

**PENNSAUKEN  
SEWERAGE AUTHORITY**

**REPORT OF AUDIT**

**WITH  
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED  
DECEMBER 31, 2020 AND 2019**

**PENNSAUKEN SEWERAGE AUTHORITY**  
Table of Contents  
For the Years Ended December 31, 2020 and 2019

<u>Exhibit No.</u>		<u>Page</u>
	Roster of Officials	1
	<u>PART I – FINANCIAL SECTION</u>	
	Independent Auditor's Report	3
	Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	6
	Management's Discussion and Analysis	8
	Basic Financial Statements	
A	Comparative Statements of Net Position	13
B	Comparative Statements of Revenues, Expenses and Changes in Net Position	15
C	Comparative Statements of Cash Flows	16
	Notes to Financial Statements	18
	<u>Required Supplementary Information</u>	
RSI-1	Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios – Authority Plan	58
RSI-2	Schedule of the Authority's Proportionate Share of the Net OPEB Liability – State Plan	59
RSI-3	Schedule of Authority Contributions – OPEB – State Plan	60
RSI-4	Schedule of the Authority's Proportionate Share of the Net Pension Liability – PERS	61
RSI-5	Schedule of Authority's Pension Contributions – PERS	62
	Notes to Required Supplementary Information	63
<u>Schedule No.</u>		
	Supplemental Exhibits	
1	Schedule of Revenues, Expenses and Changes in Net Position--Unrestricted and Restricted Accounts	66
2	Schedule of Cash Receipts and Disbursements	67
3	Schedule of Anticipated Budget Revenues, Operating Appropriations, Principal Payments and Non-Operating Appropriations Compared to Budget--Non-GAAP Budgetary Basis	68
4	Schedule of Service Fees Receivable	72
5	Schedule of Investment Income Receivable	72
6	Schedule of Intergovernmental Service Fees Receivable	73
7	Schedule of Other Accounts Receivable	73
8	Schedule of Capital Assets – Completed	74
9	Schedule of Construction in Progress	74
10	Schedule of Overpaid Service Fees	75
11	Schedule of Other Liabilities	75
12	Schedule of Accrued Interest Payable	76
13	Schedule of Deferred Revenues (Connection Fees)	76
14	Schedule of Sewer Revenue Loans	77
	<u>PART II—FINDINGS AND RECOMMENDATIONS</u>	
	Schedule of Findings and Recommendations	79
	Summary Schedule of Prior Year Findings and Recommendations	80
	<u>APPRECIATION</u>	81

**PENNSAUKEN SEWERAGE AUTHORITY**  
Roster of Officials  
As of December 31, 2020

---

<u>MEMBERS</u>	<u>POSITION</u>
Oren Lutz	Chairman
Gregory E. Schofield	Vice-Chairman
Dennis Archible	Member
Timothy Ellis	Member
James Pennestri	Member
<u>OFFICERS</u>	
William Orth	Secretary/Executive Director
Marco DiBattista	Assistant Director
<u>CONSULTANTS</u>	
David Luthman	Solicitor
T & M Associates, Inc	Engineer
Remington & Vernick Engineers	Engineer
US Bank	Trustee
Parker McCay	Bond Counsel
Connor Strong Companies, Inc.	Insurance Broker

**PENNSAUKEN SEWERAGE AUTHORITY**

**PART I**

**FINANCIAL SECTION**

**FOR THE YEARS ENDED  
DECEMBER 31, 2020 AND 2019**

## **INDEPENDENT AUDITOR'S REPORT**

The Chairman and Members of  
The Pennsauken Sewerage Authority  
Pennsauken, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Pennsauken Sewerage Authority, in the County of Camden, State of New Jersey, a component unit of the Township of Pennsauken (Authority), as of and for the years ended December 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.

**36000**

**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 Pennsauken Sewerage Authority, in the County of Camden, State of New Jersey as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows thereof for the 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 OPEB liability, schedule of the Authority's OPEB contributions, 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.

36000

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2022 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,

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

Voorhees, New Jersey  
March 23, 2022

**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  
The Pennsauken Sewerage Authority  
Pennsauken, 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 Pennsauken Sewerage Authority, in the County of Camden, State of New Jersey, a component unit of the Township of Pennsauken (Authority), as of and for the year ended December 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 March 23, 2022.

**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.



36000

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
March 23, 2022

**PENNSAUKEN SEWERAGE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(UNAUDITED)**

The Pennsauken Sewerage Authority (the Authority) is a public agency providing wastewater services to Pennsauken Township, the Borough of Merchantville and a small section of Cherry Hill Township. This section of the Authority's annual financial report provides a discussion and analysis of the financial performance for the years ended December 31, 2020 and 2019. The entire annual financial report consists of five parts; Independent Auditor's Reports, the management's discussion and analysis, the basic financial statements, required supplementary information and supplemental schedules.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2020 are as follows:

- **Total Assets** - Total assets as of December 31, 2020 were \$8,512,382.23. After adding deferred outflows of \$2,577,392.75 and deducting liabilities and deferred inflows totaling \$16,764,551.17, net position totaled a deficit of \$5,674,776.16.
- **Total Operating Revenue**- Revenues for the year ended December 31, 2020 totaling \$4,455,306.92 were down from last year's ending amount of \$4,788,005.99 mainly due to an decrease in service fee revenue.
- **Total Operating Expenses** – Operating expenses for the year ended December 31, 2020 totaling \$4,421,632.88 were up 9.82% from last year's amount of \$4,026,426.88 mainly due to an increase in employee salaries and an increase in employee benefits due to the accruals for the net pension liability and other post-employment benefits.
- **Interest Income** – For the year ending December 31, 2020, the Authority generated \$14,498.37 interest income from investments.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Authority's financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America, which are promulgated by the Governmental Accounting Standards Board. The Authority is structured as a single enterprise fund with revenues recognized when earned and expenses recognized when incurred. Capital assets, which meet certain criteria, are capitalized and depreciated over their useful lives (with the exception of land and construction in progress). A summary of the Authority's significant accounting policies is described in the "Notes to the Financial Statements" which is included with the audit as described above.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)**  
**(UNAUDITED)**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONT'D)**

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

The comparative statements of cash flows provides 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**

The Authority's total net position was a deficit of \$5,674,776.19 on December 31, 2020. Total assets, deferred outflows of resources, total liabilities, deferred inflows of resources and total net position are detailed on the following page.

A significant portion of the Authority's net position represents its investment in capital assets (i.e. sewer lines, buildings, improvements and equipment); less the related debt outstanding used to acquire those capital assets. Although the Authority's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the Authority's net position represents resources that are subject to external restrictions on how they can be used under the Bond Resolution covenants.

The remaining portion of the Authority's net position is a deficit in unrestricted net position. The deficit is primarily a result of the Authority's liabilities and deferred outflows of resources from GASB 68, 71 and 75.

Comparative Statements of Net Position  
As of December 31, 2020 , 2019 and 2018

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>	<u>Change from 2019 to 2020</u>	
				<u>Amount</u>	<u>Percentage</u>
<b>Assets</b>					
Current Assets	\$ 2,811,694.67	\$ 2,777,948.73	\$ 2,658,375.48	\$ 33,745.94	1.21%
Capital Assets	<u>5,700,687.56</u>	<u>6,103,263.94</u>	<u>5,766,193.05</u>	<u>(402,576.38)</u>	<u>-6.60%</u>
<b>Total Assets</b>	<b><u>8,512,382.23</u></b>	<b><u>8,881,212.67</u></b>	<b><u>8,424,568.53</u></b>	<b><u>(368,830.44)</u></b>	<b><u>-4.15%</u></b>
<b>Deferred Outflows Of Resources</b>	<b><u>2,577,392.75</u></b>	<b><u>1,030,741.92</u></b>	<b><u>1,388,484.93</u></b>	<b><u>1,546,650.83</u></b>	<b><u>150.05%</u></b>
<b>Liabilities</b>					
Current Liabilities	800,893.52	840,825.62	627,553.15	(39,932.10)	-4.75%
Long Term Liabilities	<u>11,200,996.74</u>	<u>9,515,865.66</u>	<u>10,719,790.24</u>	<u>1,685,131.08</u>	<u>17.71%</u>
<b>Total Liabilities</b>	<b><u>12,001,890.26</u></b>	<b><u>10,356,691.28</u></b>	<b><u>11,347,343.39</u></b>	<b><u>1,645,198.98</u></b>	<b><u>15.89%</u></b>
<b>Deferred Inflows Of Resources</b>	<b><u>4,762,660.91</u></b>	<b><u>5,127,197.93</u></b>	<b><u>4,648,376.31</u></b>	<b><u>(364,537.02)</u></b>	<b><u>-7.11%</u></b>
<b>Net Position</b>					
Net Investment in Capital Assets	5,298,550.89	5,492,820.72	5,272,662.19	(194,269.83)	-3.54%
Restricted	555,017.36	555,017.36	555,017.36		0.00%
Unrestricted (Deficit)	<u>(11,528,344.44)</u>	<u>(11,619,772.70)</u>	<u>(12,010,345.79)</u>	<u>91,428.26</u>	<u>-0.79%</u>
<b>Total Position</b>	<b><u>\$ (5,674,776.19)</u></b>	<b><u>\$ (5,571,934.62)</u></b>	<b><u>\$ (6,182,666.24)</u></b>	<b><u>\$ (102,841.57)</u></b>	<b><u>1.85%</u></b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)**  
**(UNAUDITED)**

**FINANCIAL ANALYSIS OF THE AUTHORITY (CONT'D)**

Comparative Statements of Revenues, Expenses and Changes in Net Position  
For the Years Ended December 31, 2020, 2019 and 2018

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>	<u>Change from 2019 to 2020</u>	
				<u>Amount</u>	<u>Percentage</u>
<b>Operating Revenues:</b>					
Service Fees	\$ 4,278,299.61	\$ 4,524,682.32	\$ 4,414,982.37	\$ (246,382.71)	-5.45%
Connection Fees	93,538.14	169,198.68	31,690.00	(75,660.54)	-44.72%
Other Operating Revenues	83,469.17	94,124.99	64,595.30	(10,655.82)	-11.32%
<b>Total Operating Revenues</b>	<b><u>4,455,306.92</u></b>	<b><u>4,788,005.99</u></b>	<b><u>4,511,267.67</u></b>	<b><u>(332,699.07)</u></b>	<b><u>-6.95%</u></b>
<b>Operating Expenses:</b>					
Administration	1,149,397.44	986,017.67	1,179,870.60	163,379.77	16.57%
Cost of Providing Services	2,791,940.70	2,586,232.52	2,553,429.76	205,708.18	7.95%
Depreciation	480,294.74	454,176.69	504,912.55	26,118.05	5.75%
<b>Total Operating Expenses</b>	<b><u>4,421,632.88</u></b>	<b><u>4,026,426.88</u></b>	<b><u>4,238,212.91</u></b>	<b><u>395,206.00</u></b>	<b><u>9.82%</u></b>
<b>Net Non-Operating Expenses</b>	<b><u>(136,515.61)</u></b>	<b><u>(150,847.49)</u></b>	<b><u>(126,187.80)</u></b>	<b><u>14,331.88</u></b>	<b><u>-9.50%</u></b>
<b>Change in Net Position</b>	<b><u>(102,841.57)</u></b>	<b><u>610,731.62</u></b>	<b><u>146,866.96</u></b>	<b><u>(713,573.19)</u></b>	<b><u>-116.84%</u></b>
<b>Net Position - Beginning</b>	<b><u>(5,571,934.62)</u></b>	<b><u>(6,182,666.24)</u></b>	<b><u>(6,329,533.20)</u></b>	<b><u>610,731.62</u></b>	<b><u>-9.88%</u></b>
<b>Net Position - Ending</b>	<b><u>\$(5,674,776.19)</u></b>	<b><u>\$(5,571,934.62)</u></b>	<b><u>\$(6,182,666.24)</u></b>	<b><u>\$ (102,841.57)</u></b>	<b><u>1.85%</u></b>

**OVERALL ANALYSIS**

Pennsauken continues to be a desirable location for residential and commercial users. Future projects the Township has planned will bring additional revenue to the Authority without additional expense. Several projects currently in motion are the redevelopment of the grounds that the Pennsauken Mart once occupied, and development of Pennsauken's waterfront property to include residential and commercial development.

