

**PINE HILL MUNICIPAL
UTILITIES AUTHORITY**

REPORT OF AUDIT

**WITH
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEARS ENDED
JULY 31, 2020 and 2019**

PINE HILL MUNICIPAL UTILITIES AUTHORITY
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PINE HILL MUNICIPAL UTILITIES AUTHORITYRoster of Officials
July 31, 2020MEMBERSMark Buscher
Thomas Knott
Christopher Green
John Odenath
Christine Burke
Thomas HassettPOSITIONChairman
Vice-Chairman
Secretary / Treasurer
Board Member
Board Member
Alternate Board MemberOTHER OFFICIALSDebra Corson
Patricia Garvey
Christopher F. Long
David C. Patterson
Pennoni Associates, Inc.
Remington & Vernick Engineers
The Bank of New York / MellonPOSITIONExecutive Director
Recording Secretary
Solicitor
Conflict Solicitor
Engineer
Conflict Engineer
Trustee

PINE HILL MUNICIPAL UTILITIES AUTHORITY
PART 1
FINANCIAL SECTION
FOR THE FISCAL YEARS ENDED JULY 31, 2020 AND 2019

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
Pine Hill Municipal Utilities Authority
Pine Hill, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Pine Hill Municipal Utilities Authority, in the County of Camden, State of New Jersey, a component unit of the Borough of Pine Hill (Authority), as of and for the fiscal years ended July 31, 2020 and 2019 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 Pine Hill Municipal Utilities Authority, in the County of Camden, State of New Jersey as of July 31, 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 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 supplementary schedules as listed in the table of contents 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, 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 June 30, 2021 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
Certified Public Accountants
& Consultants

Woodbury, New Jersey
June 30, 2021

**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
Pine Hill Municipal Utilities Authority
Pine Hill, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and 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 Pine Hill Municipal Utilities Authority, in the County of Camden, State of New Jersey, a component unit of the Borough of Pine Hill, (Authority), as of and for the fiscal year ended July 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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 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

Woodbury, New Jersey
June 30, 2021

**Pine Hill Municipal Utilities Authority
Management's Discussion and Analysis
For the Fiscal Years Ended July 31, 2020 and 2019
(Unaudited)**

The Pine Hill Municipal Utilities Authority (the Authority) is a public agency providing potable water and wastewater services to the Borough of Pine Hill. This section of the Authority's annual financial report provides a discussion and analysis of the financial performance for fiscal year ending on July 31, 2020. The entire annual financial report consists of five parts; Independent Auditor's Report, the management's discussion and analysis (this section), the basic financial statements, required supplementary information and supplemental schedules.

FINANCIAL HIGHLIGHTS

Management believes the financial position of the Authority is stable. According to its bond covenants, the Authority is required to have a ratio of net revenues to debt service of 120% for the Water Utility and 110% for the Sewer Utility. For the current year, the Authority generated 516% coverage for the Water Utility and 128% coverage for the Sewer Utility.

Key financial highlights for the Authority's fiscal year 2020 were:

- Operating revenues for fiscal year 2020 were \$2,718,572.70 as compared to \$2,439,641.68 for fiscal year 2019.
- Operating expenses for fiscal year 2020 were \$3,027,208.54 as compared to \$2,678,502.63 for fiscal year 2019.
- The Authority recorded a Net Other Postemployment Benefits Obligation (OBEP) expense in accordance with GASB 75 in the current year of \$487,363.20 for the water utility fund and \$324,908.80 for the sewer utility fund.
- The Authority had an operating loss for fiscal year 2020 of \$308,635.84 as compared to operating loss of \$238,860.95 for fiscal year 2019.
- Change in Net Position for fiscal year 2020 was a decrease of \$257,799.51 as compared to a decrease of \$43,197.91 for fiscal year 2019.
- At year-end, total assets were \$19,369,830.09 and deferred outflows of \$1,096,417.00, which exceeded liabilities of \$14,938,440.00 and deferred inflows of resources of \$794,348.00. The resultant net position at year-end was \$4,733,459.09.

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 statements of net position include all of the Authority's assets, liabilities, and deferred inflows and outflows of resources. As the Authority follows the accrual method of accounting, the current year's revenues and expenses are accounted for in the statements of revenue, expenses and changes in net position regardless of when cash is received or paid. Net position - the difference between the Authority's assets, liabilities and deferred inflows and outflows of resources - is a measure of the Authority's financial health or position.

**Pine Hill Municipal Utilities Authority
Management's Discussion and Analysis
For the Fiscal Years Ended July 31, 2020 and 2019
(Unaudited)**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONT'D)

The statements of revenue, expenses and changes in net position provide a breakdown of the various areas of revenues and expenses encountered during the current and prior fiscal years.

The statements of cash flows provide a breakdown of the various sources of cash flow, categorized into four areas: Cash flows from operating activities, non-capital financing activities, capital and related financing activities and investing activities.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

The Authority's total net position was \$4,733,459.09 on July 31, 2020. Total assets, deferred outflows of resources, total liabilities, total deferred inflows of resources and total net position are as follows:

Statement of Net Position As of July 31, 2020, 2019, and 2018					
	2020	2019	Restated 2018	Change from 2019 to 2020 Amount	Percentage
Assets:					
Unrestricted Assets	\$ 4,248,381.90	\$ 4,258,941.87	\$ 3,902,115.33	\$ (10,559.97)	-0.25%
Restricted Assets	6,626,678.21	1,198,036.54	1,505,855.78	5,428,641.67	453.13%
Capital Assets	8,494,769.98	8,629,141.85	8,778,084.01	(134,371.87)	-1.56%
Total Assets	19,369,830.09	14,086,120.26	14,186,055.12	5,283,709.83	37.51%
Deferred Outflows of Resources	1,096,417.00	1,000,723.00	856,600.00	95,694.00	9.56%
Liabilities:					
Current Liabilities	559,950.86	610,045.28	710,145.46	(50,094.42)	-8.21%
Long-term Liabilities	14,378,489.14	8,708,073.88	8,521,505.65	5,670,415.26	65.12%
Total Liabilities	14,938,440.00	9,318,119.16	9,231,651.11	5,620,320.84	60.32%
Deferred Inflows of Resources	794,348.00	777,465.50	776,547.50	16,882.50	2.17%
Net Position:					
Net Investment in Capital Assets	4,747,209.63	5,085,987.76	4,797,725.68	(338,778.13)	-6.66%
Restricted	1,600,986.08	1,370,886.78	1,479,524.28	230,099.30	16.78%
Unrestricted (Deficit)	(1,614,736.62)	(1,465,615.94)	(1,242,793.45)	(149,120.68)	10.17%
Total Net Position	\$ 4,733,459.09	\$ 4,991,258.60	\$ 5,034,456.51	\$ (257,799.51)	-5.17%

* GASB Statement 75 was adopted by the Authority in fiscal year ended July 31, 2018.

The Authority realized an operating loss in the amount of \$308,635.84 for the current fiscal year, combined with non-operating revenue (expenses) of \$50,836.33, the Authority's decrease in net position for the current fiscal year was \$257,799.51. Major components of this activity are shown on the following page.

**Pine Hill Municipal Utilities Authority
Management's Discussion and Analysis
For the Fiscal Years Ended July 31, 2020 and 2019
(Unaudited)**

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (CONT'D)

Statement of Revenue, Expenses and Changes in Net Position
For the Fiscal Years Ended July 31, 2020, 2019, and 2018

	2020	2019	Restated 2018	Change from 2019 to 2020	
				Amount	Percentage
Operating Revenues:					
Service Charges	\$ 2,659,834.35	\$ 2,331,949.29	\$ 2,161,257.79	\$ 327,885.06	14.06%
Connection Fees	8,450.00	56,075.00	2,525.00	(47,625.00)	-84.93%
Other Operating Revenues	50,288.35	51,617.39	13,725.77	(1,329.04)	-2.57%
Total Operating Revenues	2,718,572.70	2,439,641.68	2,177,508.56	278,931.02	11.43%
Operating Expenses:					
Administration					
Salaries and Wages	257,877.41	249,668.16	243,682.75	8,209.25	3.29%
Fringe Benefits	580,049.15	395,352.00	282,199.30	184,697.15	46.72%
Other Expenses	218,138.50	241,110.87	264,594.37	(22,972.37)	-9.53%
Cost of Providing Services					
Salaries and Wages	384,527.19	364,218.76	351,487.47	20,308.43	5.58%
Fringe Benefits	617,301.03	425,512.31	307,552.96	191,788.72	45.07%
Other Expenses	529,358.52	544,918.25	607,652.79	(15,559.73)	-2.86%
Major Repairs and Other Expenses	43,194.63	71,480.21	97,855.87	(28,285.58)	-39.57%
Depreciation	396,762.11	386,242.07	339,115.67	10,520.04	2.72%
Total Operating Expenses	3,027,208.54	2,678,502.63	2,494,141.18	348,705.91	13.02%
Operating Loss	(308,635.84)	(238,860.95)	(316,632.62)	(69,774.89)	29.21%
Non-operating Revenue (Expenses):					
Investment Income	38,996.68	69,396.32	26,671.90	(30,399.64)	-43.81%
Interest Expense	(52,070.62)	(68,034.67)	(81,038.00)	15,964.05	-23.46%
Other Non-operating Income	194,855.15	194,301.39	189,812.12	553.76	0.29%
Debt Issue Costs	(130,944.88)	-	-	(130,944.88)	-100.00%
Total Non-operating Revenue	50,836.33	195,663.04	135,446.02	(144,826.71)	-74.02%
Change in Net Position					
Before Capital Contributions	(257,799.51)	(43,197.91)	(181,186.60)	(214,601.60)	496.79%
Capital Contributions	-	-	231,539.55	-	
Change in Net Position	(257,799.51)	(43,197.91)	50,352.95	(214,601.60)	496.79%
Net Position August 1	4,991,258.60	5,034,456.51	6,098,386.20	(43,197.91)	-0.86%
Restatement	-	-	(1,114,282.64)	-	
Net Position August 1, as restated	4,991,258.60	5,034,456.51	4,984,103.56	(43,197.91)	-0.86%
Net Position July 31	\$ 4,733,459.09	\$ 4,991,258.60	\$ 5,034,456.51	\$ (257,799.51)	-5.17%

* Restated

**Pine Hill Municipal Utilities Authority
Management's Discussion and Analysis
For the Fiscal Years Ended July 31, 2020 and 2019
(Unaudited)**

OVERALL ANALYSIS

The Authority's overall financial position is positive. The Authority has not experienced any decrease in the overall mix of its residential, commercial, public and industrial customer-billing base. The rate structure for the sewer utility remained unchanged for the year; however, the rates for the water utility were adjusted for the second 25% increase in two years, which was effective July 1, 2019.

The Authority realized \$8,450.00 in revenue for new connections in fiscal year 2020. There was no change to the water and sewer connection fee during the year. Developers pay connection fees upon submittal of plans to connect residential developments, commercial properties, etc. into the Authority's water and / or sewer systems. The Authority recognizes these payments as revenue on the date of payment.

