	42,691.71
Construction Fund		94,383.86	94,383.86	
Renewal and Replacement Account	2,083.33	65,014.85	65,014.85	2,083.33
	<u>51,912.43</u>	<u>293,129.82</u>	<u>294,973.28</u>	<u>50,068.97</u>
	<u>\$ 60,952.12</u>	<u>\$ 559,723.34</u>	<u>\$ 567,505.30</u>	<u>\$ 53,170.16</u>
Recap:				
Water	\$ 21,333.26	\$ 195,903.17	\$ 198,626.86	\$ 18,609.57
Sewer	39,618.86	363,820.17	368,878.45	34,560.59
	<u>\$ 60,952.12</u>	<u>\$ 559,723.34</u>	<u>\$ 567,505.30</u>	<u>\$ 53,170.16</u>

Schedule 9**EVESHAM MUNICIPAL UTILITIES AUTHORITY**

Schedule of Prepaid Expenses
For the Fiscal Year Ended June 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Balance July 1, 2019	\$ 292,221.34	\$ 644,671.19	\$ 936,892.53
Add:			
Disbursements Fiscal Year 2020	<u>264,170.10</u>	<u>377,547.58</u>	<u>641,717.68</u>
	556,391.44	1,022,218.77	1,578,610.21
Less:			
Charged to Operations Fiscal Year 2020	<u>212,426.84</u>	<u>359,530.16</u>	<u>571,957.00</u>
Balance June 30, 2020	<u>\$ 343,964.60</u>	<u>\$ 662,688.61</u>	<u>\$ 1,006,653.21</u>

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Schedule of Capital Assets -- Completed
For the Fiscal Year Ended June 30, 2020

	Balance <u>June 30, 2019</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2020</u>	Useful <u>Life</u>
Water:					
Land and Improvements	\$ 187,079.00			\$ 187,079.00	
Buildings and Improvements	10,537,661.37			10,537,661.37	40 Yrs.
Infrastructure	48,002,988.36	\$ 390,543.62		48,393,531.98	40 Yrs.
Fixed Equipment	2,162,271.78	274,340.66	\$ 32,162.40	2,404,450.04	15 Yrs.
Equipment	608,287.28	54,612.18	25,440.08	637,459.38	5 to 15 Yrs.
Vehicles	1,576,001.42	59,839.21	47,118.00	1,588,722.63	7 Yrs.
	63,074,289.21	779,335.67	104,720.48	63,748,904.40	
Less: Accumulated Depreciation	52,390,156.71	822,125.17	103,124.06	53,109,157.82	
	<u>\$ 10,684,132.50</u>	<u>\$ (42,789.50)</u>	<u>\$ 1,596.42</u>	<u>\$ 10,639,746.58</u>	
Sewer:					
Land and Improvements	\$ 5,145,239.00			\$ 5,145,239.00	
Buildings and Improvements	44,709,584.99			44,709,584.99	40 Yrs.
Infrastructure	56,629,709.97	\$ 381,472.00		57,011,181.97	40 Yrs.
Fixed Equipment	13,718,148.69	36,535.00	\$ 32,088.00	13,722,595.69	15 Yrs.
Equipment	1,560,809.61	101,669.47	31,595.86	1,630,883.22	5 to 15 Yrs.
Vehicles	2,191,976.43	62,654.17	175,918.00	2,078,712.60	7 Yrs.
	123,955,468.69	582,330.64	239,601.86	124,298,197.47	
Less: Accumulated Depreciation	86,648,959.10	2,698,534.63	223,554.86	89,123,938.87	
	<u>\$ 37,306,509.59</u>	<u>\$ (2,116,203.99)</u>	<u>\$ 16,047.00</u>	<u>\$ 35,174,258.60</u>	
Recap:					
Total Capital Assets	\$ 187,029,757.90	\$ 1,361,666.31	\$ 344,322.34	\$ 188,047,101.87	
Less:					
Accumulated Depreciation	139,039,115.81	3,520,659.80	326,678.92	142,233,096.69	
	<u>\$ 47,990,642.09</u>	<u>\$ (2,158,993.49)</u>	<u>\$ 17,643.42</u>	<u>\$ 45,814,005.18</u>	
Cash Disbursed		\$ 533,795.21			
Assets Acquired through Lease Agreements		115,456.00			
Capital Contributions		712,415.10			
		<u>\$ 1,361,666.31</u>			