Service charges billed to our customers were last raised on January 1, 2016 from \$200.00 to \$206.00 a year per unit for residential users. The increase to commercial/industrial users went from \$200.00 to \$206.00 minimum plus \$1.83 to \$1.88 per hundreds of cubic feet or \$2.44 to \$2.51 per thousands of gallons.

**BUDGET VARIANCES**

As the original budget was formulated in October 2019, certain actual events during the year caused the Authority to over-expend the Salaries and Wages appropriation for both the Administration and Cost of Providing Service departments. The Authority did not overspend the budget as a whole.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)**  
**(UNAUDITED)**

**CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY**

During 2020, the Authority expended \$81,314.11 for capital activities. All expenditures were classified as capital assets.

The proposed five-year capital programs total \$630,000.00. The major line items making up a portion of the Capital Budget are:

1. Pumps and Controls
2. Computer Equipment
3. Office Equipment
4. Operations Equipment and Maintenance
5. Building Upkeep and Repairs
6. Trucks
7. Sewer Main Lining (GIS)

The Authority has not experienced any change in its credit rating, nor does it anticipate any. The Authority does not operate under any debt limitations; it is required to receive approval from the Township and the Local Finance Board prior to issuing of debt.

**CONTACTING THE AUTHORITY'S MANAGEMENT**

This financial report is designed to provide Pennsauken Township residents, investors, clients 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 any questions about this report or need additional financial information, contact the Treasurer, Pennsauken Sewerage Authority, 1250 John Tipton Blvd., Pennsauken, NJ 08110 or by phone at 856-663-5542

## **BASIC FINANCIAL STATEMENTS**

**PENNSAUKEN SEWERAGE AUTHORITY**  
Comparative Statements of Net Position  
As of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 1,389,031.18	\$ 1,468,850.32
Investments	105,062.91	105,062.91
Investment Income Receivable	3,502.70	1,577.12
Intergovernmental Accounts Receivable		5,030.64
Other Accounts Receivable	31,609.20	
Service Fees Receivable (Net of an Allowance for Doubtful Accounts of \$34,917.50 for 2020 and \$7,849.49 for 2019)	948,586.90	869,194.60
Total Unrestricted Assets	<u>2,477,792.89</u>	<u>2,449,715.59</u>
Restricted Assets:		
Cash and Cash Equivalents	3,313.53	187,091.81
Investments	321,077.06	131,711.45
Investment Income Receivable	9,511.19	9,429.88
Total Restricted Assets	<u>333,901.78</u>	<u>328,233.14</u>
Total Current Assets	<u>2,811,694.67</u>	<u>2,777,948.73</u>
Capital Assets:		
Completed (Net of Accumulated Depreciation)	5,608,169.21	6,050,668.43
Construction in Progress	92,518.35	52,595.51
Total Capital Assets	<u>5,700,687.56</u>	<u>6,103,263.94</u>
Total Assets	<u>8,512,382.23</u>	<u>8,881,212.67</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to Pensions	704,538.00	735,178.00
Related to OPEB	1,872,854.75	295,563.92
Total Deferred Outflows of Resources	<u>2,577,392.75</u>	<u>1,030,741.92</u>

(Continued)

**PENNSAUKEN SEWERAGE AUTHORITY**  
Comparative Statements of Net Position  
As of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>LIABILITIES</b>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable		
Other	\$ 56,468.72	\$ 93,218.10
Related to Pensions	245,659.00	208,516.00
Overpaid Service Charges	48,713.82	54,855.94
Unearned Revenue	224,595.67	219,075.09
Current Portion of Compensated Absences	148,469.49	28,531.14
Current Portion of Loans Payable	45,542.36	45,542.36
	<hr/>	<hr/>
Total Current Liabilities Payable from Unrestricted Assets	769,449.06	649,738.63
	<hr/>	<hr/>
Current Liabilities Payable from Restricted Assets:		
Accounts Payable		165,989.27
Accrued Interest Payable	2,075.54	2,282.07
Developer's Escrow	29,368.92	22,815.65
	<hr/>	<hr/>
Total Current Liabilities Payable from Restricted Assets	31,444.46	191,086.99
	<hr/>	<hr/>
Total Current Liabilities	800,893.52	840,825.62
	<hr/>	<hr/>
Long Term Liabilities:		
Compensated Absences	225,685.43	256,780.26
Net Pension Liability	3,662,011.00	3,862,569.00
OPEB Liability	6,833,876.00	4,889,967.00
Accrued Liabilities - Related to Pension	122,830.00	104,258.00
Loans Payable	356,594.31	402,291.40
	<hr/>	<hr/>
Total Long Term Liabilities	11,200,996.74	9,515,865.66
	<hr/>	<hr/>
Total Liabilities	12,001,890.26	10,356,691.28
	<hr/>	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to Pensions	1,754,346.00	1,706,217.00
Related to OPEB	2,999,946.69	3,400,765.00
Deferred Revenue	8,368.22	20,215.93
	<hr/>	<hr/>
Total Deferred Inflows of Resources	4,762,660.91	5,127,197.93
	<hr/>	<hr/>
<b>NET POSITION</b>		
Net Investment in Capital Assets	5,298,550.89	5,492,820.72
Restricted	555,017.36	555,017.36
Unrestricted (Deficit)	(11,528,344.44)	(11,619,772.70)
	<hr/>	<hr/>
Total Net Position	\$ (5,674,776.19)	\$ (5,571,934.62)
	<hr/>	<hr/>

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



**PENNSAUKEN SEWERAGE AUTHORITY**  
 Comparative Statements of Revenues, Expenses and Changes in Net Position  
 For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Service Fees	\$ 4,049,388.18	\$ 4,282,384.50
Intergovernmental Service Fees	228,911.43	242,297.82
Connection Fees	93,538.14	169,198.68
Other Operating Revenues	83,469.17	94,124.99
Total Operating Revenues	<u>4,455,306.92</u>	<u>4,788,005.99</u>
Operating Expenses:		
Administration:		
Salaries and Wages	619,874.09	551,851.97
Employee Benefits	328,255.62	234,225.70
Other Expenses	201,267.73	199,940.00
Total Administration	<u>1,149,397.44</u>	<u>986,017.67</u>
Cost of Providing Service:		
Salaries and Wages	1,343,150.59	1,255,726.69
Employee Benefits	596,808.76	513,880.47
Other Expenses	851,981.35	816,625.36
Total Cost of Providing Service	<u>2,791,940.70</u>	<u>2,586,232.52</u>
Depreciation	480,294.74	454,176.69
Total Operating Expenses	<u>4,421,632.88</u>	<u>4,026,426.88</u>
Operating Income	<u>33,674.04</u>	<u>761,579.11</u>
Non-operating Income (Expenses):		
Investment Income	14,498.37	20,030.78
Interest on Loans	(5,163.74)	(5,605.04)
Gain (Loss) on Disposal of Capital Assets	4,149.76	(15,273.23)
Contribution to Pennsauken Township Per N.J.S.A. 40A:5A-1	(150,000.00)	(150,000.00)
Net Non-operating Expenses	<u>(136,515.61)</u>	<u>(150,847.49)</u>
Change in Net Position	(102,841.57)	610,731.62
Net Position - Beginning	<u>(5,571,934.62)</u>	<u>(6,182,666.24)</u>
Net Position - Ending	<u>\$ (5,674,776.19)</u>	<u>\$ (5,571,934.62)</u>

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

**PENNSAUKEN SEWERAGE AUTHORITY**  
 Comparative Statements of Cash Flows  
 For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows Provided by (Used in) Operating Activities:		
Receipts from Customers and Users	\$ 4,198,285.77	\$ 4,519,627.70
Payments to Employees	(2,899,519.68)	(2,784,046.16)
Payments to Suppliers	(1,086,825.00)	(1,006,905.41)
Other Operating Receipts	138,581.04	191,735.65
Net Cash Provided by Operating Activities	<u>350,522.13</u>	<u>920,411.78</u>
Cash Flows Provided by (Used in) Capital and Related Financing Activities:		
Interest on Loans	(5,525.00)	(5,924.99)
Principal Paid on Loans	(45,542.36)	(45,542.36)
Cash Received for Sale of Disposed Assets	7,745.51	
Accounts Payable	(162,609.46)	
Acquisitions of Capital Assets	(81,314.11)	(643,911.35)
Net Cash Used in Capital and Related Financing Activities	<u>(287,245.42)</u>	<u>(695,378.70)</u>
Cash Flows Used in Noncapital Financing Activities:		
Contribution to Pennsauken Township Per N.J.S.A. 40A:5A-1	<u>(150,000.00)</u>	<u>(150,000.00)</u>
Cash Flows Provided by (Used in) Investing Activities:		
Proceeds from Maturities of Investments		285,786.94
Purchases of Investments	(189,365.61)	(105,062.91)
Investment Income	12,491.48	15,859.52
Net Cash Provided by (Used in) Investing Activities	<u>(176,874.13)</u>	<u>196,583.55</u>
Change in Cash and Cash Equivalents	(263,597.42)	271,616.63
Cash and Cash Equivalents--Beginning of Year	<u>1,655,942.13</u>	<u>1,384,325.50</u>
Cash and Cash Equivalents--End of Year	<u>\$ 1,392,344.71</u>	<u>\$ 1,655,942.13</u>

(Continued)

**PENNSAUKEN SEWERAGE AUTHORITY**  
 Comparative Statements of Cash Flows  
 For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Income to Net Cash		
Flows Provided by Operating Activities:		
Operating Income	\$ 33,674.04	\$ 761,579.11
Adjustments to Reconcile Operating Income		
to Net Cash Provided by Operating Activities:		
Depreciation Expense	480,294.74	454,176.69
Pension Liability (Benefit) Expense	(66,074.00)	(5,653.00)
OPEB Liability (Benefit) Expense	(34,200.14)	(254,126.99)
Changes in Assets, Liabilities and Deferred Inflows of Resources:		
Service Fees Receivable	(79,392.30)	(19,478.75)
Intergovernmental Receivable	5,030.64	(5,030.64)
Other Accounts Receivable	(31,609.20)	
Accounts Payable	(40,129.19)	1,159.47
Overpaid Service Charges	(6,142.12)	13,051.17
Developer's Escrow	6,553.27	8,500.48
Unearned Revenue	5,520.58	1,372.96
Deferred Revenue	(11,847.71)	(66,557.38)
Compensated Absences	88,843.52	31,418.66
Net Cash Provided by Operating Activities	\$ 350,522.13	\$ 920,411.78

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

**PENNSAUKEN SEWERAGE AUTHORITY**  
Notes to Financial Statements  
For the Years Ended December 31, 2020 and 2019

---

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Pennsauken Sewerage 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 Pennsauken Sewerage Authority (the “Authority”) is a public body corporate and politic of the State of New Jersey and was originally created as a sewerage authority by Ordinance No. 688 of the Township of Pennsauken (the “Township”) adopted on August 28, 1950, pursuant to the Sewerage Authority Law, Chapter 138 of the Laws of 1946, as amended. The governing body of the Authority is a Board consisting of five members appointed by the Pennsauken Township Committee. The terms of the members of the Authority are staggered so that at least one member’s term expires each year, and the Pennsauken Township Committee, in accordance with the Act, reappoints the member or appoints a successor.

The Act permits the Authority to charge and collect rents, rates, fees or other charges for direct or indirect connection with, or the use of services of its sewer system. The Act also permits the Authority to enter into agreements with other municipalities for the collection and treatment of sewage.