Overall, the Authority's financial position has decreased in the current fiscal year to a net position of \$4,733,459.09. The makeup of the ratepayer base is well diversified. The residential and public sectors, the most stable when considering the volatility of a billing rate, comprise approximately 96% of the Authority's customers. There is no particular emphasis or imbalance in the type of business enterprises within the commercial sector. Industrial users, exist, but do not comprise a major portion of the Authority's billing base.

BUDGET VARIANCES

The budget for fiscal year 2020 was formulated prior to June 2019 and adopted within state guidelines. Following, is a narrative addressing the more significant budget line items, and how those budget line items compare to actual operating results for the current fiscal year.

Operating revenues were above the anticipated amount for the water utility by \$300,352.50, and exceeded the anticipated amount by \$50,390.20 for the sewer utility.

The Authority realized mobile antenna lease revenue in the amount of \$194,855.15, which exceeded the budgeted amount of \$100,000.00, resulting in a favorable variance of \$94,855.15.

Operating, principal payments and non-operating expenditures had favorable budget variances in the amount of \$145,031.05 for the water utility and favorable budget variance of \$138,430.15 for the sewer utility.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

During the current fiscal year, the Authority disbursed \$264,662.49 for capital assets. The more significant disbursements were construction in progress for improvements to the systems. The Authority has not experienced any change in its excellent credit rating, nor does it anticipate any. Although the Authority does not operate under any debt limitations, it is required to receive approval from the Borough of Pine Hill prior to issuing any new debt.

On July 8, 2020, the Authority issued Revenue Bonds, Series 2020 to fund various capital improvements to the Authority's water utility system and pay certain costs related to the issuance of the 2020 Bonds. The Bonds were issued originally for \$4,775,000.00 and carried a variable interest rate of 2.0% to 4.0%. The final maturity of the 2020 Bonds is August 1, 2040.

**Pine Hill Municipal Utilities Authority
Management's Discussion and Analysis
For the Fiscal Years Ended July 31, 2020 and 2019
(Unaudited)**

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide Borough of Pine Hill's citizens and our customers, clients, investors and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have questions about this report or need additional financial information, please contact the Executive Director, Pine Hill Municipal Utilities Authority, 907 Turnersville Road, Pine Hill, NJ 08021.

BASIC FINANCIAL STATEMENTS

PINE HILL MUNICIPAL UTILITIES AUTHORITY

Statements of Net Position
As of July 31, 2020 and 2019

	2020	2019
<u>ASSETS</u>		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 3,910,664.56	\$ 3,968,388.10
Change Fund	150.00	150.00
Consumer Accounts Receivable	337,567.34	290,403.77
Total Unrestricted Assets	4,248,381.90	4,258,941.87
Restricted Assets:		
Cash and Cash Equivalents	6,626,678.21	1,184,665.42
NJFIT Program Receivable	-	13,371.12
Total Restricted Assets	6,626,678.21	1,198,036.54
Total Current Assets	10,875,060.11	5,456,978.41
Noncurrent Assets:		
Capital Assets:		
Completed (Net of Accumulated Depreciation)	8,290,430.46	8,431,875.42
Construction in Progress	204,339.52	197,266.43
Total Capital Assets	8,494,769.98	8,629,141.85
Total Non-Current Assets	8,494,769.98	8,629,141.85
Total Assets	19,369,830.09	14,086,120.26
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Related to Pensions	165,300.00	225,923.00
Related to OPEB	931,117.00	774,800.00
Total Deferred Outflows of Resources	1,096,417.00	1,000,723.00
<u>LIABILITIES</u>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable - Operations	91,612.72	76,298.59
Accounts Payable - Related to Pensions	89,616.00	78,653.00
Overpayments	3,167.19	4,900.32
Payroll Deductions Payable	9,715.22	5,066.30
Developer Escrow Deposits	53,270.63	35,253.95
Total Current Liabilities Payable from Unrestricted Assets	247,381.76	200,172.16

(Continued)

PINE HILL MUNICIPAL UTILITIES AUTHORITY

Statements of Net Position
As of July 31, 2020 and 2019

	2020	2019
<u>LIABILITIES (CONT'D)</u>		
Current Liabilities Payable from Restricted Assets:		
Accounts Payable	\$ -	\$ 2,272.25
Accrued Interest Payable	31,676.93	36,885.62
Revenue Bonds Payable - Current Portion	91,960.67	87,353.99
New Jersey Environmental Infrastructure Trust Loan Payable - Current Portion	188,931.50	283,361.26
Total Current Liabilities Payable from Restricted Assets	312,569.10	409,873.12
Long-term Liabilities:		
Revenue Bonds Payable	5,567,986.46	563,526.68
New Jersey Environmental Infrastructure Trust Loan Payable	2,431,079.53	2,620,011.03
Compensated Absences Payable	97,412.15	99,337.17
Net OPEB Obligation	5,048,883.00	4,080,294.00
Net Pension Liability	1,233,128.00	1,344,905.00
Total Long-term Liabilities	14,378,489.14	8,708,073.88
Total Liabilities	14,938,440.00	9,318,119.16
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Advanced Billings	244,800.00	243,642.50
Related to Pensions	549,548.00	533,823.00
Total Deferred Inflows of Resources	794,348.00	777,465.50
<u>NET POSITION</u>		
Net Investment in Capital Assets	4,747,209.63	5,085,987.76
Restricted:		
Bond Resolution Covenants	1,600,986.08	1,370,886.78
Unrestricted (Deficit)	(1,614,736.62)	(1,465,615.94)
Total Net Position	\$ 4,733,459.09	\$ 4,991,258.60

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

PINE HILL MUNICIPAL UTILITIES AUTHORITY
Statements of Revenue, Expenses and Changes in Net Position
For the Fiscal Years Ended July 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Service Charges	\$ 2,659,834.35	\$ 2,331,949.29
Connection Fees	8,450.00	56,075.00
Other Operating Revenues	<u>50,288.35</u>	<u>51,617.39</u>
Total Operating Revenues	<u>2,718,572.70</u>	<u>2,439,641.68</u>
Operating Expenses:		
Administration:		
Salaries and Wages	257,877.41	249,668.16
Fringe Benefits	580,049.15	395,352.00
Other Expenses	218,138.50	241,110.87
Cost of Providing Services		
Salaries and Wages	384,527.19	364,218.76
Fringe Benefits	617,301.03	425,512.31
Other Expenses	529,358.52	544,918.25
Major Repairs and Other Expenses	43,194.63	71,480.21
Depreciation	<u>396,762.11</u>	<u>386,242.07</u>
Total Operating Expenses	<u>3,027,208.54</u>	<u>2,678,502.63</u>
Operating Loss	<u>(308,635.84)</u>	<u>(238,860.95)</u>
Non-operating Revenue (Expenses):		
Investment Income	38,996.68	69,396.32
Interest Expense	(52,070.62)	(68,034.67)
Other Non-operating Income	194,855.15	194,301.39
Debt Issue Costs	<u>(130,944.88)</u>	<u>-</u>
Total Non-operating Revenue (Expenses)	<u>50,836.33</u>	<u>195,663.04</u>
Change in Net Position	<u>(257,799.51)</u>	<u>(43,197.91)</u>
Net Position August 1	<u>4,991,258.60</u>	<u>5,034,456.51</u>
Net Position July 31	<u>\$ 4,733,459.09</u>	<u>\$ 4,991,258.60</u>

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

PINE HILL MUNICIPAL UTILITIES AUTHORITY
Statements of Cash Flows
For the Fiscal Years Ended July 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 2,620,545.15	\$ 2,408,545.33
Payments to Suppliers	(1,141,727.07)	(1,180,731.94)
Payments to Employees	(639,680.70)	(617,334.72)
Other Operating Receipts	68,305.03	49,214.72
Other Operating Disbursements	(43,194.63)	(71,480.21)
	<u>864,247.78</u>	<u>588,213.18</u>
Net Cash Provided by Operating Activities		
Cash Flows from Noncapital Financing Activities:		
Other Non-Operating Revenue	<u>194,855.15</u>	<u>194,301.39</u>
Cash Flows from Capital and Related Financing Activities:		
Capital Acquisitions	(264,662.49)	(255,027.66)
NJEIT Program Receivable	13,371.12	7,271.88
Debt Issue Costs	(130,944.88)	-
Bond Principal	(370,715.25)	(446,748.36)
Interest Expense	(57,279.31)	(79,536.67)
Bond Proceeds	4,775,000.00	-
Premium on Bonds	321,420.45	-
	<u>4,286,189.64</u>	<u>(774,040.81)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities		
Cash Flows from Investing Activities:		
Interest on Investments	<u>38,996.68</u>	<u>69,396.32</u>
Net Increased in Cash and Cash Equivalents	5,384,289.25	77,870.08
Cash and Cash Equivalents -- August 1	<u>5,153,203.52</u>	<u>5,075,333.44</u>
Cash and Cash Equivalents -- July 31	<u>\$ 10,537,492.77</u>	<u>\$ 5,153,203.52</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating Loss	\$ (308,635.84)	\$ (238,860.95)
Adjustments to Reconcile Operating Loss to Net Cash Net Provided by Operating Activities:		
Depreciation Expense	396,762.11	386,242.07
Accrued Pension Expense (GASB 68)	(24,466.00)	7,373.00
Accrued OPEB Liability (GASB 75)	812,272.00	407,722.00
Change in Assets and Liabilities:		
Change in Consumer Accounts Receivable	(48,896.70)	20,476.04
Change in Accounts Payable - Operations	15,314.13	11,066.49
Change in Accrued Liabilities	2,723.90	(3,447.80)
Change in Advanced Billings	1,157.50	45.00
Change in Developers' Escrow Deposits	18,016.68	(2,402.67)
	<u>864,247.78</u>	<u>588,213.18</u>
Net Cash Provided by Operating Activities	<u>\$ 864,247.78</u>	<u>\$ 588,213.18</u>

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

PINE HILL MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements
For the Fiscal Years Ended July 31, 2020 and 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Pine Hill 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 Pine Hill Municipal Utilities Authority is a public body corporate and politic of the State of New Jersey and was originally created by an ordinance adopted on March 9, 1959 by the governing body of the Borough of Pine Hill (the "Borough"), pursuant to the Municipal and County Utilities Authorities Law. The Authority maintains two separate funds, the Sewer Utility Fund and the Water Utility Fund. With respect to the Water Utility, on July 23, 1962, the Authority adopted a Bond Resolution authorizing the Trust Agreement dated August 1, 1962 and issuing Water Revenue Bonds in the amount of \$700,000.00. Additional Water Revenue Bonds were authorized and issued under this Trust Agreement in 1973, 1985, 1992, 1997, 2014 and 2020. With respect to the Sewer Utility, on October 15, 1971, the Authority entered into a loan agreement for the construction of a wastewater collection system. On December 1, 1986, the Authority entered into an Indenture of Trust to permanently fund the above loan agreement with the issuance of Sewer Revenue Bonds. Additional Sewer Revenue Bonds were authorized and issued under this Trust Agreement in October 1999, November 2007, May 2014 and November 2017. Both Trust Agreements are in effect as of July 31, 2020.