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Schedule of Capital Assets -- Construction in Progress
For the Fiscal Year Ended June 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Balance July 1, 2019	\$ 709,516.36	\$ 431,057.82	\$ 1,140,574.18
Increased by:			
Cash Disbursements:			
General Fund	1,681,728.40	293,754.47	1,975,482.87
Construction Fund	2,078,899.08		2,078,899.08
Balance June 30, 2020	<u>\$ 4,470,143.84</u>	<u>\$ 724,812.29</u>	<u>\$ 5,194,956.13</u>

Analysis of Balance June 30, 2020

Well 14 Screen Replacement	\$ 179,462.00		\$ 179,462.00
Hydrogeologic Evaluation of Well 13 & 14 ASR	1,567,271.66		1,567,271.66
Elmwood WWTP Storage Building		\$ 175,034.12	175,034.12
Woodlake Drive Water Main Replacement	42,712.50		42,712.50
Rt. 70 Water Main	94,130.00		94,130.00
Rt. 70 Sewer Rehabilitation		56,669.95	56,669.95
Heritage Village Water Main Replacement	1,560,347.56		1,560,347.56
Knox Blvd. Water Main Replacement	875,824.12		875,824.12
Knox Blvd. Sewer Rehabilitation		17,881.05	17,881.05
Locust Ave. Pump Station Upgrade		396,653.17	396,653.17
South Side Elevated Tank Design	26,105.10		26,105.10
Well 7 Building Rehabilitation	72,585.85		72,585.85
Elmwood WWTP Resiliency Improvements		28,155.25	28,155.25
Elmwood Filter Rehabilitation		50,418.75	50,418.75
Greenbrook Drive Water Main	51,705.05		51,705.05
	<u>\$ 4,470,143.84</u>	<u>\$ 724,812.29</u>	<u>\$ 5,194,956.13</u>

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Schedule of Accrued Interest on Revenue Bonds and Loans Payable
For the Fiscal Year Ended June 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Balance July 1, 2019	\$ 1,659.69	\$ 167,019.69	\$ 168,679.38
Increased by:			
Interest Charges Fiscal Year 2020 Budget	404,039.91	297,938.42	701,978.33
Amortization of Deferred Amount of Refunding	702.12	3,178.79	3,880.91
Amortization of Premium on Bonds	(127,248.64)	(226,928.96)	(354,177.60)
Total Interest Expense	277,493.39	74,188.25	351,681.64
	279,153.08	241,207.94	520,361.02
Decreased by:			
Interest Paid	2,499.78	315,983.98	318,483.76
Amortization of Deferred Amount of Refunding	702.12	3,178.79	3,880.91
Amortization of Premium on Bonds	(127,248.64)	(226,928.96)	(354,177.60)
	(124,046.74)	92,233.81	(31,812.93)
Balance June 30, 2020	\$ 403,199.82	\$ 148,974.13	\$ 552,173.95

Schedule 13

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Schedule of Payroll Deductions Payable
For the Fiscal Year Ended June 30, 2020

Balance July 1, 2019	\$ (2,765.68)
Receipts:	
Payroll Deductions Payable	4,121,341.62
	4,118,575.94
Disbursements:	
Checks Drawn to Payroll Agencies	4,118,061.68
Balance June 30, 2020	\$ 514.26
<u>Analysis of Balance June 30, 2020</u>	
State Unemployment Insurance	\$ (57.43)
N.J. Family Leave	10.87
Pension	229.69
Life Insurance	(68.68)
Cafeteria - 125 Plan	399.81
	\$ 514.26

EVESHAM MUNICIPAL UTILITIES AUTHORITY

Schedule of Revenue Bonds

For the Fiscal Year Ended June 30, 2020

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance July 1, 2019</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance June 30, 2020</u>
			<u>Outstanding June 30, 2020</u>	<u>Date</u>					
				<u>Amount</u>					
2004 Revenue Bonds (Series A)	3-1-04	\$ 4,435,000.00	7-1-2020	\$ 135,000.00	4.150%	\$ 260,000.00		\$ 125,000.00	\$ 135,000.00
2011 Revenue Bonds (Series A)	11-16-11	3,655,000.00	7-1-2020	300,000.00	2.625%				
			7-1-2021	920,000.00	2.750%				
			7-1-2022	945,000.00	5.000%				
			7-1-2023	100,000.00	3.375%				
			7-1-2024	100,000.00	3.500%				
			7-1-2025	100,000.00	3.600%				
			7-1-2026	145,000.00	3.750%	2,910,000.00		300,000.00	2,610,000.00
2012 Revenue Bonds (Series A)	4-4-12	18,865,000.00	7-1-2020	205,000.00	3.00%	405,000.00		200,000.00	205,000.00
Revenue Bonds, Series 2019	10-17-19	16,230,000.00	7-1-2023	325,000.00	5.00%				
			7-1-2024	345,000.00	5.00%				
			7-1-2025	360,000.00	5.00%				
			7-1-2026	380,000.00	5.00%				
			7-1-2027	400,000.00	5.00%				
			7-1-2028	420,000.00	5.00%				
			7-1-2029	440,000.00	5.00%				
			7-1-2030	465,000.00	5.00%				
			7-1-2031	485,000.00	4.00%				
			7-1-2032	505,000.00	4.00%				
			7-1-2033	525,000.00	4.00%				
			7-1-2034	545,000.00	4.00%				
			7-1-2035	570,000.00	4.00%				
			7-1-2036	590,000.00	4.00%				
			7-1-2037	615,000.00	4.00%				
			7-1-2038	640,000.00	4.00%				
			7-1-2039	670,000.00	4.00%				
			7-1-2040	690,000.00	3.00%				
			7-1-2041	715,000.00	3.00%				
			7-1-2042	735,000.00	3.00%				
			7-1-2043	755,000.00	3.00%				
			7-1-2044	780,000.00	3.00%				
			7-1-2045	805,000.00	3.00%				