Presently, the Authority provides and charges for all connected customers within the municipal boundaries of the Township for the collection of sewage. The Authority has contracted to collect all sewage discharged into the collection system maintained by Merchantville Borough and a certain portion of Cherry Hill Township. Sewage collected by the Authority from whatever source is then passed on to the Camden County Municipal Utilities Authority (“CCMUA”) system. The CCMUA is, in turn responsible for the treatment of all waste materials.

**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 Township of Pennsauken.

**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.

**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. Sewer service charges are recognized as revenue when services are provided. Connection fees are collected in advance and, accordingly, the Authority defers these revenues until the municipality issues a release for certificate of occupancy and determines that sewage collection services are being provided to the properties.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 year and to adopt not later than the beginning of the Authority's year. The governing body may amend the budget at any point during the year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense, bond premiums, and the annual required contribution for the Authority's Other Postemployment Benefits ("OPEB") Plans are not included in the budget appropriations.

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

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

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 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.

**Inventories**

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 year end. The Authority had no prepaid expenses for the years ended December 31, 2020 and 2019.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****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, 1992 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 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 five years
- 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	30-40
Major Moveable Equipment	5-20
Vehicles	8-15
Infrastructure	25

Depreciation is taken starting with the date the asset is placed into service.

**Loan Premiums**

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

**Deferred Outflows and Deferred Inflows of Resources**

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

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

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

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, severance pay 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 are 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 expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

**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 year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component as the unspent amount.

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

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



**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****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 facility charges and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and on investments in certificates of deposit and gain on the disposal of capital assets.

Operating expenses include expenses associated with the operation, maintenance and repair of the sewer system and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt, losses on the disposal of capital assets and a contribution to the Township.

**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. 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. 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.

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. The adoption of this Statement had no impact on the Authority's financial statement.

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

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

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 year ending December 31, 2020, but as a result of GASB Statement 95 will become effective in the year ending December 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 year ending December 31, 2020, but as a result of GASB Statement 95 will become effective in the year ending December 31, 2021. Management has not yet determined the impact of this Statement 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 year ending December 31, 2021, but as a result of GASB Statement 95 will become effective in the year ending December 31, 2022. Management has not yet determined the impact of this Statement on the financial statements.

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

1. The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
2. The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 originally would have become effective for the Authority in the year ending December 31, 2021, but as a result of GASB Statement 95 will become effective in the year ending December 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 year ending December 31, 2021, but as a result of GASB Statement 95 will become effective in the year ending December 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 year ending December 31, 2021, but as a result of GASB Statement 95 will become effective in the year ending December 31, 2022.

Management has not yet determined the impact of this Statement 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. 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 year ending December 31, 2021. GASB Statement 95 changed the effective date for paragraphs 13 and 14 to the year ending December 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 year ending December 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 year ending December 31, 2023. Management does not expect this Statement will have an impact on the financial statements.

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 year ending December 31, 2022. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement will become effective for the Authority in the year ending December 31, 2021. Management does not expect this Statement will have an impact on the financial statements.

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

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

**General Bond Resolution**

The Authority is subject to the provisions and restrictions of the General Bond Resolution adopted July 18, 1995 and supplemental resolutions adopted December 17, 2002 and March 2, 2010. A summary of the activities of each account created by the Bond Resolution is covered below.

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

**General Account** – All excess funds of the Authority are recorded in the General Account. If the Authority is not in default in the payment of debt principal or interest and all fund requirements are satisfied, the excess funds may be used by the Authority for any lawful purpose.

**Bond Service Account** - The balance on deposit must be sufficient to enable the Trustee to withdraw amounts equal to interest due on debt, principal amount maturing on debt and sinking fund installments when such payments are required. At December 31, 2020, the balance in the bond service account meets the requirements of the Bond Resolution.

**Bond Reserve Account** - The amount of funds on deposit must be maintained at a level equal to the lesser of the maximum annual debt service during any calendar year; 125% of average annual debt service or 10% of the principal amount of debt. At December 31, 2020, the balance in the bond reserve account meets the requirements of the Bond Resolution. Whenever the amount in this account exceeds the Bond Reserve Fund Requirement, the excess is transferred to the Revenue Fund.

**Renewal and Replacement Account** - These funds are maintained for reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements or maintenance items of a type not recurring annually, all to the extent not provided for in the then current annual budget or not paid from reserves in the Operating Account. Money in this account is pledged for the security of payment of principal and interest on the 2010 Sewer Revenue Loans. Whenever the amount in this account exceeds the Renewal and Replacement Fund Requirement, the excess is transferred to the Revenue Fund.

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

The excess of revenues for the year ended December 31, 2020 is 841.89% of the annual debt service. Section 712 of the Bond Resolution requires the computation of sufficiency of revenues and that excess revenues equal at least 110% of the annual debt service. Debt service coverage for the years ended December 31, 2020 and 2019 is calculated as follows:

	<u>Dec. 31, 2020</u>		<u>Dec. 31, 2019</u>
Operating Revenues:			
Utility Service Charges	\$ 4,278,299.61		\$ 4,524,682.32
Other Operating Revenues	177,007.31		263,323.67
Net Investment Income	<u>14,498.37</u>		<u>20,030.78</u>
Total Revenues	<u>\$ 4,469,805.29</u>		<u>\$ 4,808,036.77</u>
Budgetary Expenses:			
Administrative	\$ 1,205,870.83		\$ 1,117,609.75
Cost of Providing Service	<u>2,835,741.45</u>		<u>2,714,420.43</u>
Total Operating Expenses	<u>\$ 4,041,612.28</u>		<u>\$ 3,832,030.18</u>
Net Revenues	\$ 428,193.01		\$ 976,006.59
	<u>                    </u>	= 841.89%	<u>                    </u>
			= 1902.47%
Debt Service	50,860.83		51,302.14

This ratio meets the required debt service coverage of 110% for the Series 2010 NJ EIT Loans for the years ended December 31, 2020 and 2019.

**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 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, 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.

**Note 3: DETAIL NOTES – ASSETS (CONT'D)****Cash and Cash Equivalents (Cont'd)**

As of December 31, 2020 and 2019, the Authority's bank balance of \$1,397,310.95 and \$1,682,040.41 were exposed to custodial credit risk as follows:

	<u>2020</u>	<u>2019</u>
Insured by FDIC	\$ 250,000.00	\$ 250,000.00
Insured by GUDPA	1,026,298.83	1,260,093.36
Uninsured and Uncollateralized	<u>121,012.12</u>	<u>171,947.05</u>
Total	<u>\$ 1,397,310.95</u>	<u>\$ 1,682,040.41</u>

**Investments**

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

**Custodial Credit Risk** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority has no investment policy to limit its exposure to custodial credit risk. All of the Authority's \$426,139.97 as of December 31, 2020 and \$236,774.36 as of December 31, 2020 investments in Certificates of Deposits are held in the name of the Authority and are covered by GUDPA.

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority's investment policies place no limit on the amount the Authority may invest in any one issuer.

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

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

<u>Investment</u>	<u>Maturity</u>	Fair Value		<u>Credit</u> <u>Rating</u>	<u>Fair Value</u> <u>December 31, 2020</u>	<u>Fair Value</u> <u>December 31, 2019</u>
		<u>Hierarchy</u> <u>Level*</u>				
GUDPA Insured:						
First Colonial Certificate of Deposit	1/23/2021	Level 1	N/A	\$	53,339.52	
First Colonial Certificate of Deposit	4/29/2021	Level 1	N/A		78,371.93	\$ 78,371.93
First Colonial Certificate of Deposit	4/29/2021	Level 1	N/A		105,062.91	105,062.91
First Colonial Certificate of Deposit	12/24/2021	Level 1	N/A		189,365.61	
First Colonial Certificate of Deposit	12/31/2021	Level 1	N/A			53,339.52
					<u>\$ 426,139.97</u>	<u>\$ 236,774.36</u>

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

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

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

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

**Service Fees**

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

<u>Year</u>	<u>Beginning</u> <u>Balance</u>	<u>Billings</u>	<u>Total</u> <u>Collections</u>	<u>Percentage</u> <u>of</u> <u>Collections</u>
2020	\$ 877,044.09	\$ 4,076,456.19	\$ 3,969,995.88	80.15%
2019	860,771.77	4,279,178.07	4,262,905.75	82.94%
2018	723,545.53	4,171,347.78	4,034,121.54	82.41%

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

During the year ended December 31, 2020, the following changes in capital assets occurred:

	<u>Balance</u> <u>Jan. 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2020</u>
Capital Assets not being Depreciated				
Land & Land Improvements	\$ 105,400.00			\$ 105,400.00
Construction in Progress	52,595.51	\$ 39,922.84		92,518.35
Total Capital Assets not being Depreciated	<u>157,995.51</u>	<u>39,922.84</u>	<u>\$ -</u>	<u>197,918.35</u>
Capital Assets being Depreciated				
Infrastructure	9,689,967.86	37,596.80		9,727,564.66
Buildings	6,576,905.52			6,576,905.52
Vehicles	1,411,616.43			1,411,616.43
Equipment	1,670,649.92	3,794.47	3,595.75	1,670,848.64
Total Capital Assets being Depreciated	<u>19,349,139.73</u>	<u>41,391.27</u>	<u>3,595.75</u>	<u>19,386,935.25</u>
Total Capital Assets	<u>19,507,135.24</u>	<u>81,314.11</u>	<u>3,595.75</u>	<u>19,584,853.60</u>
Less Accumulated Depreciation	<u>13,403,871.30</u>	<u>480,294.74</u>	<u>-</u>	<u>13,884,166.04</u>
Capital Assets, Net	<u>\$ 6,103,263.94</u>	<u>\$ (398,980.63)</u>	<u>\$ 3,595.75</u>	<u>\$ 5,700,687.56</u>



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

During the year ended December 31, 2019, the following changes in capital assets occurred:

	Balance <u>Jan. 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2019</u>
Capital Assets not being Depreciated				
Land & Land Improvements	\$ 105,400.00			\$ 105,400.00
Construction in Progress	52,595.51			52,595.51
<b>Total Capital Assets not being Depreciated</b>	<b>157,995.51</b>	<b>\$ -</b>	<b>\$ -</b>	<b>157,995.51</b>
Capital Assets being Depreciated				
Infrastructure	9,164,498.90	525,468.96		9,689,967.86
Buildings	6,562,561.78	14,343.74		6,576,905.52
Vehicles	1,453,753.43		42,137.00	1,411,616.43
Equipment	1,447,849.98	266,708.11	43,908.17	1,670,649.92
<b>Total Capital Assets being Depreciated</b>	<b>18,628,664.09</b>	<b>806,520.81</b>	<b>86,045.17</b>	<b>19,349,139.73</b>
<b>Total Capital Assets</b>	<b>18,786,659.60</b>	<b>806,520.81</b>	<b>86,045.17</b>	<b>19,507,135.24</b>
Less Accumulated Depreciation	13,020,466.55	454,176.69	70,771.94	13,403,871.30
<b>Capital Assets, Net</b>	<b>\$ 5,766,193.05</b>	<b>\$ 352,344.12</b>	<b>\$ 15,273.23</b>	<b>\$ 6,103,263.94</b>

**Note 4: DETAIL NOTES – LIABILITIES****Long Term Liabilities**

During the year ended December 31, 2020 and 2019, the following changes occurred in long-term obligations:

	Balance Jan. 1, 2020	Additions	Reductions	Balance Dec. 31, 2020	Due Within One Year
Loans Payable:					
NJEIT Loans	\$ 446,350.85		\$ (45,542.36)	\$ 400,808.49	\$ 45,542.36
Issuance Premiums	1,482.91		(154.73)	1,328.18	
<b>Total Loans Payable</b>	<b>447,833.76</b>	<b>\$ -</b>	<b>(45,697.09)</b>	<b>402,136.67</b>	<b>45,542.36</b>
Other Liabilities					
Net Pension Liability	3,862,569.00	2,430,367.00	(2,630,925.00)	3,662,011.00	
Net OPEB Obligation	4,889,967.00	5,316,663.00	(3,372,754.00)	6,833,876.00	
Other Liabilities -					
Related to Pension	104,258.00	122,830.00	(104,258.00)	122,830.00	
Compensated Absences	285,311.40	302,505.30	(213,661.78)	374,154.92	148,469.49
<b>Total Other Liabilities</b>	<b>9,142,105.40</b>	<b>8,172,365.30</b>	<b>(6,321,598.78)</b>	<b>10,992,871.92</b>	<b>148,469.49</b>
<b>Total Long Term Liabilities</b>	<b>\$ 9,589,939.16</b>	<b>\$ 8,172,365.30</b>	<b>\$ (6,367,295.87)</b>	<b>\$ 11,395,008.59</b>	<b>\$ 194,011.85</b>
	Balance Jan. 1, 2019	Additions	Reductions	Balance Dec. 31, 2019	Due Within One Year
Loans Payable:					
NJEIT Loans	\$ 491,893.21		\$ (45,542.36)	\$ 446,350.85	\$ 45,542.36
Issuance Premiums	1,637.65		(154.74)	1,482.91	
<b>Total Loans Payable</b>	<b>493,530.86</b>	<b>\$ -</b>	<b>(45,697.10)</b>	<b>447,833.76</b>	<b>45,542.36</b>
Other Liabilities					
Net Pension Liability	4,162,921.00	2,594,195.00	(2,894,547.00)	3,862,569.00	
Net OPEB Obligation	5,749,836.00	2,970,518.65	(3,830,387.65)	4,889,967.00	
Other Liabilities -					
Related to Pension	105,152.00	104,258.00	(105,152.00)	104,258.00	
Compensated Absences	253,892.74	255,167.92	(223,749.26)	285,311.40	28,531.14
<b>Total Other Liabilities</b>	<b>10,271,801.74</b>	<b>5,924,139.57</b>	<b>(7,053,835.91)</b>	<b>9,142,105.40</b>	<b>28,531.14</b>
<b>Total Long Term Liabilities</b>	<b>\$ 10,765,332.60</b>	<b>\$ 5,924,139.57</b>	<b>\$ (7,099,533.01)</b>	<b>\$ 9,589,939.16</b>	<b>\$ 74,073.50</b>

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Revenue Loans Payable**

On March 10, 2010, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust (the "NJEIT Series 2010A") totaling \$929,000.00 for the repair of various pump stations and wet wells. The Fund portion of the award totaled \$699,000.00 and is interest free. The remaining Trust portion totaled \$230,000.00 and carries interest rates varying from 3.0% to 5.0% with a final maturity in 2029.

Year Ending Dec. 31,	Interest Free Loan Principal	Loan Principal	Total Principal	Interest	Total
2021	\$ 35,542.36	\$ 10,000.00	\$ 45,542.36	\$ 5,025.00	\$ 50,567.36
2022	35,542.36	15,000.00	50,542.36	4,725.00	55,267.36
2023	35,542.36	15,000.00	50,542.36	4,125.00	54,667.36
2024	35,542.36	15,000.00	50,542.36	3,525.00	54,067.36
2025	35,542.36	15,000.00	50,542.36	2,925.00	53,467.36
2026-2029	93,096.69	60,000.00	153,096.69	5,925.00	159,021.69
	<u>\$ 270,808.49</u>	<u>\$ 130,000.00</u>	400,808.49	<u>\$ 26,250.00</u>	<u>\$ 427,058.49</u>
Premium on Loan			1,328.18		
Current Maturities			<u>(45,542.36)</u>		
Long-Term Portion			<u>\$ 356,594.31</u>		

**Compensated Absences**

The Authority accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Authority employees may accumulate unused sick days with no restrictions. 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. One week of vacation time 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 December 31, 2020 and 2019 estimated at \$163,026.92 and \$118,467.40, respectively.

Additionally, Authority employees accumulate severance pay while they work at the Authority. Management employees accumulate 13 weeks of severance pay for their time worked at the Authority payable upon retirement or resignation at their then current hourly rate of pay. Union employees hired on or before January 1, 2012 and have obtained the age of 60 years at the time of separation from employment will be entitled to receive 2 weeks of severance pay at their then current hourly rate of pay. Union employees hired after January 1, 2012 and have obtained 25 years of service or a minimum of 10 years of service at the age of 60 or older at the time of separation from employment will be entitled to receive 2 weeks of severance pay at their then current hourly rate of pay. The accrued liability for employee severance at December 31, 2020 and 2019 is estimated at \$211,128.00 and \$166,844.00, respectively.

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

For details on the net pension liability, see the Pension Plans section 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.

**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.

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

**Public Employees' Retirement System** - The vesting and benefit provisions are set by N.J.S.A. 43:15A. 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.

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 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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.

**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)** - The Authority's contractually required contribution rate for the years ended December 31, 2020 and 2019 was 14.43% and 12.89% 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.

Based on the most recent PERS measurement date of June 30, 2020, the Authority's contractually required contribution to the pension plan for the year ended December 31, 2020 was \$245,659.00 and was payable by April 1, 2021. For the prior year measurement date of June 30, 2019, the Authority's contractually required contribution to the pension plan for the year ended December 31, 2019 was \$208,516.00 and was paid by April 1, 2020.

Employee contributions to the Plan for the year ended December 31, 2020 and 2019 were \$128,711.20 and \$121,356.53, 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 years ended December 31, 2020 and 2019, there were no employees participating in DCRP.

**Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions****Public Employees' Retirement System**

**Pension Liability** - As of December 31, 2020, the Authority's proportionate share of the PERS net pension liability was \$3,662,001.00. 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 0.0224561541%, which was an increase of 0.0010194486% from its proportion measured as of June 30, 2019.

As of December 31, 2019, the Authority's proportionate share of the PERS net pension liability was \$3,862,569.00. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2019. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2019 measurement date, the Authority's proportion was 0.0214367055%, which was an increase of .0002938604% from its proportion measured as of June 30, 2018.

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

**Pension Expense** - For the years ended December 31, 2020 and 2019, the Authority recognized its proportionate share of the PERS pension expense of \$142,442.00 and \$204,651.00, respectively. These amounts were based on the Plan's June 30, 2020 and 2019 measurement dates, respectively.

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

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Measurement Date</u>		<u>Measurement Date</u>	
	<u>June 30, 2020</u>		<u>June 30, 2019</u>	
	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>Inflows of</u>	<u>Outflows of</u>	<u>Inflows of</u>
	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>
Differences between Expected and Actual Experience	\$ 66,679.00	\$ 12,950.00	\$ 69,328.00	\$ 17,063.00
Changes of Assumptions	118,800.00	1,533,319.00	385,692.00	1,340,686.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	125,170.00	-	-	60,972.00
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	271,059.00	208,077.00	175,900.00	287,496.00
Authority Contributions Subsequent to the Measurement Date	122,830.00	-	104,258.00	-
	<u>\$ 704,538.00</u>	<u>\$ 1,754,346.00</u>	<u>\$ 735,178.00</u>	<u>\$ 1,706,217.00</u>

Deferred outflows of resources in the amounts of \$122,830.00 and \$104,258.00 will be included as a reduction of the net pension liability during the years ending December 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 year end of December 31, 2020 and 2019.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
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)****Public Employees' Retirement System (Cont'd)**

**Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)** - Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b><u>Year Ending December 31,</u></b>	
2021	\$ (440,524.00)
2022	(436,638.00)
2023	(232,003.00)
2024	(49,651.00)
2025	(13,822.00)
	<u>\$ (1,172,638.00)</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:

	<b><u>Measurement Date June 30, 2020</u></b>	<b><u>Measurement Date June 30, 2019</u></b>
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)****Public Employees' Retirement System (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 real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2020 and 2019 are summarized in the table on the following page.

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

<u>Asset Class</u>	<u>Measurement Date</u> <u>June 30, 2020</u>		<u>Measurement Date</u> <u>June 30, 2019</u>	
	<u>Target</u> <u>Allocation</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u>	<u>Target</u> <u>Allocation</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u>
Risk Mitigation Strategies	3.00%	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%
Private Equity	13.00%	11.42%	12.00%	10.85%
	<u>100.00%</u>		<u>100.00%</u>	

**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.

**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****Public Employees' Retirement System (Cont'd)**

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:

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 5,106,484.00</u>	<u>\$ 3,662,011.00</u>	<u>\$ 3,146,161.00</u>

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:

	<b>1% Decrease (5.28%)</b>	<b>Current Discount Rate (6.28%)</b>	<b>1% Increase (7.28%)</b>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 5,307,145.00</u>	<u>\$ 3,862,569.00</u>	<u>\$ 3,309,390.00</u>

**Pension Plan Fiduciary Net Position****Public Employees' Retirement System**

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.

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

**Plan Description and Benefits Provided** - The Authority contributes to the State Health Benefits Local Government Retired Employees Plan (the "Plan"), which is a cost-sharing multiple-employer defined benefit other postemployment benefit ("OPEB") plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the "State"), Division of Pensions and Benefits' (the "Division") annual financial statements, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

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

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

**Contributions** - The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members.

The Authority was billed monthly by the Plan and paid \$92,337.14 and \$98,070.72, for the years ended December 31, 2020 and December 31, 2019, respectively. These amounts represent 5.42% and 6.06% of the Authority's covered payroll. During the years ended December 31, 2020 and 2019, retirees were not required to contribute to the Plan.

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

**OPEB Liability** - At December 31, 2020, the Authority's proportionate share of the net OPEB liability was \$5,855,980.00.

The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020.

The Authority's proportion of the net OPEB liability was based on the ratio of the Plan members of an individual employer to the total members of the Plan' during the measurement period July 1, 2019 through June 30, 2020. For the June 30, 2020 measurement date, the Authority's proportion was 0.032630%, which was an increase of 0.002227% from its proportion measured as of the June 30, 2019 measurement date.

At December 31, 2019, the Authority's proportionate share of the net OPEB liability was \$4,118,412.00.

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019.

The Authority's proportion of the net OPEB liability was based on the ratio of the Plan members of an individual employer to the total members of the Plan' during the measurement period July 1, 2018 through June 30, 2019. For the June 30, 2019 measurement date, the Authority's proportion was 0.030403 %, which was a decrease of 0.001462% from its proportion measured as of the June 30, 2018 measurement date.

**OPEB (Benefit) Expense** - At December 31, 2020, the Authority's proportionate share of the OPEB expense, calculated by the Plan as of the June 30, 2020 measurement date, is \$19,422.00.

At December 31, 2019, the Authority's proportionate share of the OPEB benefit, calculated by the Plan as of the June 30, 2019 measurement date, is \$128,389.00.

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

**Deferred Outflows of Resources and Deferred Inflows of Resources** - At December 31, 2020 and 2019, the Authority had deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Measurement Date</u>		<u>Measurement Date</u>	
	<u>June 30, 2020</u>		<u>June 30, 2019</u>	
	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows</u>	<u>Inflows</u>	<u>Outflows</u>	<u>Inflows</u>
	<u>of Resources</u>	<u>of Resources</u>	<u>of Resources</u>	<u>of Resources</u>
Differences between Expected and Actual Experience	\$ 154,242.00	\$ 1,090,493.00	\$ -	\$ 1,204,384.00
Changes of Assumptions	875,870.00	1,302,279.00	-	1,459,474.00
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	3,719.00	-	3,392.00	-
Changes in Proportion	628,925.00	600,528.00	233,500.00	728,560.00
Authority Contributions Subsequent to the Measurement Date	45,375.06	-	50,432.92	-
	<u>\$ 1,708,131.06</u>	<u>\$ 2,993,300.00</u>	<u>\$ 287,324.92</u>	<u>\$ 3,392,418.00</u>

Deferred outflows of resources in the amount of \$45,375.06 was the result of the Authority contributions subsequent to the Plan's measurement date of June 30, 2020. This amount will be included as a reduction of the Authority's net OPEB liability during the year ending December 31, 2021. Deferred outflows of resources in the amount of \$50,432.42 was the result of the Authority contributions subsequent to the Plan's measurement date of June 30, 2019. This amount will be included as a reduction of the Authority's net OPEB liability during the year ending December 31, 2020.