The Authority was created for the purpose of constructing, maintaining and operating a water supply and distribution system, and a wastewater collection system within the municipal boundaries of the Borough. The Authority bills and collects for its services from all customers and is entitled to a fee for new connections to the system.

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. 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 Borough of Pine Hill.

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 recognized when the fees are received.

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, bond issue costs, bond premium, and the annual required contribution for the Authority's Other Postemployment Benefits (OPEB) Plan and the Net Pension Expense (PERS) 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 Statements of Revenue, 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 did adopt 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. The Authority had no prepaid expenses for the fiscal year ended July 31, 2020.

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 January 1, 2003 are stated at estimated cost. Assets purchased since are stated at actual cost. Donated capital assets are recorded at their fair market value as of the date received.

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 and Improvements	30-40
Infrastructure	40
Equipment	8-15
Fixed Equipment	8-15

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 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: advanced sewer billings, 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.

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.

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

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.

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 and sewer service charges and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and mobile antenna lease income.

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

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.

Impact of Recently Issued Accounting Policies**Recently Issued and Adopted Accounting Pronouncements**

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The adoption of this Statement had no impact on the Authority's financial statements.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The adoption of this Statement had no impact on the Authority's financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Impact of Recently Issued Accounting Policies****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 July 31, 2020, but as a result of GASB Statement 95 it will become effective in the fiscal year ending July 31, 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 July 31, 2021, but as a result of GASB Statement 95 will become effective in the fiscal year ending July 31, 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 July 31, 2020, but as a result of GASB Statement 95 will become effective in the fiscal year ending July 31, 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 July 31, 2020, but as a result of GASB Statement 95 it will become effective in the fiscal year ending July 31, 2021. Management does not expect this Statement will have an impact on the financial statements.

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 July 31, 2022, but as a result of GASB Statement 95 will become effective in the fiscal year ending July 31, 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:

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

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 July 31, 2021, but as a result of GASB Statement 95 will become effective in the fiscal year ending July 31, 2022.
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 July 31, 2021, but as a result of GASB Statement 95 will become effective in the fiscal year ending July 31, 2022.
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 July 31, 2021, but as a result of GASB Statement 95 will become effective in the fiscal year ending July 31, 2022.

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 July 31, 2021. GASB Statement 95 changed the effective date for paragraphs 13 and 14 to the fiscal year ending July 31, 2022. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 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 July 31, 2023. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 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 July 31, 2023. 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. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The portions of the statement effect component unit criteria are effective immediately, but the other portions of the Statement will become effective for the Authority in the fiscal year ending July 31, 2022. 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 Water Utility System Revenue Bond Resolution dated July 23, 1962, as amended and the Sewer Utility System Revenue Bond Resolution, dated October 16, 1985, as amended (collectively the "Bond Resolution"). As required by the Bond Resolution, certain cash accounts and investments of the Authority are maintained by an independent trustee, accounted for in various accounts and segregated for specific use and for the security of the bondholders. A summary of the activities of each account created by the respective Bond Resolution is covered below.

Water Utility System Revenue Bonds

Revenue Account - All water operating revenues received by the Authority are deposited in the revenue account and subsequently transferred into other accounts to satisfy the bond covenants or to pay the water operating expenses, except for any grants-in-aid of construction that are deposited in the construction account.

Operating Account - This account is maintained to pay the Authority water operating expenses. The balance must be equal to the amount appropriated for operating expenses in the annual budget for the three calendar month period beginning with such monthly date. At July 31, 2020, the balance in the operating account meets the requirements of the Bond Resolution.

Debt Service Account - Periodic transfers from the revenue account are deposited to pay current principal maturities and interest on the Water Utility System Revenue Bonds Series 1985, 1992, and 2020 and the 2014 New Jersey Environmental Infrastructure Trust Loan.

Debt Service Reserve Account - The amounts 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. At July 31, 2020, the balance in the debt service reserve account meets the requirements of the Bond Resolution.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)**Water Utility System Revenue Bonds (Cont'd)**

Renewal and Replacement Account - This account is maintained to pay for the reasonable and necessary expenses for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals. Funds on deposit must be equal to the System Reserve Requirement. The restricted net position on July 31, 2020 of \$400,000.00 met the requirement of the Bond Resolution.

Construction Account – The Construction account is designated for moneys from any source including proceeds from the sale of additional bonds for system construction or acquisitions. All excess moneys in the account are pledged to meet any deficiency in the Debt Service Account and Debt Service Reserve Account. Any remaining excess moneys may then be transferred to the Renewal and Replacement Account.

Sewer Utility System Revenue Bonds

Revenue Account - All sewer operating revenues received by the Authority are deposited in the revenue account and subsequently transferred into other accounts to satisfy the bond covenants or to pay the sewer operating expenses, except for any grants-in-aid of construction that are deposited in the construction account.

Operating Account – This account is maintained to pay the Authority sewer operating expenses. The balance must be equal to the amount appropriated for operating expenses in the annual budget for the three calendar month period beginning with such monthly date. At July 31, 2020, the balance in the operating account meets the requirements of the Bond Resolution.

Debt Service Account – Periodic transfers from the revenue account are deposited to pay current principal maturities and interest on Sewer Utility System 1999, 2007, 2014 and 2017 New Jersey Environmental Infrastructure Trust Loans.

Debt Service Reserve Account - The amounts 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. At July 31, 2020, the balance in the debt service reserve account meets the requirements of the Bond Resolution.

General Account – In the event that all other accounts have been maintained to their maximum extent, then transfers are made to the general account. The Trustee at the request of the Authority may use the general account to pay the cost of capital additions, to purchase or redeem bonds of any series, to pay the cost of extraordinary repairs, renewals and replacements of the utility system, to repay subordinated loans, to make payment to the Borough the amounts due under the service contract (Note 5), or for any other lawful purpose, as described in the Utility System Revenue Bond Resolution.

Construction Account – The Construction account is designated for moneys from any source including proceeds from the sale of additional bonds for system construction or acquisitions. All excess moneys in the account are pledged to meet any deficiency in the Debt Service Account and Debt Service Reserve Account. Any remaining excess moneys may then be transferred to the General Account.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)**Debt Service Coverage**

The computation of sufficiency of revenues for fiscal year ended July 31, 2020 as defined by the Utility System Revenue Bond Resolutions is as follows:

	<u>Water Utility</u>	<u>Sewer Utility</u>
Net Revenue:		
Operating Loss	\$ (124,986.14)	\$ (183,649.70)
Add:		
Depreciation Expense	168,747.06	228,015.05
Net OPEB Cost	487,363.20	324,908.80
Net Pension Expense	(14,679.60)	(9,786.40)
Interest Revenue	14,830.63	24,166.05
Antenna Lease Income	194,855.15	-
Total Net Revenues	<u>\$ 726,130.30</u>	<u>\$ 383,653.80</u>
Debt Service		
Interest on Bonds	\$ 35,497.77	\$ 34,216.26
Bond Principal	105,119.18	265,596.07
Total Debt Service	<u>\$ 140,616.95</u>	<u>\$ 299,812.33</u>
Ratio of Net Revenue to Debt Service	5.16	1.28
Required Ratio	1.20	1.10

The computation of sufficiency of revenues for fiscal year ended July 31, 2019 as defined by the Utility System Revenue Bond Resolutions is as follows:

	<u>Water Utility</u>	<u>Sewer Utility</u>
Net Revenue:		
Operating Income (Loss)	\$ (246,247.68)	\$ 10,335.93
Add:		
Depreciation Expense	161,509.71	224,732.36
Net OPEB Cost	244,633.20	163,088.80
Net Pension Expense	4,423.80	2,949.20
Interest Revenue	26,052.75	43,343.57
Antenna Lease Income	184,301.39	-
Total Net Revenues	<u>\$ 374,673.17</u>	<u>\$ 444,449.86</u>
Debt Service		
Interest on Bonds	\$ 42,972.26	\$ 36,564.41
Bond Principal	210,743.73	236,004.63
Total Debt Service	<u>\$ 253,715.99</u>	<u>\$ 272,569.04</u>
Ratio of Net Revenue to Debt Service	1.48	1.63
Required Ratio	1.20	1.10

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 below.

As of July 31, 2020 and 2019, the Authority's bank balances were exposed to custodial credit risk as follows:

	July 31,	
	<u>2020</u>	<u>2019</u>
Insured by FDIC	\$ 310,561.78	\$ 293,458.73
Insured and collateralized with securities held by pledging financial institutions	480,453.25	396,413.01
Uninsured and Uncollateralized	9,708,607.41	4,447,620.55
	<u>\$ 10,499,622.44</u>	<u>\$ 5,137,492.29</u>

Service Fees

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

Water Utility:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Billings</u>	<u>Total Collections</u>	<u>Percentage of Collections</u>
2020	\$ 162,403.80	\$ 1,668,231.48	\$ 1,632,278.42	89.16%
2019	161,981.11	1,355,672.84	1,355,250.15	89.30%
2018	159,823.06	1,173,739.25	1,171,344.79	87.84%

Sewer Utility:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Billings</u>	<u>Total Collections</u>	<u>Percentage of Collections</u>
2020	\$ 127,999.97	\$ 1,001,727.26	\$ 989,999.86	87.63%
2019	150,013.56	1,032,100.51	1,054,114.10	89.17%
2018	171,361.29	990,151.28	1,011,192.68	87.06%

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

During the fiscal year ended July 31, 2020, the following changes in Capital Assets occurred:

	Balance <u>August 1, 2019</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	Balance <u>July 31, 2020</u>
Capital Assets not being Depreciated:					
Construction in Progress	\$ 197,266.43	\$ 276,528.70	\$ (230,873.73)	\$ 38,581.88	\$ 204,339.52
Total Capital Assets not being Depreciated	197,266.43	276,528.70	(230,873.73)	38,581.88	204,339.52
Capital Assets being Depreciated:					
Infrastructure	15,973,804.76				15,973,804.76
Buildings & Improvements	242,497.81				242,497.81
Fixed Equipment	865,197.52	19,043.42	225,873.73		1,110,114.67
Equipment	523,781.87	10,400.00			534,181.87
Total Capital Assets being Depreciated	17,605,281.96	29,443.42	225,873.73	-	17,860,599.11
Total Capital Assets	17,802,548.39	305,972.12	(5,000.00)	38,581.88	18,064,938.63
Less Accumulated Depreciation:					
Infrastructure	(7,859,945.42)	(331,274.33)			(8,191,219.75)
Buildings & Improvements	(176,343.09)	(7,304.53)			(183,647.62)
Fixed Equipment	(671,939.23)	(37,384.52)			(709,323.75)
Equipment	(465,178.80)	(20,798.73)			(485,977.53)
Total Accumulated Depreciation	(9,173,406.54)	(396,762.11)	-	-	(9,570,168.65)
Capital Assets, Net	\$ 8,629,141.85	\$ (90,789.99)	\$ (5,000.00)	\$ 38,581.88	\$ 8,494,769.98

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

During the fiscal year ended July 31, 2019, the following changes in Capital Assets occurred:

	Balance <u>August 1, 2018</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	Balance <u>July 31, 2019</u>
Capital Assets not being Depreciated:					
Construction in Progress	\$ 10,000.00	\$ 316,342.12	\$ (47,595.48)	\$ 81,480.21	\$ 197,266.43
Total Capital Assets not being Depreciated	10,000.00	316,342.12	(47,595.48)	81,480.21	197,266.43
Capital Assets being Depreciated:					
Infrastructure	15,973,804.76				15,973,804.76
Buildings & Improvements	242,497.81				242,497.81
Fixed Equipment	865,197.52				865,197.52
Equipment	473,748.39	2,438.00	47,595.48		523,781.87
Total Capital Assets being Depreciated	17,555,248.48	2,438.00	47,595.48	-	17,605,281.96
Total Capital Assets	17,565,248.48	318,780.12	-	81,480.21	17,802,548.39
Less Accumulated Depreciation:					
Infrastructure	(7,528,671.15)	(331,274.27)			(7,859,945.42)
Buildings & Improvements	(169,038.56)	(7,304.53)			(176,343.09)
Fixed Equipment	(639,267.15)	(32,672.08)			(671,939.23)
Equipment	(450,187.63)	(14,991.17)			(465,178.80)
Total Accumulated Depreciation	(8,787,164.49)	(386,242.05)	-	-	(9,173,406.54)
Capital Assets, Net	\$ 8,778,083.99	\$ (67,461.93)	\$ -	\$ 81,480.21	\$ 8,629,141.85

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

During the fiscal year ended July 31, 2020, the following changes occurred in long-term obligations:

	<u>Balance</u> <u>August 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>July 31, 2020</u>	<u>Due Within</u> <u>One Year</u>
Bonds and Loans Payable:					
Revenue Bonds Payable	\$ 650,880.67	\$ 4,775,000.00	\$ (87,353.99)	\$ 5,338,526.68	\$ 91,960.67
Bond Issue Premium	-	321,420.45		321,420.45	
NJEIT Loans	2,903,372.29		(283,361.26)	2,620,011.03	188,931.50
Total Bonds Payable	3,554,252.96	5,096,420.45	(370,715.25)	8,279,958.16	280,892.17
Other Liabilities:					
Net Pension Liability	1,344,905.00	\$ 740,366.00	(852,143.00)	1,233,128.00	
Net OPEB Obligation	4,080,294.00	1,026,028.00	(57,439.00)	5,048,883.00	
Compensated Absences	99,337.17	1,566.02	(3,491.04)	97,412.15	
Total Other Liabilities	5,524,536.17	1,767,960.02	(913,073.04)	6,379,423.15	-
Total Long Term Liabilities	\$ 9,078,789.13	\$ 6,864,380.47	\$ (1,283,788.29)	\$ 14,659,381.31	\$ 280,892.17

During the fiscal year ended July 31, 2019, the following changes occurred in long-term obligations:

	<u>Restated</u> <u>Balance</u> <u>August 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>July 31, 2019</u>	<u>Due Within</u> <u>One Year</u>
Bonds and Loans Payable:					
Revenue Bonds Payable	\$ 843,859.22		\$ (192,978.55)	\$ 650,880.67	\$ 87,353.99
NJEIT Loans	3,157,142.11		(253,769.82)	2,903,372.29	283,361.26
Total Bonds Payable	4,001,001.33	-	(446,748.37)	3,554,252.96	370,715.25
Other Liabilities:					
Net Pension Liability	1,442,294.00	\$ 833,058.00	(930,447.00)	1,344,905.00	
Net OPEB Obligation	3,424,279.00	713,454.00	(57,439.00)	4,080,294.00	
Compensated Absences	100,679.69	1,267.07	(2,609.59)	99,337.17	
Total Other Liabilities	4,967,252.69	1,547,779.07	(990,495.59)	5,524,536.17	-
Total Long Term Liabilities	\$ 8,968,254.02	\$ 1,547,779.07	\$ (1,437,243.96)	\$ 9,078,789.13	\$ 370,715.25

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

The Revenue Bonds Series 1985, 1992 and 2020 are direct obligations of the Authority. The Bonds are secured under a Utility System Revenue Bond Resolution dated August 1, 1962 (Note 2), under which substantially all rents, revenues, receipts, fees, and other charges or income received or accrued by the Authority are pledged. Subsequent supplemental bond resolutions were adopted authorizing the issuance of the Utility System Revenue Bonds, Series 1985, 1992, and 2020. The Bonds are further secured by the limited service agreement between the Authority and the Borough (See Note 5).

The 1985 Series Bonds were issued to fund various capital improvements to the Authority's water utility system and pay certain costs related to the issuance of the 1985 Bonds. The Bonds were issued originally for \$1,205,000.00 and carried interest rate of 5.0%. The final maturity of the 1985 Bonds is August 1, 2025.

The 1992 Series Bonds were issued to fund various capital improvements to the Authority's water utility system and pay certain costs related to the issuance of the 1992 Bonds. The Bonds were issued originally for \$800,000.00 and carried interest rate of 5.5%. The final maturity of the 1992 Bonds is August 1, 2025.

The 2020 Series Bonds were issued to fund various capital improvements to the Authority's water utility system and pay certain costs related to the issuance of the 2020 Bonds. The Bonds were issued originally for \$4,775,000.00 and carried a variable interest rate of 2.0% to 4.0%. The final maturity of the 2020 Bonds is August 1, 2040.

The following schedule reflects the Debt Requirements until the Authority's fiscal year 2041.

<u>Fiscal Year</u> <u>Ending July 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 91,960.67	\$ 111,655.75	\$ 203,616.42
2022	266,810.85	167,990.91	434,801.76
2023	276,917.42	155,984.34	432,901.76
2024	287,293.96	143,507.80	430,801.76
2025	302,954.79	130,446.99	433,401.78
2026-2030	1,117,588.99	495,729.70	1,613,318.69
2031-2035	1,270,000.00	291,818.80	1,561,818.80
2036-2040	1,415,000.00	143,790.64	1,558,790.64
2041	310,000.00	4,650.00	
	5,338,526.68	<u>\$1,645,574.93</u>	<u>\$6,669,451.61</u>
Less: Current Maturities	91,960.67		
Plus: Premium on Bonds	<u>321,420.45</u>		
Long-term Portion	<u>\$5,567,986.46</u>		

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**New Jersey Environmental Infrastructure Trust****Water Utility New Jersey Environmental Infrastructure Trust Loans Series 2014**

On May 21, 2014, the Authority entered into an agreement with the New Jersey Environmental Infrastructure Trust for the issuance of \$85,000.00 Trust Loan with various interest rates dated May 21, 2014. The issue is accompanied by a separate agreement for a \$251,049.00 zero interest Fund Loan in accordance with the New Jersey Environmental Infrastructure Trust Act, P.L. 1985, c. 334.

The following schedule reflects the Debt Service Requirements for the Authority's Water Utility 2014 New Jersey Environmental Infrastructure Trust Loans until 2034.

<u>Fiscal Year Ending July 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 17,765.19	\$ 2,493.76	\$ 20,258.95
2022	17,765.19	2,243.76	20,008.95
2023	17,765.19	1,993.76	19,758.95
2024	17,765.19	1,743.76	19,508.95
2025	17,765.19	1,493.76	19,258.95
2026 - 2030	88,825.95	4,968.80	93,794.75
2031 - 2034	66,805.96	1,259.40	68,065.36
	244,457.86	<u>\$ 16,197.00</u>	<u>\$ 260,654.86</u>
Less: Current Maturities	<u>17,765.19</u>		
Long-term Portion	<u>\$ 226,692.67</u>		

Sewer Utility New Jersey Environmental Infrastructure Trust Loans Series 1999, 2007, 2014 and 2017

On November 1, 1999, the Authority entered into an agreement with the New Jersey Environmental Infrastructure Trust for the issuance of \$715,000.00 Trust Loan with various interest rates dated October 15, 1999. The issue is accompanied by a separate agreement for a \$727,500.00 zero interest Fund Loan in accordance with the New Jersey Environmental Infrastructure Trust Act, P.L. 1985, c. 334.

On November 1, 2007, the Authority entered into an agreement with the New Jersey Environmental Infrastructure Trust for the issuance of \$530,000.00 Trust Loan with various interest rates dated November 8, 2007. The issue is accompanied by a separate agreement for a \$470,714.00 zero interest Fund Loan in accordance with the New Jersey Environmental Infrastructure Trust Act, P.L. 1985, c. 334.

On May 21, 2014, the Authority entered into an agreement with the New Jersey Environmental Infrastructure Trust for the issuance of \$165,000.00 Trust Loan with various interest rates dated May 21, 2014. The issue is accompanied by a separate agreement for a \$500,000.00 zero interest Fund Loan in accordance with the New Jersey Environmental Infrastructure Trust Act, P.L. 1985, c. 334.

On November 21, 2017, the Authority entered into an agreement with the New Jersey Environmental Infrastructure Trust for the issuance of \$415,000.00 Trust Loan with various interest rates dated November 21, 2017. The issue is accompanied by a separate agreement for a \$1,183,073.00 zero interest Fund Loan in accordance with the New Jersey Environmental Infrastructure Trust Act, P.L. 1985, c. 334.

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

The following schedule reflects the Debt Service Requirements for the Authority's Sewer Utility New Jersey Environmental Infrastructure Trust Loans until 2038.

<u>Fiscal Year</u> <u>Ending July 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 171,166.31	\$ 30,181.26	\$ 201,347.57
2022	170,305.46	27,581.26	197,886.72
2023	177,457.56	24,706.26	202,163.82
2024	181,425.36	21,712.51	203,137.87
2025	180,448.94	18,681.26	199,130.20
2026-2030	737,709.46	54,775.05	792,484.51
2031-2035	578,742.73	24,096.89	602,839.62
2036-2038	178,297.35	3,975.00	182,272.35
	2,375,553.17	\$ 205,709.49	\$ 2,581,262.66
Less: Current Maturities	171,166.31		
Long-term Portion	\$ 2,204,386.86		

Compensated Absences

Authority employees may accumulate unused sick days in accordance with the Authority's personnel policy, employee contracts and union contracts. Employees are compensated for accumulated sick leave upon retirement or resignation at 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 July 31, 2020 and July 31, 2019 is estimated at \$97,412.15 and \$99,337.17, respectively.

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.

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

A substantial number of the Authority's employees participate in the Public Employees' Retirement System ("PERS") which is administered by the New Jersey Division of Pensions and Benefits. 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, required supplementary information and detailed information about the PERS plans' fiduciary net position which can be obtained by writing to or at the following website:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<https://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' 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' 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 New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (PFRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll 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.