(Continued)

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenue Bonds
For the Fiscal Year Ended June 30, 2020

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding June 30, 2020</u>		<u>Interest Rate</u>	<u>Balance</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance</u>
			<u>Date</u>	<u>Amount</u>		<u>July 1, 2019</u>			<u>June 30, 2020</u>
Revenue Bonds, Series 2019 (Cont'd)	10-17-19	\$ 16,230,000.00	7-1-2046	\$ 830,000.00	3.00%				
			7-1-2047	855,000.00	3.00%				
			7-1-2048	880,000.00	3.00%				
			7-1-2049	905,000.00	3.00%				
							\$ 16,230,000.00		\$ 16,230,000.00
						\$ 3,575,000.00	\$ 16,230,000.00	\$ 625,000.00	19,180,000.00
			Add: Premium on Bonds						1,369,690.93
									\$ 20,549,690.93
			Revenue Bonds:						
			Sewer			\$ 3,464,354.00		\$ 570,360.00	\$ 2,893,994.00
			Water			110,646.00	\$ 16,230,000.00	54,640.00	16,286,006.00
						3,575,000.00	16,230,000.00	625,000.00	19,180,000.00
			Premium on Bonds:						
			Sewer			266,484.15		226,928.96	39,555.19
			Water			95,951.33	1,361,433.05	127,248.64	1,330,135.74
						362,435.48	1,361,433.05	354,177.60	1,369,690.93
						\$ 3,937,435.48	\$ 17,591,433.05	\$ 979,177.60	\$ 20,549,690.93

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Schedule of New Jersey Environmental Infrastructure Loans Payable
For the Fiscal Year Ended June 30, 2020

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance July 1, 2019</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance June 30, 2020</u>
			<u>Outstanding June 30, 2020</u>	<u>Date</u>					
2006A Fund Loan Agreement	11-7-06	\$ 5,699,574.00	7-1-2020	\$ 289,455.66	N/A				
			7-1-2021	286,956.43	N/A				
			7-1-2022	287,257.32	N/A				
			7-1-2023	286,999.42	N/A				
			7-1-2024	285,218.64	N/A				
			7-1-2025	286,225.69	N/A				
			7-1-2026	287,634.14	N/A	\$ 2,297,958.46		\$ 288,211.16	\$ 2,009,747.30
2006A Trust Loan Agreement	11-7-06	5,695,000.00	7-1-2020	335,000.00	4.000%				
			7-1-2021	345,000.00	4.125%				
			7-1-2022	360,000.00	4.125%				
			7-1-2023	375,000.00	4.250%				
			7-1-2024	390,000.00	5.000%				
			7-1-2025	410,000.00	4.250%				
			7-1-2026	430,000.00	4.250%	2,965,000.00		320,000.00	2,645,000.00
2008A Fund Loan Agreement	11-6-08	1,307,340.00	7-1-2020	64,313.70	N/A				
			7-1-2021	65,604.28	N/A				
			7-1-2022	66,526.12	N/A				
			7-1-2023	67,063.86	N/A				
			7-1-2024	67,655.37	N/A				
			7-1-2025	68,239.21	N/A				
			7-1-2026	17,426.69	N/A	483,078.79		66,249.56	416,829.23
2008A Trust Loan Agreement	11-6-08	1,325,000.00	7-1-2020	70,000.00	5.500%				
			7-1-2021	75,000.00	5.500%				
			7-1-2022	80,000.00	5.500%				
			7-1-2023	80,000.00	5.500%				
			7-1-2024	85,000.00	5.000%				
			7-1-2025	90,000.00	5.000%				
			7-1-2026	95,000.00	5.000%				
			7-1-2027	100,000.00	5.000%				
			7-1-2028	105,000.00	5.000%	845,000.00		65,000.00	780,000.00