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

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

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between Expected and Actual Experience		
June 30, 2018	-	8.14
June 30, 2019	-	8.05
June 30, 2020	7.87	
Changes of Assumptions		
Year of OPEB Plan Deferral:		
June 30, 2017	-	8.04
June 30, 2018	-	8.14
June 30, 2019	-	8.05
June 30, 2020	7.87	
Net Difference between Projected and Actual Earnings on OPEB Plan Investments		
Year of OPEB Plan Deferral:		
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
June 30, 2020	5.00	
Changes in Proportion		
Year of OPEB Plan Deferral:		
June 30, 2017	8.04	8.04
June 30, 2018	8.14	8.14
June 30, 2019	8.05	8.05
June 30, 2020	7.87	7.87



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

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

**OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

**Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)** - Other amounts included as deferred outflows of resources and deferred inflows of resources related to the OPEB liability will be recognized in future periods as follows:

<u>Year Ending</u>	
December 31, 2021	\$ (341,697.00)
December 31, 2022	(341,983.00)
December 31, 2023	(342,444.00)
December 31, 2024	(342,865.00)
December 31, 2025	(159,213.00)
Thereafter	<u>197,658.00</u>
	<u>\$ (1,330,544.00)</u>

**Actuarial Assumptions**

The actuarial valuation at June 30, 2020 and 2019 used the following actuarial assumptions, applied to all periods in the measurement:

	<u>Measurement Date June 30, 2020</u>	<u>Measurement Date June 30, 2019</u>
Inflation Rate	2.50%	2.50%
Salary Increases *		
PERS:		
Initial Fiscal Year Applied:		
Rate Through 2026	2.00% to 6.00%	2.00% to 6.00%
Rate Thereafter	3.00% to 7.00%	3.00% to 7.00%

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

For the June 30, 2020 measurement date, mortality rates were based on Pub-2010 General classification headcount weighted mortality with fully generational morality improvement projections from the central year using Scale MP-2020. For the June 30, 2019 measurement date, mortality rates were based on Pub-2010 General classification headcount weighted mortality with fully generational morality improvement projections from the central year using Scale MP-2019

Actuarial assumptions used in the June 30, 2019 and June 30, 2018 valuation were based on the results of the PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

100% of active members in both the June 30, 2020 and June 30, 2019 measurement dates are considered to participate in the Plan upon retirement.

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

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

**Actuarial Assumptions (Cont'd)**

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

**Discount Rate** - The discount rate used to measure the OPEB liability at June 30, 2020 and 2019 were 2.21% and 3.50%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**Health Care Trend Assumptions** – For the June 30, 2020 measurement date, the trend rate for pre-Medicare medical benefits, is initially 5.6% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 through 2022 are reflected. The rates used for 2023 and 2024 are 21.83% and 18.53%, respectively, trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.00% and decreases to a 4.5% long-term trend rate after seven years.

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

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

The net OPEB liability as of June 30, 2020, the Plan's measurement date, for the Authority calculated using a discount rate of 2.21%, as well as using a discount rate that is 1% lower or 1% higher than the current rate used, is as follows:

	<b>1% Decrease (1.21%)</b>	<b>Current Discount Rate (2.21%)</b>	<b>1% Increase (3.21%)</b>
Authority's Proportionate Share of the Net OPEB Liability	<u>\$ 6,923,006.00</u>	<u>\$ 5,855,980.00</u>	<u>\$ 5,011,332.00</u>

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)****Sensitivity of the Net OPEB Liability to Changes in the Discount Rate (Cont'd)**

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

	<b>1% Decrease (2.50%)</b>	<b>Current Discount Rate (3.50%)</b>	<b>1% Increase (4.50%)</b>
Authority's Proportionate Share of the Net OPEB Liability	\$ 4,761,932.00	\$ 4,118,412.00	\$ 3,595,467.00

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

The Authority's proportionate share of the net OPEB liability as of June 30, 2020, using a healthcare cost trend rate that is 1% lower or 1% higher than the current healthcare cost trend rate used, is as follows:

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Authority's Proportionate Share of the Net OPEB Liability	\$ 4,845,829.00	\$ 5,855,980.00	\$ 7,178,786.00

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

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Authority's Proportionate Share of the Net OPEB Liability	\$ 3,475,432.00	\$ 4,118,412.00	\$ 4,938,641.00

**OPEB Plan Fiduciary Net Position**

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

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****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 reimbursement for dental and vision coverage and a portion of Medicare part B premiums for the retiree, spouse and eligible dependents with full vesting occurring at retirement age 62 with 15 years of service or no minimum age requirement with 25 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 December 31, 2020 and 2019, the following employees were covered by the benefit terms:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	26	26
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments		
Active Employees	<u>12</u>	<u>12</u>
	<u>38</u>	<u>38</u>

**Contributions**

Employees are not required to contribute to the plan.

**Total OPEB Liability**

The Authority's total OPEB liability of \$977,896.00 as of December 31, 2020 and \$771,555.00 as of December 31, 2019 were measured as of December 31, 2020 and 2019, respectively. The December 31, 2020 liability was determined by an actuarial valuation as of January 1, 2019 with the use of updated procedures to roll forward from the actuarial valuation date to the measurement dates of December 31, 2020.

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

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

Inflation	2.17% Annually
Salary Increases	5.00% Annually
Discount Rate	1.93%
Healthcare Cost Trend Rates	
Dental	2.00%
Vision	2.00%
Medicare Part B	0.00%

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

Mortality rates were based on RP-2000 Mortality Tables for Males and Females projected 17 years using Scale AA.

An experience study was not performed on the actuarial assumptions used in the January 1, 2019 valuation since the plan had insufficient data to produce a study with credible results. Mortality rates were based on standard tables either issued by the SOA or developed for the applicable grade of employee. The actuary has used their 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 December 31, 2020, and 2019, respectively:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Balance at Beginning of Year	\$ 771,555.00	\$ 757,668.00
Changes for the Year:		
Service Cost	\$ 32,441.00	\$ 20,576.00
Interest Cost	18,856.00	28,522.00
Benefit Payments	(35,726.00)	(35,081.00)
Actuarial Assumption Changes	<u>190,770.00</u>	<u>(130.00)</u>
Net Changes	<u>206,341.00</u>	<u>13,887.00</u>
Balance at End of Year	<u>\$ 977,896.00</u>	<u>\$ 771,555.00</u>

There were no changes of benefit terms or changes of assumptions at December 31, 2020 or 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-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<b>December 31, 2020</b>		
	<b>1.00% Decrease (0.93%)</b>	<b>Current Discount Rate (1.93%)</b>	<b>1.00% Increase (2.93%)</b>
Total OPEB Liability	<u>\$ 1,114,514.00</u>	<u>\$ 977,896.00</u>	<u>\$ 865,027.00</u>

	<b>December 31, 2019</b>		
	<b>1.00% Decrease (2.75%)</b>	<b>Current Discount Rate (3.75%)</b>	<b>1.00% Increase (4.75%)</b>
Total OPEB Liability	<u>\$ 868,520.00</u>	<u>\$ 771,555.00</u>	<u>\$ 690,232.00</u>

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

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>December 31, 2020</b>		
	<b>1.00% Decrease Various</b>	<b>Healthcare Cost Trend Rate Various</b>	<b>1.00% Increase Various</b>
Total OPEB Liability	<u>\$ 842,059.00</u>	<u>\$ 977,896.00</u>	<u>\$ 1,147,418.00</u>

	<b>December 31, 2019</b>		
	<b>1.00% Decrease Various</b>	<b>Healthcare Cost Trend Rate Various</b>	<b>1.00% Increase Various</b>
Total OPEB Liability	<u>\$ 679,371.00</u>	<u>\$ 771,555.00</u>	<u>\$ 884,109.00</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 years ended December 31, 2020 and 2019, the Authority recognized OPEB expense of \$83,882.00 and \$49,076.00. At December 31, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>December 31, 2020</u>		<u>December 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 or Other Inputs	<u>\$ 164,723.69</u>	<u>\$ 6,646.69</u>	<u>\$ 8,239.00</u>	<u>\$ 8,347.00</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>Year Ending December 31,</u>	
2020		\$ 32,584.00
2021		32,584.00
2022		32,584.00
2023		32,590.00
2024		<u>27,735.00</u>
		<u>\$ 158,077.00</u>

**Note 4: DETAIL NOTES – LIABILITIES (CONT'D)****Postemployment Benefits Other Than Pensions (OPEB) – Summary of State and Authority Plans**

At December 31, 2020 and 2019, the Authority reported deferred outflows of resources, net OPEB liability and deferred inflows of resources related to OPEB from the following sources:

	<u>Balance</u> <u>December 31, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 2020</u>
<b>Deferred Outflows of Resources - Related to OPEB</b>				
State Plan	\$ 287,324.92	\$ 1,811,841.00	\$ (391,034.86)	\$ 1,708,131.06
Authority Plan	8,239.00	190,770.00	(34,285.31)	164,723.69
<b>Total Deferred Outflows of Resources - Related to OPEB</b>	<b>\$ 295,563.92</b>	<b>\$ 2,002,611.00</b>	<b>\$ (425,320.17)</b>	<b>\$ 1,872,854.75</b>
<b>Net OPEB Liability</b>				
State Plan	\$ 4,118,412.00	\$ 5,074,596.00	\$ (3,337,028.00)	\$ 5,855,980.00
Authority Plan	771,555.00	242,067.00	(35,726.00)	977,896.00
<b>Total Net OPEB Liability</b>	<b>\$ 4,889,967.00</b>	<b>\$ 5,316,663.00</b>	<b>\$ (3,372,754.00)</b>	<b>\$ 6,833,876.00</b>
<b>Deferred Inflows of Resources - Related to OPEB</b>				
State Plan	\$ 3,392,418.00	\$ 283,180.94	\$ (682,298.94)	\$ 2,993,300.00
Authority Plan	8,347.00		(1,700.31)	6,646.69
<b>Total Deferred Inflows of Resources - Related to OPEB</b>	<b>\$ 3,400,765.00</b>	<b>\$ 283,180.94</b>	<b>\$ (683,999.25)</b>	<b>\$ 2,999,946.69</b>
<b>Deferred Outflows of Resources - Related to OPEB</b>				
	<u>Balance</u> <u>December 31, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 2019</u>
State Plan	\$ 274,167.00	\$ 51,739.37	\$ (38,581.45)	\$ 287,324.92
Authority Plan		9,938.00	(1,699.00)	8,239.00
<b>Total Deferred Outflows of Resources - Related to OPEB</b>	<b>\$ 274,167.00</b>	<b>\$ 61,677.37</b>	<b>\$ (40,280.45)</b>	<b>\$ 295,563.92</b>
<b>Net OPEB Liability</b>				
State Plan	\$ 4,992,168.00	\$ 2,911,482.65	\$ (3,785,238.65)	\$ 4,118,412.00
Authority Plan	757,668.00	59,036.00	(45,149.00)	771,555.00
<b>Total Net OPEB Liability</b>	<b>\$ 5,749,836.00</b>	<b>\$ 2,970,518.65</b>	<b>\$ (3,830,387.65)</b>	<b>\$ 4,889,967.00</b>
<b>Deferred Inflows of Resources - Related to OPEB</b>				
State Plan	\$ 2,802,979.00	\$ 1,151,327.45	\$ (561,888.45)	\$ 3,392,418.00
Authority Plan		10,068.00	(1,721.00)	8,347.00
<b>Total Deferred Inflows of Resources - Related to OPEB</b>	<b>\$ 2,802,979.00</b>	<b>\$ 1,161,395.45</b>	<b>\$ (563,609.45)</b>	<b>\$ 3,400,765.00</b>



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

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

**Note 6: INTERGOVERNMENTAL AGREEMENTS****Borough of Merchantville Service Agreement**

On January 22, 1996, the Authority entered into an agreement with the Borough of Merchantville ("Borough") regarding the disposal of wastewater generated from within the Borough, the relationship between the parties regarding disposal, and other pertinent issues. Additionally, the agreement provides a means for the funding of necessary capital improvements to the collection system within the Borough.