Vesting and Benefit Provisions

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

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

Public Employees' Retirement System (Cont'd) - The following represents the membership tiers for PERS:

Tier Definition

- 1 Members who were enrolled prior to July 1, 2007
- 2 Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3 Members who were eligible to enroll on or after November 2, 2008 and prior to May 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 with 25 years or more of service credit before age 62, and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

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 non-forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non-forfeitable 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 is currently 7.50% of base salary, effective July 1, 2018. The rate for members who are eligible for the Prosecutors Part of PERS (P.L. 2001, C. 366) is 10.0%. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The Authority's contractually required contribution rate for the fiscal years ended July 31, 2020 and 2019 was 14.76% and 13.36% of the Authority's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

Public Employees' Retirement System (Cont'd) - Based on the most recent PERS measurement date of June 30, 2020, the Authority's contractually required contribution to the pension plan for the fiscal year ended July 31, 2020 was \$82,722.00, and was paid by April 1, 2020. Based on the PERS measurement date of June 30, 2019, the Authority's contractually required contribution to the pension plan for the fiscal year ended July 31, 2019 was \$72,603.00, and was paid by April 1, 2019.

Employee contributions to the Plan for the fiscal year ended July 31, 2020 and 2019 were \$42,033.78 and \$40,755.55, 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 year ended July 31, 2020 and 2019, there were no employees participating in this program.

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

Pension Liability - As of July 31, 2020, the Authority's proportionate share of the PERS net pension liability was \$1,233,128.00. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. 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, 2020. 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, 2020 measurement date, the Authority's proportion was .0075617746%, which was an increase of .0000977472% from its proportion measured as of June 30, 2019.

As of July 31, 2019, the Authority's proportionate share of the PERS net pension liability was \$1,344,905.00. 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 .0074640274%, which was an increase of .0001388348% from its proportion measured as of June 30, 2018.

Pension Expense - For the fiscal years ended July 31, 2020 and 2019, the Authority recognized its proportionate share of the PERS pension (benefit) expense of \$48,137.00 and \$80,859.00, respectively. These amounts were based on the Plan's June 30, 2020 and 2019 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 (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources – At July 31, 2020 and 2019, the Authority had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>July 31, 2020</u>		<u>July 31, 2019</u>	
	Measurement Date June 30, 2020		Measurement Date June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 22,453.00	\$ 4,361.00	\$ 24,139.00	\$ 5,941.00
Changes of Assumptions	40,004.00	516,322.00	134,294.00	466,812.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	42,149.00	-	-	21,230.00
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	53,800.00	28,865.00	61,440.00	39,840.00
Authority Contributions Subsequent to the Measurement Date	6,894.00	-	6,050.00	-
	<u>\$ 165,300.00</u>	<u>\$ 549,548.00</u>	<u>\$ 225,923.00</u>	<u>\$ 533,823.00</u>

Deferred outflows of resources in the amount of \$6,894.00 and \$6,050.00 will be included as a reduction of the net pension liability during the fiscal years ending July 31, 2021 and 2020, respectively. These amounts are based on an estimated April 1, 2022 and April 1, 2021 contractually required contribution, prorated from the pension plan's measurement date of June 30, 2020 and 2019 to the Authority's fiscal year end of July 31, 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 (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	-
June 30, 2020	5.16	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
June 30, 2020	-	5.16
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	-	-
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
June 30, 2020	5.00	-
Changes in Proportion and Differences between 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
June 30, 2020	5.16	5.16

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 (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 pensions will be recognized in future periods as follows:

Fiscal Year Ending <u>July 31,</u>	
2021	\$ (143,132.00)
2022	(137,337.00)
2023	(77,234.00)
2024	(27,069.00)
2025	(6,370.00)
	<u>\$ (391,142.00)</u>

Actuarial Assumptions

The net pension liability was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 and 2018. 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, 2020 and 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	Measurement Date <u>June 30, 2020</u>	Measurement Date <u>June 30, 2019</u>
Inflation Rate:		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary Increases:		
Through 2026	2.00% - 6.00%	2.00% - 6.00%
	Based on Years of Service	Based on Years of Service
Thereafter	3.00% - 7.00%	3.00% - 7.00%
	Based on Years of Service	Based on Years of Service
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, 2014 - June 30, 2018

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

For the June 30, 2020 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-2020.

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.

In accordance with State statute, the long-term expected rate of return on Plan investments (7.00% at June 30, 2020 and 2019) 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 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, 2020 and 2019 are summarized in the table below:

<u>Asset Class</u>	<u>Measurement Date</u> <u>June 30, 2020</u>		<u>Measurement Date</u> <u>June 30, 2019</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	3.40%	3.00%	4.67%
Cash Equivalents	4.00%	0.50%	5.00%	2.00%
U.S. Treasuries	5.00%	1.94%	5.00%	2.68%
Investment Grade Credit	8.00%	2.67%	10.00%	4.25%
High Yield	2.00%	5.95%	2.00%	5.37%
Private Credit	8.00%	7.59%	6.00%	7.92%
Real Assets	3.00%	9.73%	2.50%	9.31%
Real Estate	8.00%	9.56%	7.50%	8.33%
U.S. Equity	27.00%	7.71%	28.00%	8.26%
Non-U.S. Developed Markets Equity	13.50%	8.57%	12.50%	9.00%
Emerging Markets Equity	5.50%	10.23%	6.50%	11.37%
Buyouts/Venture Capital	0.00%	0.00%	0.00%	0.00%
Private Equity	13.00%	11.42%	12.00%	10.85%
	<u>100.00%</u>		<u>100.00%</u>	

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

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.21% as of the June 30, 2020 measurement date based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current member contribution rates and that contributions from employers would be based on 78% of the actuarially determined contributions for the State and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all projected benefit payments to determine the total pension liability.

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.

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

The following presents the Authority's proportionate share of the net pension liability as of the June 30, 2020 measurement date, calculated using a discount rate of 7.00%, 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:

	July 31, 2020		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 1,719,532.00</u>	<u>\$ 1,233,128.00</u>	<u>\$ 1,059,423.00</u>

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Sensitivity of Authority's Proportionate Share of Net Pension Liability to Changes in the Discount Rate (Cont'd)**

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 6.28%, 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:

	July 31, 2019		
	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 1,847,890.00</u>	<u>\$ 1,344,905.00</u>	<u>\$ 1,152,294.00</u>

Pension Plan Fiduciary Net Position

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.

Postemployment Benefits Other Than Pensions (OPEB) – Authority Plan**General Information about the OPEB Plan****Plan Description and Benefits Provided**

The Authority has established a postemployment benefit plan to assist retirees in paying for medical coverage. The plan provides family prescription, vision, and medical insurance to eligible retirees with 25 years of service or those who have reached 62 years of age and have completed 20 years of service. No assets are accumulated in a trust. In accordance with GASB Statement 75, this plan is considered a Single Employer, Defined Benefit OPEB Plan that is not administered through a Trust that meets the criteria in paragraph 4 of GASB Statement 75.

Employees Covered by Benefit Terms

At July 31, 2020 and 2019, the following employees were covered by the benefit terms:

	July 31, 2020	July 31, 2019
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	4	4
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments		
Active Employees	7	7
	<u>11</u>	<u>11</u>

Contributions

Employees are not required to contribute to the plan.

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

The Authority's total OPEB liability of \$5,048,883.00 as July 31, 2020 and \$4,080,294.00 as of July 31, 2019 was measured as of July 31, 2020 and July 31, 2019, respectively. The liabilities were determined by an actuarial valuation as of July 31, 2020 and July 31, 2019, respectively.

Actuarial Assumptions and Other Inputs

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

Inflation	2.00% Annually
Discount Rate	1.68%
Healthcare Cost Trend Rates	
Medical (Pre-65)	7.00%
Medical (Post-65)	5.00%

The discount rate was based on the 20 year Municipal AA bond rate.

Mortality rates were based on RP-2000 Mortality Table for males and females.

Termination rates were based on the U.S. Office of Personnel Management Federal Employees Retirement System.

An experience study was not performed on the actuarial assumptions used in the July 31, 2017 valuation since the plan had insufficient data to produce a study with credible results. Mortality rates and termination rates were based on standard tables either issued by the SOA or developed for the applicable grade of employee. The actuary has used his/her professional judgement 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 ended July 31, 2020 and 2019, respectively:

	<u>July 31, 2020</u>	<u>July 31, 2019</u>
Balance at Beginning of Year	\$ 4,080,294.00	\$ 3,424,279.00
Changes for the Year:		
Service Cost	\$ 153,407.00	\$ 147,264.00
Interest Cost	106,773.00	91,290.00
Benefit Payments	(57,439.00)	(57,439.00)
Actuarial Assumption Changes	765,848.00	474,900.00
Differences Between Expected and Actual Demographic Experience	-	-
Net Changes	<u>968,589.00</u>	<u>656,015.00</u>
Balance at End of Year	<u>\$ 5,048,883.00</u>	<u>\$ 4,080,294.00</u>

There were no changes of benefit terms or changes of assumptions at July 31, 2020 and 2019.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment 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% lower or 1% higher than the current discount rate:

July 31, 2020			
	1.00% Decrease (0.68%)	Current Discount Rate (1.68%)	1.00% Increase (2.68%)
Total OPEB Liability	<u>\$5,900,117.73</u>	<u>\$5,048,883.00</u>	<u>\$4,366,605.33</u>

July 31, 2019			
	1.00% Decrease (1.77%)	Current Discount Rate (2.77%)	1.00% Increase (3.77%)
Total OPEB Liability	<u>\$4,768,225.96</u>	<u>\$4,080,294.00</u>	<u>\$3,528,906.00</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% lower or 1% higher than the current healthcare cost trend rates:

July 31, 2020			
	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Total OPEB Liability	<u>\$ 4,324,239.74</u>	<u>\$ 5,048,883.00</u>	<u>\$ 5,955,983.30</u>

July 31, 2019			
	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Total OPEB Liability	<u>\$ 3,494,667.93</u>	<u>\$ 4,080,294.00</u>	<u>\$ 4,813,374.15</u>

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment 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**

For the fiscal years ended July 31, 2020 and 2019, the Authority recognized OPEB (benefit) expense of \$869,711.00 and \$465,161.00. At July 31, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>July 31, 2020</u>		<u>July 31, 2019</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 931,117.00	\$ -	\$ 774,800.00	\$ -
Differences Between Expected and Actual Demographic Experience	-	-	-	-
	<u>\$ 931,117.00</u>	<u>\$ -</u>	<u>\$ 774,800.00</u>	<u>\$ -</u>

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

<u>Fiscal Year Ending July 31,</u>	
2021	\$ 609,531.00
2022	226,606.00
2023	94,980.00
2024	-
2025	-
Thereafter	-
	<u>\$ 931,117.00</u>

Note 5: INTERGOVERNMENTAL AGREEMENTS**Borough of Pine Hill Service Agreement**

Under a Service Contract dated November 1, 1986 between the Borough of Pine Hill and the Authority, the Borough is obligated to pay the Authority "amounts" equal to any deficits in Authority revenues necessary to pay or provide for (i) operations and maintenance expenses and administrative or other expenses of the Authority, (ii) the principal of and interest on the bonds of the Authority, (ii) the maintenance of such reserves as may be required by the previously defined Bond Resolution or by any contract deemed necessary by the Authority, and (iv) amounts necessary to enable the Authority to comply with the terms of the previously defined Bond Resolution.

The Authority shall repay to the Borough all moneys paid by the Borough to the Authority under this agreement, except, however, service charges on property owned by the Borough itself, which repayment by the Authority to the Borough shall be made, within five years after such payment by the Borough, without interest only from surplus revenues of the Authority.