(Continued)

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Schedule of New Jersey Environmental Infrastructure Loans Payable
For the Fiscal Year Ended June 30, 2020

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance July 1, 2019</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance June 30, 2020</u>
			<u>Outstanding June 30, 2020</u>	<u>Date</u>					
2010A Fund Loan Agreement	11-5-09	\$ 276,863.00	7-1-2020	\$ 14,077.77	N/A				
			7-1-2021	14,077.77	N/A				
			7-1-2022	14,077.77	N/A				
			7-1-2023	14,077.77	N/A				
			7-1-2024	14,077.77	N/A				
			7-1-2025	14,077.77	N/A				
			7-1-2026	14,077.77	N/A				
			7-1-2027	14,077.77	N/A				
			7-1-2028	14,077.77	N/A				
			7-1-2029	9,385.37	N/A	\$ 150,163.07		\$ 14,077.77	\$ 136,085.30
2010A Trust Loan Agreement	11-5-09	270,000.00	7-1-2020	15,000.00	5.000%				
			7-1-2021	15,000.00	3.000%				
			7-1-2022	15,000.00	4.000%				
			7-1-2023	15,000.00	4.000%				
			7-1-2024	15,000.00	4.000%				
			7-1-2025	15,000.00	4.000%				
			7-1-2026	20,000.00	3.500%				
			7-1-2027	20,000.00	4.000%				
			7-1-2028	20,000.00	4.000%				
			7-1-2029	15,000.00	4.000%	180,000.00		15,000.00	165,000.00

(Continued)

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Schedule of New Jersey Environmental Infrastructure Loans Payable
For the Fiscal Year Ended June 30, 2020

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance July 1, 2019	Issued	Paid	Balance June 30, 2020
			Outstanding June 30, 2020						
			Date	Amount					
2014 A&B Fund Loan Agreement	5/21/14	\$ 3,222,073.00	7-1-2020	\$ 163,834.21	N/A				
			7-1-2021	163,834.21	N/A				
			7-1-2022	163,834.21	N/A				
			7-1-2023	163,834.21	N/A				
			7-1-2024	163,834.21	N/A				
			7-1-2025	163,834.21	N/A				
			7-1-2026	163,834.21	N/A				
			7-1-2027	163,834.21	N/A				
			7-1-2028	163,834.21	N/A				
			7-1-2029	163,834.21	N/A				
			7-1-2030	163,834.21	N/A				
			7-1-2031	163,834.21	N/A				
			7-1-2032	163,834.21	N/A				
			7-1-2033	109,223.01	N/A	\$ 2,402,901.95		\$ 163,834.21	\$ 2,239,067.74
2014 A&B Trust Loan Agreement	5/21/14	1,050,000.00	7-1-2020	45,000.00	5.000%				
			7-1-2021	50,000.00	5.000%				
			7-1-2022	50,000.00	5.000%				
			7-1-2023	55,000.00	5.000%				
			7-1-2024	55,000.00	5.000%				
			7-1-2025	60,000.00	3.000%				
			7-1-2026	60,000.00	3.000%				
			7-1-2027	60,000.00	3.000%				
			7-1-2028	65,000.00	3.000%				
			7-1-2029	65,000.00	3.000%				
			7-1-2030	70,000.00	3.000%				
			7-1-2031	70,000.00	3.000%				
			7-1-2032	70,000.00	3.125%				
			7-1-2033	75,000.00	3.250%	895,000.00		45,000.00	850,000.00
						\$ 10,219,102.27	\$ -	\$ 977,372.70	\$ 9,241,729.57

EVESHAM MUNICIPAL UTILITIES AUTHORITY

PART II

SINGLE AUDIT SECTION

FOR THE FISCAL YEAR ENDED

JUNE 30, 2020

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

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
Evesham Municipal Utilities Authority
Evesham Township, New Jersey 08053

Report on Compliance for Each Major State Program

We have audited the Evesham Municipal Utilities Authority's, in the County of Burlington, State of New Jersey, a component unit of the Township of Evesham, compliance with the types of compliance requirements described in the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on the Authority's major state program for the fiscal year ended June 30, 2020. The Authority's major state program is identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major state program 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 Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey; and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and State of New Jersey Circular 15-08-OMB, 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 Evesham Municipal Utilities Authority's, in the County of Burlington, State of New Jersey, 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 the major state program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major State Program