The Borough is required to pay the Authority for each of the Borough's connections an amount equal to fifty percent of the amount charged to Authority customers. The Borough must pay in two equal, semi-annual installments due on the thirtieth day of June and the thirty-first day of December. In addition, the Borough pays an additional fee for the use of the Authority's personnel and equipment of \$10.00 per year for each connection in the Borough to cover the cost of maintenance and repairs. The additional fee was originally established for a period of two years and automatically renews for successive two year periods unless either party provides written notice at least 180 days prior to any extension thereof. Payments of the additional fee are also paid in two equal semi-annual installments on the same dates as the rate payments.

**Township of Pennsauken Service Agreement**

A Service Agreement was entered into on May 1, 1987, between the Authority and the Township of Pennsauken. Under the Service Agreement, the Township agrees to pay any shortfall the Authority may encounter in making payments for either operating expenses and/or debt service.

**Cherry Hill Township Service Agreement**

On December 12, 1955, the Authority entered into an agreement with the Township of Delaware, which is now known as Cherry Hill Township. The Authority agreed to accept sewage from a small section of Cherry Hill Township. Payment for this service is calculated at a per unit charge using the same rate schedule used in charging Pennsauken Township customers. This agreement will stay in effect until one of the parties terminates the agreement giving one year's notice.

**Note 7: DEFERRED COMPENSATION SALARY ACCOUNT**

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

Property and Physical Damage  
Workers Compensation  
Excess Liability  
Boiler and Machinery  
General and Automobile Liability

Contributions to the Fund are payable in an annual premium and are 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, 2020, which can be obtained from:

New Jersey Utilities Authorities Joint Insurance Fund  
9 Campus Drive, Suite 216  
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**

**PENNSAUKEN SEWERAGE AUTHORITY**  
 Required Supplementary Information  
 Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios - Authority Plan  
 Last Four Years

	<b>Year Ended December 31,</b>			
	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>Total OPEB Liability</b>				
Service Cost	\$ 32,441.00	\$ 20,576.00	\$ 19,850.00	\$ 18,905.00
Interest Cost	18,856.00	28,522.00	28,025.00	27,591.00
Benefit Payments	(35,726.00)	(35,081.00)	(35,390.00)	(36,316.00)
Actuarial Assumption Changes	<u>190,770.00</u>	<u>(130.00)</u>	<u>                    </u>	<u>                    </u>
Net Change in Total OPEB Liability	206,341.00	13,887.00	12,485.00	10,180.00
Total OPEB Liability - Beginning of Year	<u>771,555.00</u>	<u>757,668.00</u>	<u>745,183.00</u>	<u>735,003.00</u>
Total OPEB Liability - End of Year	<u><u>\$ 977,896.00</u></u>	<u><u>\$ 771,555.00</u></u>	<u><u>\$ 757,668.00</u></u>	<u><u>\$ 745,183.00</u></u>
Covered Payroll	\$ 1,944,242.00	\$ 1,851,660.00	\$ 1,894,985.00	\$ 1,804,748.00
Total OPEB Liability as a Percentage of Covered Payroll	50.30%	41.67%	39.98%	41.29%

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.

**PENNSAUKEN SEWERAGE AUTHORITY**  
 Required Supplementary Information  
 Schedule of the Authority's Proportionate Share  
 of the Net OPEB Liability - State Plan  
 Last Four Plan Years

	<b>Measurement Date Ended June 30,</b>			
	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Authority's Proportion of the Net OPEB Liability	0.032630%	0.030403%	0.031865%	0.030500%
Authority's Proportionate Share of the Net OPEB Liability	\$ 5,855,980.00	\$ 4,118,412.00	\$ 4,992,168.00	\$ 6,226,816.00
Authority's Covered Payroll (Plan Measurement Period)	\$ 1,649,915.00	\$ 1,593,029.00	\$ 1,446,662.00	\$ 1,514,606.00
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	354.93%	258.53%	345.08%	411.12%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%	1.98%	1.97%	1.03%

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.

**PENNSAUKEN SEWERAGE AUTHORITY**  
 Required Supplementary Information  
 Schedule of the Authority's OPEB Contributions - State Plan  
 Last Four Years

	<u>Year Ended December 31,</u>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Authority's Required Contributions	\$ 92,337.14	\$ 98,070.72	\$ 180,629.77	\$ 170,397.41
Authority's Contributions in Relation to the Required Contribution	<u>(92,337.14)</u>	<u>(98,070.72)</u>	<u>(180,629.77)</u>	<u>(170,397.41)</u>
Authority's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll (Calendar Year)	\$ 1,702,816.00	\$ 1,618,087.00	\$ 1,514,225.00	\$ 1,747,863.00
Authority's Contributions as a Percentage of Covered Payroll	5.42%	6.06%	11.93%	9.75%

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.

**PENNSAUKEN SEWERAGE 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

	<b>Measurement Date Ending June 30,</b>			
	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Authority's Proportion of the Net Pension Liability	0.0224561541%	0.0214367055%	0.0211484510%	0.0231177215%
Authority's Proportionate Share of the Net Pension Liability	\$ 3,662,011.00	\$ 3,862,569.00	\$ 4,162,921.00	\$ 5,381,436.00
Authority's Covered Payroll (Plan Measurement Period)	\$ 1,625,024.00	\$ 1,500,188.00	\$ 1,506,088.00	\$ 1,586,304.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	225.35%	257.47%	276.41%	339.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.32%	56.27%	53.60%	48.10%
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Authority's Proportion of the Net Pension Liability	0.0228999629%	0.0213162988%	0.0213287332%	0.0204123649%
Authority's Proportionate Share of the Net Pension Liability	\$ 6,782,312.00	\$ 4,785,082.00	\$ 3,993,322.00	\$ 3,901,209.00
Authority's Covered Payroll (Plan Measurement Period)	\$ 1,575,356.00	\$ 1,473,412.00	\$ 1,475,004.00	\$ 1,395,720.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	430.53%	324.76%	270.73%	279.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.93%	52.08%	48.72%

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

**PENNSAUKEN SEWERAGE AUTHORITY**  
 Required Supplementary Information  
 Schedule of the Authority's Pension Contributions  
 Public Employees' Retirement System (PERS)  
 Last Eight Years

	<u>Year Ended December 31,</u>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 245,659.00	\$ 208,516.00	\$ 210,303.00	\$ 214,161.00
Contributions in Relation to Contractually Required Contribution	<u>(245,659.00)</u>	<u>(208,516.00)</u>	<u>(210,303.00)</u>	<u>(214,161.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll (Calendar Year)	\$ 1,702,816.00	\$ 1,618,087.00	\$ 1,514,225.00	\$ 1,474,863.00
Authority's Contributions as a Percentage of Covered Payroll	14.43%	12.89%	13.89%	14.52%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 203,440.00	\$ 183,263.00	\$ 175,931.00	\$ 153,803.00
Contributions in Relation to Contractually Required Contribution	<u>(241,297.00)</u>	<u>(183,263.00)</u>	<u>(175,931.00)</u>	<u>(153,803.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll (Calendar Year)	\$ 1,555,135.00	\$ 1,577,112.00	\$ 1,502,070.00	\$ 1,476,176.00
Authority's Contributions as a Percentage of Covered Payroll	13.08%	11.62%	11.71%	10.42%

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.



**PENNSAUKEN SEWERAGE AUTHORITY**  
Notes to Required Supplementary Information  
For the Year Ended December 31, 2020

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

Changes in Benefit Terms

None

Changes in Assumptions

For 2017, the discount rate changed from 4.00% as of December 31, 2016 to 3.75% as of December 31, 2017.

For 2020, the discount rate changed from 3.75% as of December 31, 2019 to 1.93% as of December 31, 2020.

**Note 2: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN**

Changes in Benefit Terms

The actuarial valuation as of June 30, 2019 included updates to the provisions of Chapter 48, along with newly adopted changes in different levels of subsidy for employers.

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	2.21%	2018	3.87%
2019	3.50%	2017	3.58%

The expected investment rate of return is based on guidance provided by the State. These expected rates of return are the same as the discount rates listed above.

In addition to changes in the discount rate, other factors that affected the valuation of the net OPEB liability included changes in the trend, repealment of the excise tax, and updated mortality improvement assumptions.

The health care trend assumption is used to project the growth of the expected claims over the lifetime of the health care recipients. Medical and prescription drug trend rates are determined by utilizing experience data, industry experience which includes surveys and Aon trend guidance. These rates are adjusted further to be appropriate with respect to the plan provisions. For pre-Medicare medical benefits, the trend is initially 5.6% and decreases to a 4.50% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage rates for Plan Years 2019 through 2022 are reflected. For Plan Year 2023 the Medicare Advantage trend rate includes an assumed increase in the premiums based on recent experience and discussions with the Medicare Advantage vendor. The assumed post-65 medical trend is 4.50% for all future years. For prescription drug benefits, the initial trend rate is 7.00% decreasing to a 4.50% long-term trend rate after seven years.

On October 21, 2020, the Society of Actuaries (SOA) released an updated set of life expectancy mortality improvement assumptions, Scale MP-2020. The MP-2020 scale reflects more recent mortality data for the U.S. population.

**PENNSAUKEN SEWERAGE AUTHORITY**  
Notes to Required Supplementary Information  
For the Year Ended December 31, 2020

---

**Note 3: 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

<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**

**PENNSAUKEN SEWERAGE AUTHORITY**  
 Schedule of Revenues, Expenses and Changes in Net Position  
 Unrestricted and Restricted Accounts  
 For the Year Ended December 31, 2020

	Operating	General	Restricted			Total
			Bond Service	Bond Reserve	Renewal and Replacement	
Operating Revenues:						
Service Fees	\$ 4,049,388.18					\$ 4,049,388.18
Intergovernmental Service Fees	228,911.43					228,911.43
Connection Fees	93,538.14					93,538.14
Other Operating Revenues	83,469.17					83,469.17
<b>Total Operating Revenues</b>	<b>4,455,306.92</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>4,455,306.92</b>
Operating Expenses:						
Administration:						
Salaries and Wages	619,874.09					619,874.09
Employee Benefits	328,255.62					328,255.62
Other Expenses	201,267.73					201,267.73
Cost of Providing Service:						
Salaries and Wages	1,343,150.59					1,343,150.59
Employee Benefits	596,808.76					596,808.76
Other Expenses	851,981.35					851,981.35
Depreciation	480,294.74					480,294.74
<b>Total Operating Expenses</b>	<b>4,421,632.88</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,421,632.88</b>
Operating Gain	33,674.04	-	-	-	-	33,674.04
Non-operating Income (Expenses):						
Investment Income	6,104.19	2,725.54		1,896.14	3,772.50	14,498.37
Gain on Disposal of Capital Assets		4,149.76				4,149.76
Interest on Loans			(5,163.74)			(5,163.74)
Contribution to Pennsauken Township		(150,000.00)				(150,000.00)
Change in Net Position before Transfers	39,778.23	(143,124.70)	(5,163.74)	1,896.14	3,772.50	(102,841.57)
Transfers	(39,778.23)	40,283.13	5,163.74	(1,896.14)	(3,772.50)	
Change in Net Position	-	(102,841.57)	-	-	-	(102,841.57)
Net Position - Beginning	250,000.00	(6,126,951.98)	-	55,017.36	250,000.00	(5,571,934.62)
Net Position December 31, 2020:						
Net Investment in Capital Assets		\$ 5,298,550.89				\$ 5,298,550.89
Restricted	\$ 250,000.00		\$ -	\$ 55,017.36	\$ 250,000.00	\$ 555,017.36
Unrestricted		\$ (11,528,344.44)				\$ (11,528,344.44)