Note 6: COMMITMENTS

The Authority had several outstanding or planned construction projects as of July 31, 2020. These projects are evidenced by contractual commitments with contractors and include:

<u>Project</u>	<u>Awarded</u>	<u>Commitment Remaining</u>
Water Utility Fund:		
Erial Road Water Main Rehabilitation	\$ 2,915,694.00	\$ 2,797,310.00
PRM Back Up - Well 6 & 7 Engineering	83,000.00	2,346.50
Sewer Utility Fund:		
Madison Avenue Pump Station Comminator	54,070.00	47,000.00
	<u>\$ 3,052,764.00</u>	<u>\$ 2,846,656.50</u>

Note 7: 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 8: RISK MANAGEMENT

The Authority is a member of 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

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 16
Parsippany, New Jersey 07054-4412

Note 9: 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 10: SUBSEQUENT EVENTS

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

PINE HILL MUNICIPAL UTILITIES AUTHORITY
Required Supplementary Information
Schedule of Changes in the Authority's
Total OPEB Liability and Related Ratios
Last Three Fiscal Years

	<u>July 31, 2020</u>	<u>July 31, 2019</u>	<u>Restated July 31, 2018</u>
Total OPEB Liability			
Service Cost	\$ 153,407.00	\$ 147,264.00	\$ 38,062.00
Interest Cost	106,773.00	91,290.00	94,969.00
Benefit Payments	(57,439.00)	(57,439.00)	(54,188.00)
Actuarial Assumption Changes	<u>765,848.00</u>	<u>474,900.00</u>	<u>658,134.00</u>
Net Change in Total OPEB Liability	968,589.00	656,015.00	736,977.00
Total OPEB Liability - Beginning of Fiscal Year	<u>4,080,294.00</u>	<u>3,424,279.00</u>	<u>2,687,302.00</u>
Total OPEB Liability - End of Fiscal Year	<u><u>\$ 5,048,883.00</u></u>	<u><u>\$ 4,080,294.00</u></u>	<u><u>\$ 3,424,279.00</u></u>
Covered-Employee Payroll	\$ 560,449.00	\$ 543,406.00	\$ 523,891.00
Total OPEB Liability as a Percentage of Covered Employee Payroll	900.86%	750.87%	653.62%

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.

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

	Measurement Date Ending June 30,		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the Net Pension Liability	0.0075617746%	0.0074640274%	0.0073251926%
Proportionate Share of the Net Pension Liability	\$ 1,233,128.00	\$ 1,344,905.00	\$ 1,442,294.00
Covered Payroll (Plan Measurement Period)	\$ 563,332.00	\$ 530,412.00	\$ 514,416.00
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	218.90%	253.56%	280.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.32%	56.27%	53.60%
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the Net Pension Liability	0.0075991490%	0.0073684210%	0.0072160876%
Proportionate Share of the Net Pension Liability	\$ 1,768,960.00	\$ 2,182,315.00	\$ 1,619,867.00
Covered Payroll (Plan Measurement Period)	\$ 526,472.00	\$ 506,900.00	\$ 497,772.00
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	336.00%	430.52%	325.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%
	<u>2014</u>	<u>2013</u>	
Proportion of the Net Pension Liability	0.0070968005%	0.0069554639%	
Proportionate Share of the Net Pension Liability	\$ 1,328,715.00	\$ 1,329,327.00	
Covered Payroll (Plan Measurement Period)	\$ 490,784.00	\$ 479,804.00	
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	270.73%	277.06%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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.

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

	Fiscal Year Ended July 31,		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 82,722.00	\$ 72,603.00	\$ 72,862.00
Contributions in Relation to the Contractually Required Contribution	<u>(82,722.00)</u>	<u>(72,603.00)</u>	<u>(72,862.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll (Fiscal Year)	\$ 560,449.00	\$ 543,406.00	\$ 523,891.00
Contributions as a Percentage of Covered Payroll	14.76%	13.36%	13.91%
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 70,398.00	\$ 65,460.00	\$ 62,039.00
Contributions in Relation to the Contractually Required Contribution	<u>(70,398.00)</u>	<u>(65,460.00)</u>	<u>(62,039.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll (Fiscal Year)	\$ 539,740.00	\$ 503,959.00	\$ 504,932.00
Contributions as a Percentage of Covered Payroll	13.04%	12.99%	12.29%
	<u>2014</u>	<u>2013</u>	
Contractually Required Contribution	\$ 58,505.00	\$ 52,408.00	
Contributions in Relation to the Contractually Required Contribution	<u>(58,505.00)</u>	<u>(52,408.00)</u>	
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	
Covered Payroll (Fiscal Year)	\$ 494,398.00	\$ 488,837.00	
Contributions as a Percentage of Covered Payroll	11.83%	10.72%	

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.

PINE HILL MUNICIPAL UTILITIES AUTHORITY
Notes to Required Supplementary Information
For the Fiscal Year Ended July 31, 2020

Note 1: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - PRIVATE PLAN

Changes in Benefit Terms

None

Changes in Assumptions

The discount rate used as of June 30 measurement date is as follows:

<u>Year</u>	<u>Rate</u>
2020	1.68%
2019	2.36%
2018	3.57%

In 2018, Mortality rates were updated using the RP-2000 Combined Mortality Table.

Note 2: POSTEMPLOYMENT BENEFITS - PENSION

Public Employees' Retirement System (PERS)

Changes in Benefit Terms

The June 30, 2020 measurement date included two changes to the plan provisions. Chapter 157, P.L. 2019 expanded the definition of regular or assigned duties for purposes of accidental disability. The Division of Pension and Benefits (DPB) also adopted a new policy regarding the crediting of interest on member contributions for the purpose of refund of accumulated deductions.

Changes in Assumptions

The discount rate used as of June 30 measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2020	7.00%	2016	3.98%
2019	6.28%	2015	4.90%
2018	5.66%	2014	5.39%
2017	5.00%		

The long-term expected rate of return used as of June 30 measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2020	7.00%	2016	7.65%
2019	7.00%	2015	7.90%
2018	7.00%	2014	7.90%
2017	7.00%		

The mortality assumption was updated upon direction from the DPB.

SUPPLEMENTARY SCHEDULES

PINE HILL MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenue, Expenses and Changes in Net Position
Water Utility
For the Fiscal Year Ended July 31, 2020

		Restricted				
	Unrestricted	Debt Service	Debt Service Reserve	Renewal and Replacement	Construction	Total
Operating Revenues:						
Service Charges	\$ 1,667,867.32					\$ 1,667,867.32
Other Operating Revenues	30,315.18					30,315.18
Total Operating Revenues	1,698,182.50	-	-	-	-	1,698,182.50
Operating Expenses:						
Administration:						
Salaries and Wages	154,950.64					154,950.64
Fringe Benefits	348,053.57					348,053.57
Other Expenses	115,780.63					115,780.63
Cost of Providing Services:						
Salaries and Wages	233,438.00					233,438.00
Fringe Benefits	370,408.97					370,408.97
Other Expenses	412,189.23					412,189.23
Major Repairs and Other Expenses				\$ 19,600.54		19,600.54
Depreciation					\$ 168,747.06	168,747.06
Total Operating Expenses	1,634,821.04	-	-	19,600.54	168,747.06	1,823,168.64
Operating Income (Loss)	63,361.46	-	-	(19,600.54)	(168,747.06)	(124,986.14)
Non-operating Revenue (Expenses):						
Investment Income	7,912.15	\$ 360.03	\$ 2,050.81	4,507.64		14,830.63
Interest Expense		(30,355.31)		(2,720.40)		(33,075.71)
Other Non-Operating	194,855.15					194,855.15
Bond Issue Costs					(130,944.88)	(130,944.88)
Net Income (Loss) Before Transfers	266,128.76	(29,995.28)	2,050.81	(17,813.30)	(299,691.94)	(79,320.95)
Transfers	(882,554.59)	106,742.67	312,392.95	438,670.90	24,748.07	0.00
Increase (Decrease) in Net Position	(616,425.83)	76,747.39	314,443.76	420,857.60	(274,943.87)	(79,320.95)
Net Position August 1,	339,302.50	29,018.14	140,616.95	(1,285,432.86)	1,836,870.14	1,060,374.87
Net Position July 31:						
Net Investment in Capital Assets	-	-	-	79,495.52	1,561,926.27	1,641,421.79
Restricted	349,575.00	-	455,060.71	400,000.00	-	1,204,635.71
Unrestricted (Deficit)	\$ (626,698.33)	\$ 105,765.53	\$ -	\$ (1,344,070.78)	\$ -	\$ (1,865,003.58)

PINE HILL MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenue, Expenses and Changes in Net Position
Sewer Utility
For the Fiscal Year Ended July 31, 2020

	Unrestricted		Restricted		
	Unrestricted	General	Debt Service Reserve	Construction	Total
Operating Revenues:					
Service Charges	\$ 991,967.03				\$ 991,967.03
Connection Fees	8,450.00				8,450.00
Other Operating Revenues	19,973.17				19,973.17
Total Operating Revenues	1,020,390.20	-	-	-	1,020,390.20
Operating Expenses:					
Administration:					
Salaries and Wages	102,926.77				102,926.77
Fringe Benefits	231,995.58				231,995.58
Other Expenses	102,357.87				102,357.87
Cost of Providing Services:					
Salaries and Wages	151,089.19				151,089.19
Fringe Benefits	246,892.06				246,892.06
Other Expenses	117,169.29				117,169.29
Major Repairs and Other Expenses		\$ 23,594.09			23,594.09
Depreciation				\$ 228,015.05	228,015.05
Total Operating Expenses	952,430.76	23,594.09	-	228,015.05	1,204,039.90
Operating Income (Loss)	67,959.44	(23,594.09)	-	(228,015.05)	(183,649.70)
Non-operating Revenue (Expenses):					
Investment Income	7,568.32	15,973.45	\$ 624.28		24,166.05
Interest Expense		(18,994.91)			(18,994.91)
Net Income (Loss) Before Transfers	75,527.76	(26,615.55)	624.28	(228,015.05)	(178,478.56)
Transfers	(406,561.69)	230,640.98	(97,298.74)	273,219.45	-
Increase (Decrease) in Net Position	(331,033.93)	204,025.43	(96,674.46)	45,204.40	(178,478.56)
Net Position August 1	191,155.00	385,792.96	299,812.33	3,054,123.44	3,930,883.73
Net Position July 31:					
Net Investment in Capital Assets	-	6,460.00	-	3,099,327.84	3,105,787.84
Restricted	193,212.50	-	203,137.87	-	396,350.37
Unrestricted	\$ (333,091.43)	\$ 583,358.39	\$ -	\$ -	\$ 250,266.96

PINE HILL MUNICIPAL UTILITIES AUTHORITY
Schedule of Anticipated Revenue, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
Water Utility
For the Fiscal Year Ended July 31, 2020