In our opinion, the Evesham Municipal Utilities Authority, in the County of Burlington, State of New Jersey, a component unit of the Township of Evesham, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the fiscal year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
December 22, 2020

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2020

<u>State Grantor/ Program Title</u>	<u>State GMIS Number</u>	<u>Pass-through Grantors' Number</u>	<u>Program or Award Amount</u>	<u>Grant Period</u>	
				<u>From</u>	<u>To</u>
State of New Jersey,					
NJ Environmental Infrastructure Bank Financing Program:					
Well No. 13 Disinfection Project - 0313001-001	Unknown	S340640-13	\$ 1,915,662.00	07/17/19	03/15/21
Total NJ Environmental Infrastructure Bank Financing Program					
Total State Financial Assistance					

The accompanying Notes to the Schedule of Expenditures of State Financial Assistance and
Notes to Financial Statements are an integral part of this schedule.

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2020

Receivable Balance <u>June 30, 2019</u>	Revenue <u>Recognized</u>	Cash <u>Receipts</u>	<u>Adjustments</u>	Disbursements or <u>Expenditures</u>	Receivable Balance <u>June 30, 2020</u>		(Memo Only)	
					Project Funds <u>Balance</u>	Unreimbursed <u>Expenditures</u>	Cash Received <u>2020</u>	Accumulated <u>Expenditures</u>
	\$ 1,915,662.00	\$ 1,749,364.00		\$ 1,795,009.48	\$ 120,652.52	\$ 45,645.48	\$ 1,749,364.00	\$ 1,795,009.48
\$ -	1,915,662.00	1,749,364.00	\$ -	1,795,009.48	120,652.52	45,645.48	1,749,364.00	1,795,009.48
\$ -	\$ 1,915,662.00	\$ 1,749,364.00	\$ -	\$ 1,795,009.48	\$ 120,652.52	\$ 45,645.48	\$ 1,749,364.00	\$ 1,795,009.48

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Notes to the Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2020

Note 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance includes state award activity of the Evesham Municipal Utilities Authority (hereafter referred to as the "Authority"). The Authority is defined in note 1 to the Authority's basic financial statements. The information in this schedule is presented in accordance with the requirements of State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All state awards received directly from state agencies, as well as state financial assistance passed through other government agencies, are included on the schedule of expenditures of state financial assistance. Because this schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position and changes in operations of the Authority.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of state financial assistance is presented using the accrual basis of accounting. This basis of accounting is described in note 1 to the Authority's basic financial statements. Such expenditures are recognized following, the cost principles contained in State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agrees with amounts reported in the Authority's basic financial statements.

Note 4: RELATIONSHIP TO STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedule agrees with the amounts reported in the related state financial reports.

Note 5: MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

EVESHAM MUNICIPAL UTILITIES AUTHORITY

PART III

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Financial Statements

Internal control over financial reporting:

[illegible]

Noncompliance material to financial statements noted? yes X no

Not Applicable

Internal control over major programs:

	yes	no
Material weakness(es) identified?		

Significant deficiency(ies) identified?	yes	none reported
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Type of auditor's report issued on compliance for major programs

yes no

Identification of major programs:

CFDA Number(s)**FAIN Number(s)****Name of Federal Program or Cluster**

Dollar threshold used to distinguish between type A and type B programs:

Auditee qualified as low-risk auditee?	yes	no

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

Section 1- Summary of Auditor's Results (Cont'd)

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in
accordance with New Jersey Circular 15-08-OMB? _____ yes X no

Identification of major programs:

GMIS Number(s)

Name of State Program

Not Available

New Jersey Infrastructure Bank Financing Program

Dollar threshold used to distinguish between type A and type B programs: \$ _____ 750,000.00

Auditee qualified as low-risk auditee? _____ yes X no

EVESHAM MUNICIPAL UTILITIES AUTHORITY

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2020

Section 2 - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements related to the financial statements for which *Government Auditing Standards* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, requires.

N/A - None

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

Section 3- Schedule of Federal 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 programs, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Not Applicable.

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

Section 4 - Schedule of State Financial Assistance Findings and Questioned Costs

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

N/A - None

EVESHAM MUNICIPAL UTILITIES AUTHORITY
Summary Schedule of Prior Year Audit Findings
and Questioned Costs as Prepared by Management

This section identifies the status of prior year findings related to the financial statements and state financial assistance that are required to be reported in accordance with *Government Auditing Standards* and State of New Jersey Circular 15-08-OMB.

N/A - None

32500

APPRECIATION

We express my appreciation for the assistance and courtesies rendered by the Authority officials during the course of the audit.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