**PENNSAUKEN SEWERAGE AUTHORITY**  
 Schedule of Cash Receipts and Disbursements  
 For the Year Ended December 31, 2020

	Operating Account	General Account	Revenue Account	Restricted			Total
				Bond Service	Bond Reserve	Renewal and Replacement	
Cash, Cash Equivalents and Investments Jan. 1, 2020	\$ 1,300,205.39	\$ 263,494.46	\$ 10,213.38		\$ 56,252.96	\$ 262,550.30	\$ 1,892,716.49
Cash Receipts:							
Investment Income	6,093.13	789.28	21.74		10.07	5,577.26	12,491.48
Service Fees Receivable	3,696,064.85						3,696,064.85
Other Accounts Receivable	10,088.60						10,088.60
Intergovernmental Service Fees	233,942.07						233,942.07
Other Operating Income	83,469.17						83,469.17
Deferred Revenue	81,690.43						81,690.43
Overpaid Service Fees	48,713.82						48,713.82
Sale of Disposed Assets	7,745.51						7,745.51
Other Liabilities	238,787.67						238,787.67
Transfers in				\$ 51,757.36			51,757.36
Total Cash Receipts and Investments Available	5,706,800.64	264,283.74	10,235.12	51,757.36	56,263.03	268,127.56	6,357,467.45
Cash Disbursements:							
Budget Appropriations	4,045,610.04			690.00			4,046,300.04
Loan Interest Payments				5,525.00			5,525.00
Loan Principal				45,542.36			45,542.36
Accounts Payable	259,207.37						259,207.37
Capital Assets	81,314.11						81,314.11
Other Accounts Receivable	41,697.80						41,697.80
Other Liabilities	7,638.73						7,638.73
Transfers out		41,533.30	10,224.06				51,757.36
Total Cash Disbursements	4,435,468.05	41,533.30	10,224.06	51,757.36	-	-	4,538,982.77
Cash, Cash Equivalents and Investments Dec. 31, 2020	\$ 1,271,332.59	\$ 222,750.44	\$ 11.06	\$ -	\$ 56,263.03	\$ 268,127.56	\$ 1,818,484.68
Analysis of Balance:							
Cash & Cash Equivalents	\$ 1,271,332.59	\$ 117,687.53	\$ 11.06		\$ 2,923.51	\$ 390.02	\$ 1,392,344.71
Investments		105,062.91			53,339.52	267,737.54	426,139.97
Certificate of Deposits							
Total	\$ 1,271,332.59	\$ 222,750.44	\$ 11.06	\$ -	\$ 56,263.03	\$ 268,127.56	\$ 1,818,484.68

**PENNSAUKEN SEWERAGE AUTHORITY**  
 Schedule of Anticipated Budget Revenues, Operating Appropriations  
 Principal Payments and Non-Operating Appropriations Compared to Budget -- Non-GAAP Budgetary Basis  
 For the Year Ended December 31, 2020

	Adopted Budget	Transfers/ Modifications	Modified Budget	Actual	Variance Favorable (Unfavorable)
<b>Budget Revenues:</b>					
<b>Operating Revenues:</b>					
<b>Service Fees:</b>					
Residential	\$ 2,700,000.00		\$ 2,700,000.00	\$ 2,694,365.88	\$ (5,634.12)
Business/Commercial	1,480,000.00		1,480,000.00	1,355,022.30	(124,977.70)
Intergovernmental	237,000.00		237,000.00	228,911.43	(8,088.57)
<b>Total Service Fees</b>	<b>4,417,000.00</b>	<b>\$ -</b>	<b>4,417,000.00</b>	<b>4,278,299.61</b>	<b>(138,700.39)</b>
<b>Connection Fees:</b>					
Residential	5,000.00		5,000.00	84,480.00	79,480.00
Business/Commercial	80,000.00		80,000.00	9,058.14	(70,941.86)
Intergovernmental	1,000.00		1,000.00		(1,000.00)
<b>Total Connection Fees</b>	<b>86,000.00</b>	<b>-</b>	<b>86,000.00</b>	<b>93,538.14</b>	<b>7,538.14</b>
<b>Other Operating Revenues:</b>					
Filing Fees	500.00		500.00	5,740.57	5,240.57
Interest and Fines on Delinquents	40,000.00		40,000.00	72,849.18	32,849.18
Miscellaneous	15,000.00		15,000.00	4,879.42	(10,120.58)
<b>Total Other Operating Revenues</b>	<b>55,500.00</b>	<b>-</b>	<b>55,500.00</b>	<b>83,469.17</b>	<b>27,969.17</b>
<b>Total Operating Revenues</b>	<b>4,558,500.00</b>	<b>-</b>	<b>4,558,500.00</b>	<b>4,455,306.92</b>	<b>(103,193.08)</b>
<b>Non-Operating Revenues:</b>					
<b>Investment Income</b>					
Unrestricted Accounts	15,000.00		15,000.00	8,829.73	(6,170.27)
Restricted Accounts	5,000.00		5,000.00	5,668.64	668.64
<b>Total Investment Income</b>	<b>20,000.00</b>	<b>-</b>	<b>20,000.00</b>	<b>14,498.37</b>	<b>(5,501.63)</b>
<b>Total Budget Revenues</b>	<b>4,578,500.00</b>	<b>-</b>	<b>4,578,500.00</b>	<b>4,469,805.29</b>	<b>(108,694.71)</b>
<b>Operating Appropriations:</b>					
<b>Administration:</b>					
<b>Salaries and Wages</b>					
Management	286,000.00		286,000.00	294,511.17	(8,511.17)
Office Administration	295,000.00		295,000.00	307,362.92	(12,362.92)
Commissioners	18,000.00		18,000.00	18,000.00	
<b>Total Salaries and Wages</b>	<b>599,000.00</b>	<b>-</b>	<b>599,000.00</b>	<b>619,874.09</b>	<b>(20,874.09)</b>
<b>Employee Benefits:</b>					
Public Employees Retirement System	110,000.00		110,000.00	104,518.00	5,482.00
Social Security Tax	51,000.00		51,000.00	46,251.34	4,748.66
Unemployment Comp Insurance	4,000.00		4,000.00	3,930.90	69.10
Health Insurance	145,000.00		145,000.00	119,982.40	25,017.60
Vision/Dental/Prescription Insurance	54,500.00		54,500.00	45,028.87	9,471.13
Employee Sick Time Payback	68,000.00		68,000.00	65,017.50	2,982.50
<b>Total Employee Benefits</b>	<b>432,500.00</b>	<b>-</b>	<b>432,500.00</b>	<b>384,729.01</b>	<b>47,770.99</b>

(Continued)

**PENNSAUKEN SEWERAGE AUTHORITY**  
 Schedule of Anticipated Budget Revenues, Operating Appropriations  
 Principal Payments and Non-Operating Appropriations Compared to Budget -- Non-GAAP Budgetary Basis  
 For the Year Ended December 31, 2020

	Adopted Budget	Transfers/ Modifications	Modified Budget	Actual	Variance Favorable (Unfavorable)
Operating Appropriations (Cont'd):					
Administration (Cont'd):					
Other Expenses:					
Auditing Fees	\$ 37,000.00		\$ 37,000.00	\$ 35,700.00	\$ 1,300.00
Legal Fees	20,000.00		20,000.00	18,200.00	1,800.00
Other Professional Fees	20,000.00		20,000.00	7,097.50	12,902.50
Public Official Liability Insurance	10,000.00		10,000.00	8,409.00	1,591.00
Office Supplies and Expenses	15,000.00		15,000.00	15,776.34	(776.34)
Postage	10,000.00		10,000.00	9,910.66	89.34
Advertising/Printing	15,000.00		15,000.00	2,771.84	12,228.16
Telephone Expense	20,000.00		20,000.00	19,341.43	658.57
Miscellaneous Expenses	5,500.00		5,500.00	2,747.40	2,752.60
Service Contracts	15,000.00		15,000.00	13,287.44	1,712.56
Equipment Rental	3,500.00		3,500.00	2,988.00	512.00
Building Utilities/Expenses	25,000.00		25,000.00	17,352.25	7,647.75
Building Repairs	25,000.00		25,000.00	9,415.22	15,584.78
Civic Involvement	32,500.00		32,500.00	32,500.00	
Education/Seminars	10,000.00		10,000.00	5,770.65	4,229.35
Total Other Expenses	263,500.00	\$ -	263,500.00	201,267.73	62,232.27
Total Administration Department	1,295,000.00	-	1,295,000.00	1,205,870.83	89,129.17
Cost of Providing Service:					
Salaries and Wages					
Operations and Maintenance	1,065,000.00	(76,400.00)	988,600.00	1,056,775.59	(68,175.59)
Management	210,000.00	76,400.00	286,400.00	286,375.00	25.00
Total Salaries and Wages	1,275,000.00	-	1,275,000.00	1,343,150.59	(68,150.59)
Employee Benefits:					
Public Employees Retirement System	110,000.00	(5,000.00)	105,000.00	104,518.00	482.00
Social Security Tax	105,000.00		105,000.00	98,348.02	6,651.98
Unemployment Comp Insurance	6,000.00		6,000.00	5,913.17	86.83
Health Insurance	320,000.00	(40,000.00)	280,000.00	259,328.02	20,671.98
Vision/Dental/Prescription Insurance	119,900.00	(10,000.00)	109,900.00	97,244.41	12,655.59
Uniforms	8,000.00		8,000.00	2,500.89	5,499.11
Employee Sick Time Payback	104,000.00		104,000.00	72,757.00	31,243.00
Total Employee Benefits	772,900.00	(55,000.00)	717,900.00	640,609.51	77,290.49

(Continued)

## PENNSAUKEN SEWERAGE AUTHORITY

Schedule of Anticipated Budget Revenues, Operating Appropriations  
Principal Payments and Non-Operating Appropriations Compared to Budget -- Non-GAAP Budgetary Basis  
For the Year Ended December 31, 2020

	Adopted Budget	Transfers/ Modifications	Modified Budget	Actual	Variance Favorable (Unfavorable)
Operating Appropriations (Cont'd):					
Cost of Providing Service (Cont'd):					
Other Expenses:					
Engineer Fees	\$ 60,000.00	\$ (33,300.00)	\$ 26,700.00	\$ 4,864.50	\$ 21,835.50
Insurance:					
General and Auto Liability	27,500.00	2,200.00	29,700.00	29,624.00	76.00
Workers Compensation	53,000.00	5,100.00	58,100.00	58,003.00	97.00
Property	55,000.00	(29,000.00)	26,000.00	25,639.00	361.00
JIF Fund Expense	10,000.00		10,000.00	4,263.00	5,737.00
Uninsured Liabilities	10,000.00		10,000.00	5,669.00	4,331.00
Service Contracts O & M	40,000.00		40,000.00	24,085.00	15,915.00
Utilities/Pumping Stations	175,000.00		175,000.00	167,727.68	7,272.32
Trash Removal	10,000.00		10,000.00	5,022.43	4,977.57
Operations/Maintenance Expense	45,000.00		45,000.00	30,927.07	14,072.93
Safety Expense	5,000.00		5,000.00	4,893.40	106.60
Maintenance of Grounds and Structures	5,000.00		5,000.00	2,701.30	2,298.70
Vehicle Repair & Parts	20,000.00		20,000.00	12,819.74	7,180.26
Fuel, Oil, Mileage Expense	30,000.00		30,000.00	14,607.35	15,392.65
Chemicals	8,025.00		8,025.00		8,025.00
Collection System Expense	75,000.00		75,000.00	55,402.93	19,597.07
Permits & Licensing	6,000.00		6,000.00	691.00	5,309.00
Emergency Main Repairs	400,000.00	110,000.00	510,000.00	405,040.95	104,959.05
Total Other Expenses	1,034,525.00	55,000.00	1,089,525.00	851,981.35	237,543.65
Total Cost of Providing Service	3,082,425.00	-	3,082,425.00	2,835,741.45	246,683.55
Principal Payments on Debt in Lieu of Depreciation	45,550.00	-	45,550.00	45,542.36	7.64
Total Operating Appropriations	4,422,975.00	-	4,422,975.00	4,087,154.64	335,820.36
Non-Operating Appropriations:					
Contribution to Pennsauken Township	150,000.00		150,000.00	150,000.00	
Interest on Loans	5,525.00		5,525.00	5,318.47	206.53
Total Non-Operating Appropriations:	155,525.00	-	155,525.00	155,318.47	206.53
Total Appropriations and Unrestricted Net Position	4,578,500.00	-	4,578,500.00	4,242,473.11	336,026.89
Excess Anticipated Budget Revenues Over Operating and Non-Operating Appropriations	\$ -	\$ -	\$ -	\$ 227,332.18	\$ 227,332.18