	Adopted Budget	Transfers/ Modifications	Amended Budget	Actual	Favorable (Unfavorable)
Budget Revenues:					
Operating Revenues:					
Service Charges	\$ 1,397,830.00		\$ 1,397,830.00	\$ 1,667,867.32	\$ 270,037.32
Other Operating Revenues				30,315.18	30,315.18
Total Operating Revenues	1,397,830.00	-	1,397,830.00	1,698,182.50	300,352.50
Non-Operating Revenues:					
Investment Income				14,830.63	14,830.63
Mobile Antenna Leases	100,000.00		100,000.00	194,855.15	94,855.15
Total Non-Operating Revenues	100,000.00	-	100,000.00	209,685.78	109,685.78
Total Budget Revenues	1,497,830.00	-	1,497,830.00	1,907,868.28	410,038.28
Operating Appropriations:					
Administration					
Salaries and Wages	156,500.00	\$ 2,473.00	158,973.00	154,950.64	4,022.36
Fringe Benefits:					
PERS	20,600.00		20,600.00	19,201.68	1,398.32
Social Security	12,000.00		12,000.00	11,429.05	570.95
Unemployment Insurance	5,400.00		5,400.00	1,425.61	3,974.39
Health Insurance	89,100.00	(4,500.00)	84,600.00	75,847.62	8,752.38
Health Waiver	4,975.00		4,975.00	4,962.82	12.18
Total Fringe Benefits	132,075.00	(4,500.00)	127,575.00	112,866.78	14,708.22
Other Expenses:					
Legal Fees	15,000.00		15,000.00	12,732.00	2,268.00
Engineer Fees	17,000.00	20,600.00	37,600.00	34,301.07	3,298.93
Trustee Fees	18,500.00		18,500.00	11,094.42	7,405.58
Audit and Accounting Fees	26,500.00	1,000.00	27,500.00	27,490.00	10.00
Repairs and Maintenance	2,935.00		2,935.00	1,393.03	1,541.97
Supplies	39,000.00	(6,000.00)	33,000.00	26,268.71	6,731.29
Utilities	2,800.00		2,800.00	2,073.44	726.56
Telephone	2,700.00		2,700.00	2,039.01	660.99
Training/Education	4,000.00	(2,000.00)	2,000.00	568.23	1,431.77
Insurance	23,000.00		23,000.00	20,255.00	2,745.00
Miscellaneous	6,000.00	(1,000.00)	5,000.00	2,565.72	2,434.28
Total Other Expenses	157,435.00	12,600.00	170,035.00	140,780.63	29,254.37
Total Administration	446,010.00	10,573.00	456,583.00	408,598.05	47,984.95
Cost of Providing Service:					
Salaries and Wages	235,710.00	3,075.00	238,785.00	233,438.00	5,347.00
Fringe Benefits:					
PERS	26,230.00		26,230.00	24,449.52	1,780.48
Social Security	17,760.00		17,760.00	16,915.00	845.00
Health Insurance	108,900.00	(5,500.00)	103,400.00	92,702.65	10,697.35
Total Fringe Benefits	152,890.00	(5,500.00)	147,390.00	134,067.17	13,322.83
Other Expenses:					
Chemicals	17,150.00	(2,000.00)	15,150.00	11,359.09	3,790.91
Testing	34,650.00	(6,000.00)	28,650.00	18,564.11	10,085.89
Vehicle Expense	7,300.00		7,300.00	5,286.65	2,013.35

(Continued)

PINE HILL MUNICIPAL UTILITIES AUTHORITY
Schedule of Anticipated Revenue, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
Water Utility
For the Fiscal Year Ended July 31, 2020

	Adopted Budget	Transfers/ Modifications	Amended Budget	Actual	Favorable (Unfavorable)
Operating Appropriations (Cont'd):					
Cost of Providing Service (Cont'd):					
Other Expenses (Cont'd):					
Meters, Connections and Laterals	\$ 19,300.00		\$ 19,300.00	\$ 19,245.00	\$ 55.00
Hydrants	3,600.00		3,600.00	2,762.42	837.58
Repairs and Maintenance	24,500.00		24,500.00	8,343.30	16,156.70
Supplies	18,300.00		18,300.00	16,786.83	1,513.17
Utilities	94,300.00		94,300.00	88,396.19	5,903.81
Telephone	2,400.00	\$ 700.00	3,100.00	2,580.09	519.91
Training and Seminars	3,300.00	(848.00)	2,452.00	1,516.05	935.95
Small Equipment Purchases	9,000.00		9,000.00	9,000.00	-
State Water Tax	12,000.00		12,000.00	8,920.16	3,079.84
Water Agreement	276,000.00		276,000.00	243,342.26	32,657.74
Miscellaneous	800.00		800.00		800.00
Total Other Expenses	522,600.00	(8,148.00)	514,452.00	436,102.15	78,349.85
Total Cost of Providing Service	911,200.00	(10,573.00)	900,627.00	803,607.32	97,019.68
Principal Payments on Debt Service in Lieu of Depreciation	105,120.00	-	105,120.00	105,119.17	0.83
Non-Operating Appropriations:					
Interest on Bonds	35,500.00	-	35,500.00	35,474.41	25.59
Total Non-Operating Appropriations	35,500.00	-	35,500.00	35,474.41	25.59
Total Budget Appropriations	1,497,830.00	-	1,497,830.00	1,352,798.95	145,031.05
Excess Budget Revenues Over Budget Appropriations	\$ -	\$ -	\$ -	\$ 555,069.33	\$ 555,069.33
<u>Reconciliation to Operating Loss</u>					
Excess Budget Revenues Over Budget Appropriations				\$ 555,069.33	
Add:					
Principal Payments			\$ 105,119.17		
Bond Interest			35,474.41		
Expenditures Capitalized			23,912.92		
Accruals			1,155.01		
				190,661.51	
				745,730.84	
Less:					
Non-Operating Income:					
Investment Income			14,830.63		
Mobile Antenna Leases			194,855.15		
Net OPEB Obligation (GASB 75) Accrual			487,363.20		
Net Pension Expense (Adjusted for Payment)			(14,679.60)		
Depreciation			168,747.06		
Major Repairs - Renewal and Replacement Fund			19,600.54		
				870,716.98	
Operating Loss (Schedule 1)				\$ (124,986.14)	

PINE HILL MUNICIPAL UTILITIES AUTHORITY
Schedule of Anticipated Revenues, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
Sewer Utility
For the Fiscal Year Ended July 31, 2020

	Adopted Budget	Transfers/ Modifications	Amended Budget	Actual	Favorable (Unfavorable)
Budget Revenues:					
Operating Revenues:					
Service Charges	\$ 970,000.00		\$ 970,000.00	\$ 991,967.03	\$ 21,967.03
Connection Fees				8,450.00	8,450.00
Other Operating Revenues				19,973.17	19,973.17
Total Operating Revenues	970,000.00	-	970,000.00	1,020,390.20	50,390.20
Non-Operating Revenues:					
Investment Income				24,166.05	24,166.05
Total Non-Operating Revenues	-	-	-	24,166.05	24,166.05
Total Budget Revenues	970,000.00	-	970,000.00	1,044,556.25	74,556.25
Operating Appropriations:					
Administration:					
Salaries and Wages	104,600.00	\$ 956.00	105,556.00	102,926.77	2,629.23
Fringe Benefits:					
PERS	13,730.00		13,730.00	12,804.17	925.83
Social Security	8,000.00		8,000.00	7,615.52	384.48
Unemployment Insurance	3,600.00		3,600.00	950.38	2,649.62
Health Insurance	59,400.00		59,400.00	50,525.78	8,874.22
Health Waiver	3,320.00		3,320.00	3,308.54	11.46
Total Fringe Benefits	88,050.00	-	88,050.00	75,204.39	12,845.61
Other Expenses:					
Legal Fees	15,000.00		15,000.00	5,914.50	9,085.50
Engineer Fees	17,000.00		17,000.00	2,507.60	14,492.40
Trustee Fees	23,000.00		23,000.00	9,715.00	13,285.00
Audit and Accounting Fees	23,500.00	6,000.00	29,500.00	29,340.00	160.00
Repairs and Maintenance	2,935.00		2,935.00	1,392.96	1,542.04
Supplies	30,000.00		30,000.00	25,283.96	4,716.04
Utilities	2,800.00		2,800.00	1,514.97	1,285.03
Telephone	2,700.00		2,700.00	2,269.16	430.84
Training/Education	4,000.00	(3,000.00)	1,000.00	623.20	376.80
Insurance	23,000.00		23,000.00	20,255.00	2,745.00
Miscellaneous	5,800.00	(619.00)	5,181.00	3,541.52	1,639.48
Total Other Expenses	149,735.00	2,381.00	152,116.00	102,357.87	49,758.13
Total Administration	342,385.00	3,337.00	345,722.00	280,489.03	65,232.97
Cost of Providing Service:					
Salaries and Wages	150,810.00	2,063.00	152,873.00	151,089.19	1,783.81
Fringe Benefits:					
PERS	17,475.00		17,475.00	16,296.63	1,178.37
Social Security	11,850.00		11,850.00	11,280.50	569.50
Health Insurance	72,600.00		72,600.00	61,753.73	10,846.27
Total Fringe Benefits	101,925.00	-	101,925.00	89,330.86	12,594.14
Other Expenses:					
Chemicals	1,500.00		1,500.00	162.00	1,338.00
Vehicle Expense	6,800.00		6,800.00	5,280.29	1,519.71
Laterals and Vent Covers	500.00		500.00	-	500.00
Repairs and Maintenance	29,500.00	(6,000.00)	23,500.00	9,660.91	13,839.09
Supplies	16,000.00		16,000.00	7,186.29	8,813.71

(Continued)

PINE HILL MUNICIPAL UTILITIES AUTHORITY
Schedule of Anticipated Revenues, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
Sewer Utility
For the Fiscal Year Ended July 31, 2020

	Adopted Budget	Transfers/ Modifications	Amended Budget	Actual	Favorable (Unfavorable)
Operating Appropriations (Cont'd):					
Cost of Providing Service (Cont'd):					
Other Expenses (Cont'd):					
Utilities	\$ 47,300.00		\$ 47,300.00	\$ 34,244.85	\$ 13,055.15
Telephone	2,300.00	\$ 600.00	2,900.00	2,777.42	122.58
Training and Seminars	1,700.00		1,700.00	328.75	1,371.25
Railroad Rental	3,100.00		3,100.00	3,053.28	46.72
Transmittal Agreements	60,000.00		60,000.00	55,006.00	4,994.00
Miscellaneous	800.00		800.00	-	800.00
Total Other Expenses	169,500.00	\$ (5,400.00)	164,100.00	117,699.79	46,400.21
Total Cost of Providing Service	422,235.00	(3,337.00)	418,898.00	358,119.84	60,778.16
Principal Payments on Debt Service in Lieu of Depreciation	265,600.00	-	265,600.00	265,596.08	3.92
Non-Operating Appropriations:					
Interest on Bonds	34,220.00	-	34,220.00	21,804.90	12,415.10
Total Non-Operating Appropriations	34,220.00	-	34,220.00	21,804.90	12,415.10
Total Budget Appropriations	1,064,440.00	-	1,064,440.00	926,009.85	138,430.15
Unrestricted Net Position to Balance Budget	94,440.00	-	94,440.00	-	(94,440.00)
Total Appropriations and Unrestricted Net Position	970,000.00	-	970,000.00	926,009.85	43,990.15
Excess Budget Revenues Over Budget Appropriations	\$ -	\$ -	\$ -	\$ 118,546.40	\$ 118,546.40
<u>Reconciliation to Operating Loss</u>					
Excess Budget Revenues Over Budget Appropriations				\$ 118,546.40	
Add:					
Principal Payments			\$ 265,596.08		
Bond Interest			21,804.90		
Expenditures Capitalized			530.50		
Accruals			770.01		
				288,701.49	
				407,247.89	
Less:					
Non-Operating Income:					
Interest on Investments					
Investment Income - Unrestricted			24,166.05		
Net OPEB Obligation (GASB 75) Accrual			324,908.80		
Net Pension Expense (Adjusted for Payment)			(9,786.40)		
Depreciation			228,015.05		
Major Repairs - Sewer General Fund			23,594.09		
				590,897.59	
Operating Loss (Schedule 2)				\$ (183,649.70)	