(Continued)



**PENNSAUKEN SEWERAGE AUTHORITY**  
 Schedule of Anticipated Revenues, Operating Appropriations and  
 Principal Payments Compared to Budget -- Non-GAAP Budgetary Basis  
 For the Year Ended December 31, 2020

<u>Reconciliation of Excess Budget Revenues</u>		
<u>over Budget Appropriations to Operating Income</u>		\$ 227,332.18
Add:		
Loan Principal	\$ 45,542.36	
Loan Interest	5,318.47	
Contribution to Pennsauken Township Per N.J.S.A. 40A:5A-1	150,000.00	
		200,860.83
Less:		
Interest on Investments	14,498.37	
Pension Liability (Benefit) Expense	(66,074.00)	
OPEB Liability (Benefit) Expense	(34,200.14)	
Depreciation	480,294.74	
		394,518.97
Operating Income (Loss) (Exhibit B)		\$ 33,674.04
 <u>Analysis of Charges to Appropriations</u>		
Cash Disbursed		\$ 4,046,300.04
Accounts Payable		56,468.72
Compensated Absences		88,843.52
Loan Principal		45,542.36
Loan Interest		5,318.47
Total Budget Appropriations		\$ 4,242,473.11

**PENNSAUKEN SEWERAGE AUTHORITY**  
 Schedule of Service Fees Receivable  
 For the Year Ended December 31, 2020

Balance Jan. 1, 2020		\$ 877,044.09
Increased by:		
Residential Charges	\$ 2,721,433.89	
Business/Commercial	1,355,022.30	
		4,076,456.19
		4,953,500.28
Decreased by:		
Collections	3,696,064.85	
Unearned Revenue Realized	219,075.09	
Overpayment Applied	54,855.94	
		3,969,995.88
Balance Dec. 31, 2020		\$ 983,504.40
<u>Analysis of Balance:</u>		
Service Fees Receivable		\$ 710,308.93
Unbilled Revenue		273,195.47
Balance Dec. 31, 2020		\$ 983,504.40

## Schedule 5

**PENNSAUKEN SEWERAGE AUTHORITY**  
 Schedule of Investment Income Receivable  
 For the Year Ended December 31, 2020

	<u>Balance</u> Jan. 1, 2020	<u>Investment</u> <u>Earnings</u>	<u>Received</u>	<u>Balance</u> Dec. 31, 2020
Unrestricted Earnings:				
Operating Account		\$ 6,093.13	\$ 6,093.13	
Revenue Trustee Fund	\$ 10.68	11.06	21.74	
General Account	1,566.44	2,725.54	789.28	\$ 3,502.70
	1,577.12	8,829.73	6,904.15	3,502.70
Restricted Earnings:				
Bond Reserve Account	1,225.41	1,896.14	10.07	3,111.48
Renewal and Replacement Fund	8,204.47	3,772.50	5,577.26	6,399.71
	9,429.88	5,668.64	5,587.33	9,511.19
	\$ 11,007.00	\$ 14,498.37	\$ 12,491.48	\$ 13,013.89

**PENNSAUKEN SEWERAGE AUTHORITY**  
 Schedule of Intergovernmental Service Fees Receivable  
 For the Year Ended December 31, 2020

---

	<u>Cherry Hill</u>	<u>Merchantville</u>	<u>Total</u>
Balance Jan. 1, 2020	\$ 5,030.64		\$ 5,030.64
Increased by:			
Charges Billed	<u>27,542.68</u>	\$ 201,368.75	<u>228,911.43</u>
Decreased by:			
Cash Collections	<u>\$ 32,573.32</u>	\$ 201,368.75	<u>\$ 233,942.07</u>

**PENNSAUKEN SEWERAGE AUTHORITY**  
 Schedule of Other Accounts Receivable  
 For the Year Ended December 31, 2020

---

Cash Disbursed	\$ 41,697.80
Decreased by:	
Cash Collections	<u>10,088.60</u>
Balance Dec. 31, 2020	<u>\$ 31,609.20</u>

**PENNSAUKEN SEWERAGE AUTHORITY**  
 Schedule of Capital Assets--Completed  
 For the Year Ended December 31, 2020

	Balance <u>Jan. 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2020</u>
Administration:				
Infrastructure	\$ 190,940.08			\$ 190,940.08
Land	63,100.00			63,100.00
Buildings	1,014,275.10			1,014,275.10
Vehicles	28,765.00			28,765.00
Equipment	247,222.04			247,222.04
Operations:				
Infrastructure	9,499,027.78	\$ 37,596.80		9,536,624.58
Land	42,300.00			42,300.00
Buildings	5,562,630.42			5,562,630.42
Vehicles	1,382,851.43			1,382,851.43
Equipment	1,423,427.88	3,794.47	\$ 3,595.75	1,423,626.60
	19,454,539.73	41,391.27	3,595.75	19,492,335.25
Less: Depreciation	13,403,871.30	480,294.74	-	13,884,166.04
	<u>\$ 6,050,668.43</u>	<u>\$ (438,903.47)</u>	<u>\$ 3,595.75</u>	<u>\$ 5,608,169.21</u>
Loss on Net Book Value			\$ (3,595.75)	
Cash Received for Sale of Disposed Assets			<u>7,745.51</u>	
Gain on Disposal of Capital Assets			<u>\$ 4,149.76</u>	

## Schedule 9

**PENNSAUKEN SEWERAGE AUTHORITY**  
 Schedule of Construction in Progress  
 For the Year Ended December 31, 2020

Balance Jan. 1, 2020	\$ 52,595.51
Increased by:	
Disbursed	<u>39,922.84</u>
Balance Dec. 31, 2020	<u>\$ 92,518.35</u>

**PENNSAUKEN SEWERAGE AUTHORITY**  
 Schedule of Overpaid Service Fees  
 For the Year Ended December 31, 2020

---

Balance Jan. 1, 2020	\$ 54,855.94
Increased by:	
Cash Received	48,713.82
	103,569.76
Decreased by:	
Applied to Service Fees Receivable	54,855.94
Balance Dec. 31, 2020	\$ 48,713.82

## Schedule 11

**PENNSAUKEN SEWERAGE AUTHORITY**  
 Schedule of Other Liabilities  
 For the Year Ended December 31, 2020

---

	<u>Turn On/Off Fees Payable</u>	<u>Unearned Revenue</u>	<u>Developer's Escrow Fees</u>	<u>Total</u>
Balance Jan. 1, 2020		\$ 219,075.09	\$ 22,815.65	\$ 241,890.74
Increased by:				
Received	\$ 1,348.00	224,595.67	12,844.00	238,787.67
	1,348.00	443,670.76	35,659.65	480,678.41
Decreased by:				
Disbursed	1,348.00		6,290.73	7,638.73
Realized		219,075.09		219,075.09
	1,348.00	219,075.09	6,290.73	226,713.82
Balance Dec. 31, 2020	\$ -	\$ 224,595.67	\$ 29,368.92	\$ 253,964.59

**PENNSAUKEN SEWERAGE AUTHORITY**  
 Schedule of Accrued Interest Payable  
 For the Year Ended December 31, 2020

---

Balance Jan. 1, 2020		\$	2,282.07
Increased by:			
Interest Charges - 2020 Budget	\$ 5,318.47		
Loan Premium Amortized	<u>(154.73)</u>		
			<u>5,163.74</u>
			7,445.81
Decreased by:			
Cash Disbursed	5,525.00		
Loan Premium Amortized	<u>(154.73)</u>		
			<u>5,370.27</u>
Balance Dec. 31, 2020		\$	<u><u>2,075.54</u></u>

## Schedule 13

**PENNSAUKEN SEWERAGE AUTHORITY**  
 Schedule of Deferred Revenue (Connection Fees)  
 For the Year Ended December 31, 2020

---

Balance Jan. 1, 2020		\$	20,215.93
Add:			
Receipts			<u>81,690.43</u>
			101,906.36
Less:			
Realized as Connection Fee Revenue			<u>93,538.14</u>
Balance Dec. 31, 2020		\$	<u><u>8,368.22</u></u>

**PENNSAUKEN SEWERAGE AUTHORITY**  
 Schedule of Sewer Revenue Loans  
 For the Year Ended December 31, 2020

	Date of <u>Issue</u>	Original <u>Issue</u>	<u>Maturities</u>		<u>Rate</u>	Balance <u>Jan. 1, 2020</u>	<u>Decreased</u>	Balance <u>Dec. 31, 2020</u>
			<u>Date</u>	<u>Amount</u>				
New Jersey Environmental Infrastructure Trust Loan, Series 2010A (Non-Interest Bearing)	03/10/10	\$ 699,000.00	02/01/21	\$ 11,847.45				
			08/01/21	23,694.91				
			02/01/22	11,847.45				
			08/01/22	23,694.91				
			02/01/23	11,847.45				
			08/01/23	23,694.91				
			02/01/24	11,847.45				
			08/01/24	23,694.91				
			02/01/25	11,847.45				
			08/01/25	23,694.91				
			02/01/26	11,847.45				
			08/01/26	23,694.91				
			02/01/27	11,847.45				
			08/01/27	23,694.91				
			02/01/28	11,847.45				
08/01/28	10,164.52							
				270,808.49		\$ 306,350.85	\$ 35,542.36	\$ 270,808.49
New Jersey Environmental Infrastructure Trust Loan, Series 2010A (Interest Bearing)	03/10/10	230,000.00	08/01/21	10,000.00	3.00%			
			08/01/22	15,000.00	4.00%			
			08/01/23	15,000.00	4.00%			
			08/01/24	15,000.00	4.00%			
			08/01/25	15,000.00	4.00%			
			08/01/26	15,000.00	3.50%			
			08/01/27	15,000.00	4.00%			
			08/01/28	15,000.00	4.00%			
			08/01/29	15,000.00	4.00%			
						446,350.85	45,542.36	400,808.49
Premium on Loans - Amortized						1,482.91	154.73	1,328.18
						\$ 447,833.76	\$ 45,697.09	\$ 402,136.67

**PENNSAUKEN SEWERAGE AUTHORITY**

**PART II**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2020**



36000

**PENNSAUKEN SEWERAGE AUTHORITY**  
Schedule of Findings and Recommendations  
For the Year Ended December 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.

**None**

**36000**

**PENNSAUKEN SEWERAGE AUTHORITY**  
Summary Schedule of Prior Year Findings and Recommendations  
For the Year Ended December 31, 2020

---

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

**None**

36000

**APPRECIATION**

We express our appreciation for the courtesies extended and assistance rendered to us during the course of this audit.

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