PINE HILL MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenue Bonds Payable
Water Utility
For the Fiscal Year Ended July 31, 2020

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding July 31, 2020		Interest Rate	Balance August 1, 2019	Issued	Paid	Balance July 31, 2020
			Date	Amount					
1985 Water Revenue Bonds	11/1/85	\$ 1,205,000.00	2021	\$ 54,207.71					
			2022	56,952.92					
			2023	59,817.16					
			2024	62,867.46					
			2025	66,051.22					
			2026	34,264.78	5.00%	\$ 385,756.08		\$ 51,594.83	\$ 334,161.25
1992 Water Revenue Bonds	11/1/92	800,000.00	2021	37,752.96					
			2022	39,857.93					
			2023	42,080.26					
			2024	44,426.50					
			2025	46,903.55					
			2026	18,344.21	5.50%	265,124.59		35,759.16	229,365.43
2020 Water Revenue Bonds	7/8/20	4,775,000.00	8/1/22	170,000.00	4.000%				
			8/1/23	175,000.00	4.000%				
			8/1/24	180,000.00	4.000%				
			8/1/25	190,000.00	4.000%				
			8/1/26	195,000.00	4.000%				
			8/1/27	205,000.00	4.000%				
			8/1/28	215,000.00	4.000%				
			8/1/29	220,000.00	4.000%				
			8/1/30	230,000.00	4.000%				
			8/1/31	240,000.00	4.000%				
			8/1/32	250,000.00	3.000%				
			8/1/33	255,000.00	2.000%				
			8/1/34	260,000.00	2.000%				
			8/1/35	265,000.00	2.000%				
			8/1/36	270,000.00	2.000%				
			8/1/37	275,000.00	2.125%				
			8/1/38	280,000.00	2.125%				
			8/1/39	290,000.00	3.000%				
			8/1/40	300,000.00	3.000%				
			8/1/41	310,000.00	3.000%				
							\$ 4,775,000.00		4,775,000.00
						\$ 650,880.67	\$ 4,775,000.00	\$ 87,353.99	\$ 5,338,526.68

PINE HILL MUNICIPAL UTILITIES AUTHORITY
Schedule of New Jersey Environmental Infrastructure Trust Loan Payable
Water Utility
For the Fiscal Year Ended July 31, 2020

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding July 31, 2020		Interest Rate	Balance August 1, 2019	Paid	Balance July 31, 2020
			Date	Amount				
Series 2014A - Trust Loan	5/21/14	\$ 85,000.00	8/1/20	\$ 5,000.00	5.000%			
			8/1/21	5,000.00	5.000%			
			8/1/22	5,000.00	5.000%			
			8/1/23	5,000.00	5.000%			
			8/1/24	5,000.00	5.000%			
			8/1/25	5,000.00	3.000%			
			8/1/26	5,000.00	3.000%			
			8/1/27	5,000.00	3.000%			
			8/1/28	5,000.00	3.000%			
			8/1/29	5,000.00	3.000%			
			8/1/30	5,000.00	3.000%			
			8/1/31	5,000.00	3.000%			
			8/1/32	5,000.00	3.125%			
			8/1/33	5,000.00	3.250%			
						\$ 75,000.00	\$ 5,000.00	\$ 70,000.00
Series 2014B - Fund Loan	5/21/14	251,049.00	2021	12,765.19				
			2022	12,765.19				
			2023	12,765.19				
			2024	12,765.19				
			2025	12,765.19				
			2026	12,765.19				
			2027	12,765.19				
			2028	12,765.19				
			2029	12,765.19				
			2030	12,765.19				
			2031	12,765.19				
			2032	12,765.19				
			2033	12,765.19				
			2034	8,510.39	NIL			
						187,223.05	12,765.19	174,457.86
						<u>\$ 262,223.05</u>	<u>\$ 17,765.19</u>	<u>\$ 244,457.86</u>

PINE HILL MUNICIPAL UTILITIES AUTHORITY
Schedule of New Jersey Environmental Infrastructure Trust Loan Payable
Sewer Utility
For the Fiscal Year Ended July 31, 2020

Purpose	Date of Issue	Original Issue	Maturities of Loans Outstanding July 31, 2020		Interest Rate	Balance August 1, 2019	Paid	Balance July 31, 2020
			Date	Amount				
Series 1999A - Trust Loan	10/15/99	\$ 715,000.00			5.70%	\$ 60,000.00	\$ 60,000.00	
Series 1999B - Fund Loan	10/15/99	727,500.00			NIL	38,664.58	38,664.58	
Series 2007A - Trust Loan	11/8/07	530,000.00	8/1/20	\$ 30,000.00	4.00%			
			8/1/21	30,000.00	4.00%			
			8/1/22	35,000.00	5.00%			
			8/1/23	35,000.00	5.00%			
			8/1/24	35,000.00	4.25%			
			8/1/25	35,000.00	4.50%			
			8/1/26	40,000.00	4.50%			
			8/1/27	35,000.00	4.50%	305,000.00	30,000.00	\$ 275,000.00
Series 2007B - Fund Loan	11/8/07	470,714.00	2021	26,638.14				
			2022	25,777.29				
			2023	27,929.39				
			2024	26,897.19				
			2025	25,920.77				
			2026	24,916.46				
			2027	152.15	NIL	185,634.71	27,403.32	158,231.39
Series 2014A - Trust Loan	5/21/14	165,000.00	8/1/20	10,000.00	5.000%			
			8/1/21	10,000.00	5.000%			
			8/1/22	10,000.00	5.000%			
			8/1/23	10,000.00	5.000%			
			8/1/24	10,000.00	3.000%			
			8/1/25	10,000.00	3.000%			
			8/1/26	10,000.00	3.000%			
			8/1/27	10,000.00	3.000%			
			8/1/28	10,000.00	3.000%			
			8/1/29	10,000.00	3.000%			
			8/1/30	10,000.00	3.000%			
			8/1/31	10,000.00	3.000%			
			8/1/32	10,000.00	3.125%			
			8/1/33	10,000.00	3.250%	145,000.00	5,000.00	140,000.00

(Continued)

PINE HILL MUNICIPAL UTILITIES AUTHORITY
Schedule of New Jersey Environmental Infrastructure Trust Loan Payable
Sewer Utility
For the Fiscal Year Ended July 31, 2020

Purpose	Date of Issue	Original Issue	Maturities of Loans Outstanding July 31, 2020		Interest Rate	Balance August 1, 2019	Paid	Balance July 31, 2020
			Date	Amount				
Series 2014B - Fund Loan	5/21/14	\$ 500,000.00	2021	\$ 25,423.72				
			2022	25,423.72				
			2023	25,423.72				
			2024	25,423.72				
			2025	25,423.72				
			2026	25,423.72				
			2027	25,423.72				
			2027	25,423.72				
			2028	25,423.72				
			2029	25,423.72				
			2030	25,423.72				
			2031	25,423.72				
			2032	25,423.72				
			2033	16,949.32	NIL			
						\$ 372,881.40	\$ 25,423.72	\$ 347,457.68
Series 2017A - Trust Loan	11/21/17	415,000.00	8/1/20	15,000.00	5.000%			
			8/1/21	15,000.00	5.000%			
			8/1/22	15,000.00	5.000%			
			8/1/23	20,000.00	5.000%			
			8/1/24	20,000.00	5.000%			
			8/1/25	20,000.00	5.000%			
			8/1/26	20,000.00	5.000%			
			8/1/27	20,000.00	2.125%			
			8/1/28	20,000.00	2.375%			
			8/1/29	25,000.00	2.500%			
			8/1/30	25,000.00	2.625%			
			8/1/31	25,000.00	2.750%			
			8/1/32	25,000.00	2.750%			
			8/1/33	25,000.00	2.875%			
			8/1/34	25,000.00	2.875%			
			8/1/35	25,000.00	3.000%			
			8/1/36	30,000.00	3.000%			
			8/1/37	30,000.00	3.000%	415,000.00	15,000.00	400,000.00

(Continued)

PINE HILL MUNICIPAL UTILITIES AUTHORITY
Schedule of New Jersey Environmental Infrastructure Trust Loan Payable
Sewer Utility
For the Fiscal Year Ended July 31, 2020

Purpose	Date of Issue	Original Issue	Maturities of Loans Outstanding July 31, 2020		Interest Rate	Balance August 1, 2019	Paid	Balance July 31, 2020
			Date	Amount				
Series 2017B - Fund Loan	11/21/17	\$ 1,183,073.00	2021	\$ 64,104.45				
			2022	64,104.45				
			2023	64,104.45				
			2024	64,104.45				
			2025	64,104.45				
			2026	64,104.45				
			2027	64,104.45				
			2028	64,104.45				
			2029	64,104.45				
			2030	64,104.45				
			2031	64,104.45				
			2032	64,104.45				
			2033	64,104.45				
			2034	64,104.45				
			2035	64,104.45				
			2036	64,104.45				
			2037	29,192.90				
					NIL	\$ 1,118,968.55	\$ 64,104.45	\$ 1,054,864.10
						<u>\$ 2,641,149.24</u>	<u>\$ 265,596.07</u>	<u>\$ 2,375,553.17</u>

PINE HILL MUNICIPAL UTILITIES AUTHORITY

PART 2

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

FOR THE FISCAL YEAR ENDED JULY 31, 2020

PINE HILL MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Recommendations
For the Fiscal Year Ended July 31, 2020

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 financial statements for which *Government Auditing Standards* and audit requirements as prescribed the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, requires.

No Current Year Findings

PINE HILL MUNICIPAL UTILITIES AUTHORITY
Summary Schedule of Prior Year Audit Findings
And Recommendations as Prepared by Management

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with the audit requirements as prescribed by the Bureau of Authority Regulations, Division of Local Governmental Services, Department of Community Affairs, State of New Jersey.

No Prior Year Findings

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APPRECIATION

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

Respectfully submitted,

A handwritten signature in black ink that reads "Bowman & Company LLP". The signature is written in a cursive, flowing style.

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants