

**RARITAN TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

REPORT OF AUDIT

**WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
DECEMBER 31, 2020**



RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Table of Contents For the Year Ended December 31, 2020

<u>Exhibit No.</u>		<u>Page No.</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 Government Auditing Standards	6
	Management's Discussion and Analysis	8
	<u>Basic Financial Statements</u>	
A	Statement of Net Position	14
B	Statement of Revenues, Expenses and Changes in Net Position	17
C	Statement of Cash Flows	18
	Notes to Financial Statements	20
	<u>Required Supplementary Information</u>	
RSI-1	Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios – Authority Plan	57
RSI-2	Schedule of the Authority's Proportionate Share of the Net OPEB Liability – State Plan	58
RSI-3	Schedule of the Authority's OPEB Contributions – State Plan	59
RSI-4	Schedule of the Authority's Proportionate Share of the Net Pension Liability – PERS	60
RSI-5	Schedule of the Authority Contributions – PERS	61
	Notes to Required Supplementary Information	62
<u>Schedule No.</u>	<u>Supplementary Schedules</u>	
1	Combining Schedule of Revenues, Expenses and Changes in Fund Net Position	65
2	Schedule of Cash Receipts and Disbursements	66
3	Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and Non-Operating Appropriations Compared to Budget--Budgetary Basis	67
4	Schedule of Consumer Accounts Receivable	71
5	Schedule of Accrued Investment Income Receivable	71
6	Schedule of Capital Assets - Completed	72
7	Schedule of Construction in Progress	72
8	Schedule of Deferred Revenue (Connection Fees)	73
9	Schedule of Accrued Interest Payable	73
10	Schedule of Revenue Bonds Payable	74
11	Schedule of New Jersey Infrastructure Bank Loans	75
	<u>PART II—SINGLE AUDIT SECTION</u>	
	Report on Compliance for each Major Program and Report on Internal Control Over Compliance Required by State of New Jersey Circular 15-08-OMB	80
	Schedule of Expenditures of State Financial Assistance, Schedule B	82
	Notes to the Schedule of Expenditures of State Financial Assistance	84

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Table of Contents (Cont'd)

For the Year Ended December 31, 2020

Page No.**PART III— FINDINGS AND QUESTIONED COSTS**

Schedule of Findings and Questioned Costs	
Section 1 – Summary of Auditor's Results	86
Section 2 – Schedule of Financial Statement Findings	88
Section 3 – Schedule of Federal Award Findings and Questioned Costs	89
Section 4 – Schedule of State Financial Assistance Findings and Questioned Costs	90
Summary Schedule of Prior Year Audit Findings and Questioned Costs as Prepared by Management	91
APPRECIATION	92

**RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
ROSTER OF OFFICIALS
As of December 31, 2020**

Authority Commissioners

POSITION

John Kendzulak

Chairperson

Valerie E. Robitzski

Vice Chairperson

Lawrence Grand

Treasurer

Gary Hazard

Assistant Treasurer and
Assistant Secretary

John Tully

Secretary

OFFICIALS

Johnson, Mirmiran & Thompson

Engineer

Watts, Tice & Skowronek

Attorney

Ray Frank

Chief Operator

Pamela Struening

Manager Accounting Operations /
Human Resource Administrator

**RARITAN TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

PART I

FINANCIAL SECTION

**FOR THE YEAR ENDED
DECEMBER 31, 2020**

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
Raritan Township Municipal Utilities Authority
Flemington, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Raritan Township Municipal Utilities Authority, in the County of Hunterdon, State of New Jersey, a component unit of the Township of Raritan (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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Raritan Township Municipal Utilities Authority, in the County of Hunterdon, State of New Jersey, a component unit of the Township of Raritan, as of December 31, 2020, and the changes in its financial position and its cash flows thereof for the year 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

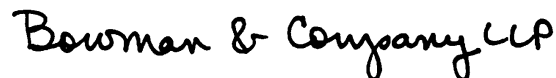
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 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
April 8, 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
Raritan Township Municipal Utilities Authority
Flemington, 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 Raritan Township Municipal Utilities Authority, in the County of Hunterdon, State of New Jersey, a component unit of the Township of Raritan (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 April 8, 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.

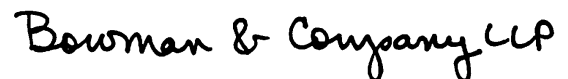
Compliance and Other Matters

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, and state awarding agencies and pass-through entities in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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
April 8, 2022

**RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED
DECEMBER 31, 2020
(UNAUDITED)**

The Raritan Township Municipal Utilities Authority (the Authority) is a public agency providing wastewater services to Raritan Township, the Borough of Flemington and the Township of Readington. This section of the Authority's annual financial report provides a discussion and analysis of the financial performance for the year ended December 31, 2020. 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

- **Total Assets** - Total assets as of December 31, 2020 were \$40,607,991.88. After adding deferred outflows of resources of \$2,845,385.08 and deducting liabilities of \$22,852,785.61 and deferred inflows of resources of \$6,053,947.53; the resulting net position is \$14,546,643.82.
- **Total Operating Revenue**- Revenues for the year ended December 31, 2020 totaling \$7,295,176.01 were down from last year's ending amount of \$7,480,157.41, mainly due to 2019 being a 13-month period and a decline of almost 50% in connection fee revenue.
- **Total Operating Expenses** – Operating expenses for the year ended December 31, 2020 of \$6,082,567.05 were down 4.56% from last year's amount of \$6,372,944.84, mainly due to 2019 being a 13-month period. In addition, the first pay of 2020 was disbursed in 2019, resulting in an extra payroll charged to prior period.
- **Interest Income** – For the year ended December 31, 2020, the Authority generated \$37,666.07 interest income from investments.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The statement 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 statement of revenues, expenses and changes in net position when revenues are earned and expenses are incurred. Net position – the difference between the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is a measure of the Authority's financial health or position.

The statement of revenues, expenses and changes in net position provide a breakdown of the various areas of revenues and expenses encountered during the year.

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

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

FINANCIAL ANALYSIS OF THE AUTHORITY

The Authority's total net position was \$14,546,643.82 on December 31, 2020. Total assets, deferred outflows of resources, total liabilities, deferred inflows of resources and total net position are detailed below.

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 net pension liability and net OPEB Obligation.

Comparative Statements of Net Position

	<u>As of</u> <u>December 31, 2020</u>	<u>As of</u> <u>December 31, 2019</u>	<u>Change from 2019 to 2020</u>	
			<u>Amount</u>	<u>Percentage</u>
Current Assets	\$ 9,086,868.32	\$ 9,285,519.72	\$ (198,651.40)	-2.14%
Noncurrent Assets				
Capital Assets	30,383,426.37	29,590,949.90	792,476.47	2.68%
Other Assets	1,137,697.19	1,231,796.15	(94,098.96)	-7.64%
Total Assets	40,607,991.88	40,108,265.77	499,726.11	1.25%
Total Deferred Outflows of Resources	2,845,385.08	855,286.89	1,990,098.19	232.68%
Current Liabilities	1,150,271.23	1,229,504.26	(79,233.03)	-6.44%
Long-Term Liabilities	21,702,514.38	20,154,111.11	1,548,403.27	7.68%
Total Liabilities	22,852,785.61	21,383,615.37	1,469,170.24	6.87%
Total Deferred Inflows of Resources	6,053,947.53	6,237,509.59	(183,562.06)	-2.94%
Net Position				
Net Investment in Capital Assets	22,289,975.02	22,559,560.11	(269,585.09)	-1.19%
Restricted	732,405.41	682,136.61	50,268.80	7.37%
Unrestricted (Deficit)	(8,475,736.61)	(9,899,269.02)	1,423,532.41	-14.38%
Total Net Position	\$ 14,546,643.82	\$ 13,342,427.70	\$ 1,204,216.12	9.03%

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

	Year Ended December 31, 2020	13-Month Period Ended December 31, 2019	Change from 2019 to 2020 Amount	Percentage
Utility Service Charges	\$ 6,716,354.16	\$ 6,830,407.50	\$ (114,053.34)	-1.67%
Connection Fees	152,255.09	296,424.38	(144,169.29)	-48.64%
Other Operating Revenues	426,566.76	353,325.53	73,241.23	20.73%
Total Operating Revenues	7,295,176.01	7,480,157.41	(184,981.40)	-2.47%
Operating Expenses	4,954,428.26	5,170,183.23	(215,754.97)	-4.17%
Depreciation Expense	1,128,138.79	1,202,761.61	(74,622.82)	-6.20%
Operating Income	1,212,608.96	1,107,212.57	105,396.39	9.52%
Net Non-Operating Expenses	(44,959.91)	(92,862.71)	47,902.80	-51.58%
Capital Contributions	36,567.07	56,991.30	(20,424.23)	-35.84%
Change in Net Position	1,204,216.12	1,071,341.16	132,874.96	12.40%
Net Position - Beginning	13,342,427.70	12,271,086.54	1,071,341.16	8.73%
Net Position - Ending	\$ 14,546,643.82	\$ 13,342,427.70	\$ 1,204,216.12	9.03%

OVERALL ANALYSIS

According to a Notice of Rule Proposal, the NJ Department of Environmental Protection (Land Use Management) Division of Watershed Management is proposing changes to the Water Quality Management Planning rules, N.J.A.C. 7:15.

The Department is proposing to amend the rules in numerous ways to, among other things, include the following:

- Reassignment of wastewater management planning responsibility to the County Board of Chosen Commissioners.
- Withdrawal and re-designation of wastewater service areas where the applicable wastewater management plan (WMP) is not in compliance with the mandatory updated schedule contained in the rules (statewide there are 193 non-complying plans (including RTMUA) and 12 that are in compliance).
- A requirement that municipalities pass an ordinance designed to assure septic system maintenance.
- A requirement that updated WMPs addresses septic density in a manner that demonstrates compliance with a 2 mg/L (ppm) nitrate-planning standard.

The first and second proposed amendments can be viewed as detrimental to RTMUA in that our involvement in the WMP process will be greatly reduced. We will no longer be able to lead the WMP process; instead, we will be relegated to the role of a source of data for the Plan. This process began in late 2008 with a required completion date of August 31, 2009 which date has been extended several times at the request of The Hunterdon County Planning Office. This matter is still in negotiation.

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

OVERALL ANALYSIS (CONT'D)

The effect on lost revenues and probable legal action should these rules be adopted as proposed will be significant but is unknown at this time.

There is the probability that the NJDEP will require the permit level of the main plant effluent level of phosphorous to be somewhere in the range of 0.6 mg/1, which is an improvement over the previously anticipated level of less than or equal to 0.1 mg/1. The NJDEP will be setting this level after reviewing the final results of the Raritan River TMDL (Total Maximum Daily Load) study that has been completed and is awaiting publication.

NJDEP has stated that discharge permits will be revised as soon as the TMDL is published, not at the normal expiration of the permit, and authorities will be given about 36 months, not the usual 60 months, to comply. The cost of modifications to the main plant to meet these limits will be significant but is unknown until the permit parameters and implementation timing are published.

The RTMUA is currently operating under a Capacity Assurance Program with the NJDEP that limits the amount of new sewer connections RTMUA is allowed to make. This was caused by a discharge rate that exceeded 80% of the main plant's permitted capacity of 3.8 million gallons per day for a 90-day moving average. During the past several years, significant work was done by both RTMUA and the Borough of Flemington to reduce extraneous flows aimed at reducing our discharge rate to less than 80% of rated capacity. Should the unlikely situation arise wherein the plant is deemed to be over capacity by the NJDEP, a sewer hookup ban could be imposed with significant but unknown financial impact.

The RTMUA is operating the Flemington Wet Weather Facility under a NJDEP NJPDES permit effective May 1, 2010 that contains "report only" parameters for various components of effluent. It appears that our effluent will be required to meet certain levels of the various components in the new permit, effective April 1, 2015. As technology does not exist to meet these parameters in an intermittent facility such as Flemington, a permit with these requirements will create a major financial impact. The matter is under appeal and is before an Administrative Law Judge.

The RTMUA is operating the Main Plant at 365 Old York Road Flemington under a NJDEP NJPDES permit that expired May 30, 2013 and is currently in discussions with NJDEP for the new permit. There is the possibility that the NJDEP will require the permit level of the main plant effluent level of phosphorous to be approximately equal to 0.6 mg/1. The cost of modifications to the main plant to meet these limits would be significant but is unknown at this time.

In this difficult economic period, the Governor and Legislature are attempting to bring about financial relief and a balanced budget by many means including Executive Orders and new legislation. If some of these are passed and made into law, Municipal Authorities will be affected, and the financial impact could be significant, but is unknown at this time.

For the year beginning January 1, 2020, the user fee for one EDU (Equivalent Dwelling Unit or 300 gallons per day) was increased from \$648.00 to \$661.00 per year and the base user fee portion increased from \$168.00 to \$171.00. The connection fee, set by statute, increased from \$3,946.00 to \$3,965.00.

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

BUDGET VARIANCES

As the original budget was formulated in October 2019, certain actual events during the year caused the Authority to go over budget in a few line items. The Authority did not overspend the budget as a whole.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

During the year ended December 31, 2020, the Authority expended \$1,920,615.26 for capital activities. All expenditures were classified as capital assets.

The proposed six year capital programs total \$12,902,750.00. The major line items making up a portion of the Capital Budget are:

1. Mechanical Screen & Headworks Building
2. Final Clarifier Improvements
3. Sludge Holding Tank Replacement
4. Sewer Evaluation Rehabilitation
5. Phosphorus Removal
6. Flemington Waste Water Facility Equalization Tank Construction
7. Aeration Tank Valves
8. Equipment
9. Building improvements

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 Raritan 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 any additional information, contact the Authority at 365 Old York Road, Flemington, NJ 08822 or by telephone at 908-782-7453.

BASIC FINANCIAL STATEMENTS

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Statement of Net Position

As of December 31, 2020

	<u>2020</u>
ASSETS	
Current Assets:	
Unrestricted Assets:	
Cash and Cash Equivalents	\$ 4,202,678.68
Investments	1,079,632.25
Consumer Accounts Receivable	1,523,144.48
Accrued Investment Income Receivable	939.90
	<hr/>
Total Unrestricted Assets	6,806,395.31
	<hr/>
Restricted Assets:	
Cash	1,267,035.00
Investments	99,939.67
Due from Flemington - Restricted for Debt Service	213,079.44
NJIB Receivable	698,809.00
Accrued Investment Income Receivable	1,609.90
	<hr/>
Total Restricted Assets	2,280,473.01
	<hr/>
Total Current Assets	9,086,868.32
	<hr/>
Noncurrent Assets:	
Capital Assets	
Completed (Net of Accumulated Depreciation)	26,981,912.86
Construction in Progress	3,401,513.51
	<hr/>
Total Capital Assets	30,383,426.37
	<hr/>
Other Assets	
Due from Flemington - Restricted for Debt Service	1,137,697.19
	<hr/>
Total Noncurrent Assets	31,521,123.56
	<hr/>
Total Assets	40,607,991.88
	<hr/>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Loss on Defeasance	11,058.53
Related to OPEB	2,356,398.55
Related to Pensions	477,928.00
	<hr/>
Total Deferred Outflows of Resources	2,845,385.08
	<hr/>

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Statement of Net Position

As of December 31, 2020

	<u>2020</u>
LIABILITIES	
Current Liabilities Payable from Unrestricted Assets:	
Accounts Payable	
Other	\$ 174,843.10
Related to Pensions	261,941.00
Unfunded PERS Obligation - Current Portion	5,014.00
Compensated Absences - Current Portion	23,200.63
Prepaid Rents	24,379.29
	<hr/>
Total Current Liabilities Payable from Unrestricted Assets	489,378.02
	<hr/>
Current Liabilities Payable from Restricted Assets:	
Accounts Payable	38,662.00
Retainage Payable	61,081.14
Developer's Escrow	80,587.31
Revenue Bonds Payable - Current Portion	200,000.00
NJIB Loans - Current Portion	247,375.70
Accrued Interest Payable	33,187.06
	<hr/>
Total Current Liabilities Payable from Restricted Assets	660,893.21
	<hr/>
Long-term Liabilities:	
Compensated Absences	97,907.25
Unfunded PERS Obligation	15,118.00
Net Pension Liability	3,904,725.00
Accrued Liability - Related to Pensions	130,971.00
Net OPEB Obligation	7,955,743.00
Revenue Bonds Payable	2,410,605.54
NJIB Loans Payable	7,187,444.59
	<hr/>
Total Long-Term Liabilities	21,702,514.38
	<hr/>
Total Liabilities	22,852,785.61
	<hr/>
DEFERRED INFLOWS OF RESOURCES	
Deferred Revenue	736,415.53
Related to OPEB	3,229,437.00
Related to Pensions	2,088,095.00
	<hr/>
Total Deferred Inflows of Resources	6,053,947.53
	<hr/>

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Statement of Net Position

As of December 31, 2020

	<u>2020</u>
NET POSITION	
Net Investment in Capital Assets	\$ 22,289,975.02
Restricted:	
Bond Resolution Covenants	691,963.99
State Unemployment Compensation	40,441.42
Unrestricted (Deficit)	<u>(8,475,736.61)</u>
Total Net Position	<u><u>\$ 14,546,643.82</u></u>

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

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2020

	<u>2020</u>
Operating Revenues:	
Utility Service Charges	\$ 6,716,354.16
Connection Fees	152,255.09
Other Operating Revenues	<u>426,566.76</u>
Total Operating Revenues	<u>7,295,176.01</u>
Operating Expenses:	
Administration:	
Salaries and Wages	264,888.99
Fringe Benefits	113,596.65
Other Expenses	574,925.21
Cost of Providing Services:	
Salaries and Wages	1,956,979.94
Fringe Benefits	635,858.12
Other Expenses	1,408,179.35
Depreciation	<u>1,128,138.79</u>
Total Operating Expenses	<u>6,082,567.05</u>
Operating Income	<u>1,212,608.96</u>
Non-operating Revenue (Expenses):	
Investment Income	37,666.07
Interest on Debt	<u>(82,625.98)</u>
Net Non-Operating Expenses	<u>(44,959.91)</u>
Income Before Capital Contributions	1,167,649.05
Capital Contributions	<u>36,567.07</u>
Change in Net Position	1,204,216.12
Net Position - Beginning	<u>13,342,427.70</u>
Net Position - Ending	<u><u>\$ 14,546,643.82</u></u>

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

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Statement of Cash Flows
For the Year Ended December 31, 2020

	<u>2020</u>
Cash Flows from Operating Activities:	
Receipts from Customers and Users	\$ 5,858,000.78
Payments for Other Goods or Services	(2,065,197.80)
Payments for Employee Services	(3,144,549.03)
Other Operating Receipts	<u>596,447.79</u>
Net Cash Provided by Operating Activities	<u>1,244,701.74</u>
Cash Flows from Capital and Related Financing Activities:	
Principal Paid on Bonds	(190,000.00)
Principal Paid on Loans	(247,375.70)
NJIB Loan Receivable	1,432,395.00
Debt Issue Costs Payable	(1,989.50)
Due From Flemington	128,421.84
Acquisitions of Capital Assets	(1,852,956.26)
Accounts Payable	(14,532.54)
Interest on Debt	<u>(145,103.76)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(891,140.92)</u>
Cash Flows from Investing Activities:	
Investment Income Receipts	40,960.53
Purchases of Investments	<u>(8,070.01)</u>
Net Cash Provided by Investing Activities	<u>32,890.52</u>
Net Change in Cash and Cash Equivalents	386,451.34
Cash and Cash Equivalents, Beginning	<u>5,083,262.34</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 5,469,713.68</u></u>

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Statement of Cash Flows
For the Year Ended December 31, 2020

	<u>2020</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 1,212,608.96
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	1,128,138.79
Net Pension Liability (Benefit) Expense	(247,170.00)
Net OPEB Liability (Benefit) Expense	73,079.91
Changes in Assets, Liabilities and Deferred Inflows of Resources:	
Consumer Accounts Receivable	(844,529.18)
Unrestricted Accounts Payable	(82,093.24)
Compensated Absences	19,403.88
Unfunded PERS Obligation	(5,014.00)
Prepaid Rents	(13,824.20)
Developers' Deposits	(13,525.12)
Deferred Revenue	17,625.94
	<hr/>
Total Adjustments	32,092.78
	<hr/>
Net Cash Provided by Operating Activities	\$ 1,244,701.74
	<hr/>

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

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Notes to Financial Statements
For the Year Ended December 31, 2020

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Raritan Township Municipal Utilities 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 Raritan Township Municipal Utilities Authority (the "Authority") is a public body corporate and politic of the State of New Jersey and was originally created as a municipal utilities authority by an ordinance adopted on August 10, 1964 by the governing body of the Township of Raritan (the "Township"), pursuant to the Municipal and County Utilities Authorities Law.

The Authority was created to construct and operate a wastewater collection and treatment system to serve the residents of Raritan Township. The plant has 3.8 millions of gallons per day of treatment capacity. The five commissioners of the Authority are appointed by the elected governing body of Raritan Township.

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 would be or is reported in a separate column in the government-wide 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 Raritan.

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 fiscal period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal period when the resources are required to be used or the fiscal period 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 period 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 period. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense, bond issuance costs and bond premiums are not included in the budget appropriations.

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

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

Prepaid Expenses

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

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 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 \$1,500.00 or more
- 2) Useful life of more than one year
- 3) Asset is not affected by consumption

Depreciation

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

	<u>Years</u>
Building, Sewage Treatment Plant and Pumping Stations	15-75
Infrastructure	75
Equipment	3-15
Vehicles	7-10

Debt Premiums

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

Deferred Outflows and Deferred Inflows of Resources

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

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

Compensated Absences

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

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

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 debts, 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.

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.

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.

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.

Reclassifications

Certain 2019 amounts have been reclassified to conform to 2020 presentation.

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

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.

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

Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement originally would have become effective for the Authority in the 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.

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 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.

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

Statement 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Statement will become effective for the Authority in the 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 June 17, 2010 and Supplemental Resolution adopted December 15, 2011 (collectively the "Bond Resolution"). 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.

Operating Account - The balance on deposit shall be used to pay for the operating expenses of the Authority.

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

Debt Service Account - The balance on deposit must be sufficient as of any particular date of computation in a particular fiscal year; and with respect to the Debts Outstanding on such date, an amount of money equal to any unpaid interest or principal then due, plus, all interest payable on or payment of which is deemed to accrue through the end of the month during which such date of computation occurs and all principal payable on or payment of which may be deemed to accrue through the end of such month. In the case of Capital Appreciation Bonds, the Accreted Value of Capital Appreciation Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included when due and payable as part of the principal or Sinking Fund Installment in accordance with the above provisions. At December 31, 2020, the balance in the debt service account meets the requirements of the Bond Resolution.

Debt Reserve Account - The amount of funds on deposit must be maintained at the lower of the maximum annual debt service on the 2010 Sewer System Revenue Bonds or one hundred twenty-five percent (125%) of the average annual debt service on the 2010 Sewer System Revenue Bonds. The Bond Resolution states that there shall be no Debt Reserve Requirement, in connection with the issuance of debts issued through the NJEIT Financing Program. At December 31, 2020, the balance in the debt reserve account meets the requirements of the Bond Resolution.

Renewal and Replacement Account - These funds are maintained for reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements or maintenance items of a type not recurring annually. At December 31, 2020, the balance in the renewal and replacement account meets the requirements of the Bond Resolution.

Rebate Account - This account is to be established in accordance with Section 401 of the Bond Resolution in the event that a rebate to the United States Government arises from excess investment earnings pursuant to the IRS code.

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 Authority may use the excess funds for any lawful purpose.

Construction Account - This account was established in accordance with Section 401 of the Bond Resolution. The construction account is held by the Trustee and is used to pay the cost of the project and is pledged, pending application to such costs.

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 on the following page.

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

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

Insured by FDIC	\$ 250,000.00
Insured by GUDPA	4,193,631.93
Collateralized by Bank	1,037,070.76
Uninsured and Uncollateralized	<u>124,014.80</u>
Total	<u>\$ 5,604,717.49</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. As of December 31, 2020, all of the Authority's investments in certificates of deposit are held in the name of the Authority as follows:

Insured by FDIC	\$ 250,000.00
Insured by GUDPA	<u>929,571.92</u>
	<u>\$ 1,179,571.92</u>

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. More than 5.0% of the Authority's investments are short-term investments. These investments represent 100.00% of the Authority's total investments. All of the Authority's investments are in certificates of deposit.

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

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

<u>Investment</u>	<u>Maturities</u>	Fair Value Hierarchy <u>Level*</u>	<u>Credit</u> <u>Rating</u>	<u>Fair Value</u> <u>December 31, 2020</u>
General Fund CD	4/19/2021	Level 1	N/A	\$ 479,632.25
R & R CD	2/11/2021	Level 1	N/A	99,939.67
Reserve Capacity CD	5/5/2021	Level 1	N/A	600,000.00
				<u>\$ 1,179,571.92</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 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 service charge billings and collections for all types of accounts maintained by the Authority:

<u>Period</u> <u>Ending</u>	<u>Beginning</u> <u>Balance</u>	<u>Billings</u>	<u>Total</u> <u>Collections</u>	<u>Percentage of</u> <u>Collections</u>
December 31, 2020	\$ 699,039.53	\$ 6,716,354.16	\$ 5,928,816.28	79.95%
December 31, 2019	510,172.40	6,830,407.50	6,698,531.67	91.25%
November 30, 2018	706,861.50	6,133,542.89	6,330,231.99	92.54%

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

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

	Balance January 1, 2020*	Additions	Transfers	Deletions	Balance December 31, 2020
Capital Assets not being Depreciated					
Construction in Progress	\$ 1,950,182.76	\$ 1,451,330.75	\$ -	\$ -	\$ 3,401,513.51
Capital Assets being Depreciated					
Buildings, Plant & Pumping Stations	13,324,152.72	20,688.81			13,344,841.53
Infrastructure	32,047,499.78				32,047,499.78
Equipment	2,190,578.44	380,681.51			2,571,259.95
Vehicles	1,012,017.44	67,914.19			1,079,931.63
Total Capital Assets being Depreciated	48,574,248.38	469,284.51	-	-	49,043,532.89
Total Capital Assets	50,524,431.14	1,920,615.26	-	-	52,445,046.40
Less: Accumulated Depreciation	20,933,481.24	1,128,138.79	-	-	22,061,620.03
Capital Assets, Net	\$ 29,590,949.90	\$ 792,476.47	\$ -	\$ -	\$ 30,383,426.37

* Reclassified

Note 4: DETAIL NOTES – DEFERRED OUTFLOWS OF RESOURCES**Deferred Loss of Defeasance of Debt**

In December 2017, the Authority refunded \$2,390,000.00 of the 2010 Series Bonds. The Authority issued \$2,716,873.80 Revenue Bonds and issue premium, of which \$2,581,225.23 was used to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. At December 31, 2020, \$2,390,000.00 of Series 2010 Bonds outstanding is considered defeased.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$14,613.21. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations as a component of interest expense over the life of the refunding bonds using the straight line method. The advance refunding was undertaken to reduce total debt payments over 12 years by \$130,335.56 and to obtain a present value economic gain of \$115,636.60.

Note 5: DETAIL NOTES - LIABILITIES**Long Term Liabilities**

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

	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020	Due Within One Year
Loans Payable					
NJIB Loans	\$ 7,616,959.84		\$ (247,375.70)	\$ 7,369,584.14	\$ 247,375.70
Issuance Premiums	70,360.03		(5,123.88)	65,236.15	
Total Loans Payable	7,687,319.87	\$ -	(252,499.58)	7,434,820.29	247,375.70
Bonds Payable					
Bonds	2,610,000.00		(190,000.00)	2,420,000.00	200,000.00
Issuance Premiums	211,857.34		(21,251.80)	190,605.54	
Total Bonds Payable	2,821,857.34	-	(211,251.80)	2,610,605.54	200,000.00
Other Liabilities					
Compensated Absences	101,704.00	231,630.62	(212,226.74)	121,107.88	23,200.63
Unfunded PERS Obligation	25,146.00		(5,014.00)	20,132.00	5,014.00
Net Pension Liability	4,663,106.00	2,203,708.00	(2,962,089.00)	3,904,725.00	
Other Liabilities -					
Related to Pension	125,866.00	130,971.00	(125,866.00)	130,971.00	
Net OPEB Obligation	5,194,295.00	6,002,656.75	(3,241,208.75)	7,955,743.00	
Total Other Liabilities	10,110,117.00	8,568,966.37	(6,546,404.49)	12,132,678.88	28,214.63
Total Long Term Liabilities	\$ 20,619,294.21	\$ 8,568,966.37	\$ (7,010,155.87)	\$ 22,178,104.71	\$ 475,590.33

Sewer System Revenue Bonds Payable

The Sewer System Revenue Bonds Series 2010 and 2017 are direct obligations of the Authority and are secured under the provisions of the Resolution pledging the revenues and all funds established by the Resolution to secure the payment of principal and the interest on the bonds. The Bonds are further secured by the limited service agreement between the Authority and the Township (See Note 7).

The 2010 Series Bonds were issued to provide funds for certain capital improvements of the Authority and to pay the costs of the issuance of the bonds. The 2010 Series Bonds were partially refunded by the 2017 Refunding Bonds as described below. The 2010 Series Bonds were issued originally for \$3,810,000.00 and carried interest rates ranging from 3.00% to 5.00% with a final maturity due on May 1, 2030. As a result of the refunding, the final maturity of the 2010 Series Bonds was May 1, 2020.

The 2017 Series Refunding Bonds were issued to partially refund the 2010 Series Bonds and to pay the costs of the issuance of the bonds. The Bonds were issued originally for \$2,465,000.00 and carried an interest rate of 4.00% with a final maturity due on May 1, 2030.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Sewer System Revenue Bonds Payable (Cont'd)**

The following schedule reflects the Debt Requirements until 2030:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Rates</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 200,000.00	4.00%	\$ 92,800.00	\$ 292,800.00
2022	210,000.00	4.00%	84,600.00	294,600.00
2023	220,000.00	4.00%	76,000.00	296,000.00
2024	225,000.00	4.00%	67,100.00	292,100.00
2025	235,000.00	4.00%	57,900.00	292,900.00
2026-2030	1,330,000.00	4.00%	137,000.00	1,467,000.00
	2,420,000.00		\$ 515,400.00	\$ 2,935,400.00
Current Maturities	(200,000.00)			
Premium on Bonds	190,605.54			
Long-Term Portion	<u>\$ 2,410,605.54</u>			

New Jersey Infrastructure Bank (NJIB) Loans (f.k.a. New Jersey Environmental Infrastructure Trust)

On May 3, 2012, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust (the "NJEIT Series 2012A") totaling \$2,319,383.00 for the repair of various pump stations and other capital improvements. The Authority received principal forgiveness on a portion of fund loan in the amount of \$214,271.00. The Fund portion of the award is for \$1,554,383.00 and is interest free. The remaining Trust portion is for \$765,000.00 and carries interest rates varying from 2.0% to 5.0% with a final maturity due on August 1, 2031.

On May 28, 2015, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust (the "NJEIT Series 2015A-1") totaling \$1,029,299.00 for the Woodside Farms Pump Station. The Fund portion of the award is for \$784,299.00 and is interest free. The remaining Trust portion is for \$245,000.00 and carries interest rates varying from 4.0% to 5.0% with a final maturity due on August 1, 2034.

On November 24, 2015, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust (the "NJEIT Series 2015A-2") totaling \$1,593,700.00 for Motor Control Center Panel. The Fund portion of the award is for \$1,193,700.00 and is interest free. The remaining Trust portion is for \$400,000.00 and carries interest rates varying from 3.0% to 5.0% with a final maturity due on August 1, 2035.

On May 15, 2019, the Authority closed on an interim loan from the New Jersey Infrastructure Bank in the amount of \$3,904,852.00 at no interest. The maturity date of the loan is June 30, 2022 or the date of closing for the anticipated permanent financing program of NJIB. The loan proceeds held by NJIB are being used to fund the costs of the final clarifier refurbishment project.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**New Jersey Infrastructure Bank (NJIB) Loans (f.k.a. New Jersey Environmental Infrastructure Trust) (Cont'd)**

The following schedule reflects the loan maturities for the NJIB Loans:

Year Ending December 31,	Interest Free Loan Principal	Loan Principal	Total Principal	Rates	Interest	Total
2021	\$ 187,375.70	\$ 60,000.00	\$ 247,375.70	5.00%	\$ 41,503.76	\$ 288,879.46
2022	* 4,092,227.70	70,000.00	4,162,227.70	5.00%	38,503.76	4,200,731.46
2023	187,375.70	70,000.00	257,375.70	5.00%	35,003.76	292,379.46
2024	187,375.70	75,000.00	262,375.70	5.00%	31,503.76	293,879.46
2025	187,375.70	80,000.00	267,375.70	5.00%	27,753.76	295,129.46
2026-2030	936,878.50	445,000.00	1,381,878.50	3.00% - 5.00%	87,500.04	1,469,378.54
2031-2035	540,975.14	250,000.00	790,975.14	3.00% - 4.00%	21,181.26	812,156.40
	<u>\$ 6,319,584.14</u>	<u>\$ 1,050,000.00</u>	7,369,584.14		<u>\$ 282,950.10</u>	<u>\$ 7,652,534.24</u>
Current Maturities			(247,375.70)			
Premium on Loans			65,236.15			
Long-Term Portion			<u>\$ 7,187,444.59</u>			

* The interim loan is expected to be permanently financed before payment is due.

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. Additionally, administrative employees may carry over a maximum of 5 unused vacation days for one year. 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. 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 is estimated at \$121,107.88.

Net Pension Liability

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

Net OPEB Liability

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

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Lease Obligations**

At December 31, 2020, the Authority has operating lease agreements in effect for copiers and a postage machine.

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

<u>Year Ending</u> <u>December 31,</u>	<u>Lease</u> <u>Payment</u>
2021	<u>\$ 7,388.88</u>

Payments under operating leases for period ended December 31, 2020 were \$10,367.76.

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 participated 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.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****General Information about the Pension Plans (Cont'd)****Plan Descriptions (Cont'd)**

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

Vesting and Benefit Provisions

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

The following represents the membership tiers for PERS:

Tier Definition

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

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

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

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

Contributions

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the member contribution rate is currently 7.50% of base salary, effective July 1, 2018. The rate for members who are eligible for the Prosecutors Part of PERS (P.L. 2001, C. 366) is 10.0%. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The Authority's contractually required contribution rate for the year ended December 31, 2020 was 14.77% 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 \$261,941.00 and was payable by April 1, 2021.

Employee contributions to the Plan for the year ended December 31, 2020 was \$133,044.75.

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 year ended December 31, 2020, employee contributions totaled \$1,436.23. The Authority recognized pension expense of \$1,057.45 for the year ended December 31, 2020, which equaled the required contributions. There were no forfeitures during the year.

Note 5: 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****Public Employees' Retirement System**

Pension Liability - As of December 31, 2020, the Authority's proportionate share of the PERS net pension liability was \$3,904,725.00. 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 0.0239445226%, which was a decrease of .001935490% from its proportion measured as of June 30, 2019.

Pension Expense - For the year ended December 31, 2020, the Authority recognized its proportionate share of the PERS pension (benefit) expense of \$4,564.00. This amount was based on the Plan's June 30, 2020 measurement date.

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

	<u>December 31, 2020</u>	
	Measurement Date	
	June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 71,099.00	\$ 13,809.00
Changes of Assumptions	126,674.00	1,634,945.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	133,467.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	15,717.00	439,341.00
Authority Contributions Subsequent to the Measurement Date	130,971.00	-
	<u>\$ 477,928.00</u>	<u>\$ 2,088,095.00</u>

Deferred outflows of resources in the amount of \$130,971.00 will be included as a reduction of the net pension liability during the year ending December 31, 2021. This amount is based on an estimated April 1, 2022 contractually required contribution, prorated from the pension plan's measurement date of June 30, 2020 to the Authority's year end of December 31, 2020.

Note 5: 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) - The Authority will amortize the other deferred outflows of resources and deferred inflows of resources related to pensions over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	-	5.63
June 30, 2019	5.21	-
June 30, 2020	5.16	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
June 30, 2020	-	5.16
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	-	-
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
June 30, 2020	5.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21
June 30, 2020	5.16	5.16

Note 5: 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 included as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future periods as follows:

<u>Year Ending December 31,</u>	
2021	\$ (610,000.00)
2022	(560,390.00)
2023	(346,554.00)
2024	(188,362.00)
2025	(35,832.00)
	<u>\$ (1,741,138.00)</u>

Actuarial Assumptions**Public Employees' Retirement System**

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. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Measurement Date June 30, 2020</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00% - 6.00%
	Based on Years of Service
Thereafter	3.00% - 7.00%
	Based on Years of Service
Investment Rate of Return	7.00%
Period of Actuarial Experience	
Study upon which Actuarial Assumptions were Based	July 1, 2014 - June 30, 2018

Note 5: 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.

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

Measurement Date		
<u>June 30, 2020</u>		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	3.40%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Investment Grade Credit	8.00%	2.67%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Buyouts/Venture Capital		
Private Equity	13.00%	11.42%
	<u>100.00%</u>	

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Actuarial Assumptions (Cont'd)****Public Employees' Retirement System (Cont'd)**

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

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

The following presents the Authority's proportionate share of the net pension liability as of the June 30, 2020 measurement date, calculated using a discount rate of 7.00%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 5,444,936.00</u>	<u>\$ 3,904,725.00</u>	<u>\$ 3,354,685.00</u>

Pension Plan Fiduciary Net Position

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

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Public Employees' Retirement System Payment Deferral**

On March 17, 2009, P.L. 2009, c.19 (S-21) was signed into legislation and provided the option of deferring fifty percent (50%) of the Authority's 2009 regular PERS pension liability. Authorities that elected to defer the pension liability are required to begin repaying the deferred amount over fifteen (15) years, starting in April of 2012. The amount to be paid will fluctuate based on the pension system investment earnings on the unfunded liability. At any time, however, upon requesting a payoff amount from the Division of Pensions and Benefits, an authority may pay off the deferred amount. The deferral of the aforementioned PERS payment is only an option for the 2009 fiscal year. Commencing in fiscal year 2010 and beyond, the full annual PERS pension liability was required to be budgeted and paid.

In fiscal year 2009, the Authority elected to defer fifty percent (50%) of the April 2009 payment, equaling a total deferral of \$52,221.00. The following is a schedule for the payment of the PERS deferral, based on an interest rate of 8.25%. N.J.S.A 43:15A-24b requires the use of "regular interest" when the actuary calculates the amortization of the unfunded accrued liability of the pension system, which is set by the State Treasurer (N.J.S.A. 43:15A-6n) and currently is 8.25%.

The following schedule reflects the remaining amounts due:

<u>Year Ending December 31,</u>	<u>Deferral Payment</u>	<u>Interest</u>	<u>Total Projected Payment</u>
2021	\$ 5,465.00	\$ 2,876.00	\$ 8,341.00
2022	3,838.00	1,210.00	5,048.00
2023	3,939.00	893.00	4,832.00
2024	4,042.00	568.00	4,610.00
2025	2,848.00	235.00	3,083.00
	<u>\$20,132.00</u>	<u>\$ 5,782.00</u>	<u>\$25,914.00</u>

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>.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)****General Information about the State Health Benefit Local Government Retired Employees Plan (Cont'd)**

Plan Description and Benefits Provided (Cont'd) - 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 \$142,405,69 for the year ended December 31, 2020. This amount represents 8.03% of the Authority's covered payroll. During the year ended December 31, 2020, retirees were not required to contribute to the Plan.

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 \$5,683,692.00.

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 0.031670%, which was an increase of 0.002161% from its proportion measured as of the June 30, 2019 measurement date.

Note 5: 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)**

OPEB (Benefit) Expense - At December 31, 2020, the Authority's proportionate share of the OPEB (benefit) expense, calculated by the Plan as of the June 30, 2020 measurement date, is (\$40,479.00).

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

	Measurement Date <u>June 30, 2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 149,704.00	\$ 1,058,410.00
Changes of Assumptions	850,102.00	1,263,965.00
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	3,609.00	-
Changes in Proportion	420,609.00	797,966.00
Authority Contributions Subsequent to the Measurement Date	67,552.55	-
	<u>\$ 1,491,576.55</u>	<u>\$ 3,120,341.00</u>

Deferred outflows of resources in the amount of \$67,552.55 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.

Note 5: 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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 Investment 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 5: 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	\$ (390,973.00)
December 31, 2022	(391,250.00)
December 31, 2023	(391,698.00)
December 31, 2024	(392,107.00)
December 31, 2025	(258,276.00)
Thereafter	127,987.00
	<u>\$ (1,696,317.00)</u>

Actuarial Assumptions

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

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

* 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 mortality improvement projections from the central year using Scale MP-2020.

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

Note 5: 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) at the unit cost of value of \$1.00. Participant shares are valued on a fair value basis. The CMF pays interest to participants on a monthly basis.

Discount Rate - The discount rate used to measure the OPEB liability at June 30, 2020 was 2.21%. 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.

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:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Authority's Proportionate Share of the Net OPEB Liability	\$ 6,719,325.00	\$ 5,683,692.00	\$ 4,863,895.00

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:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Authority's Proportionate Share of the Net OPEB Liability	\$ 4,703,261.00	\$ 5,683,692.00	\$ 6,967,580.00

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)****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.

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 Medicare Part B coverage. The plan provides a lifetime monthly reimbursement of Medicare Part B premium to all eligible employees and their spouses. 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, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	10
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments	
Active Employees	<u>22</u>
	<u>32</u>

Contributions

Employees are not required to contribute to the plan.

Total OPEB Liability

The Authority's total OPEB liability of \$2,272,051.00 as of December 31, 2020 was measured as of December 31, 2020. The liabilities were determined by an actuarial valuation as of January 1, 2021.

Note 5: 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:

	<u>December 31, 2020</u>
Inflation	2.50% Annually
Discount Rate	2.12%
Healthcare Cost Trend Rates	
Medicare Part B	4.5% Annually
Salary Increases	3.00% Annually

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

Mortality rates were based on PUB-2010 (G) Headcount-Weighted Healthy Employee Male / Female Mortality Projected with Scale MP-2020.

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

Changes in the Total OPEB Liability

The following table shows the changes in the total OPEB liability for the year ended December 31, 2020:

Balance at Beginning of Year	\$ 1,196,985.00
Changes for the Year:	
Service Cost	\$ 48,357.00
Interest Cost	54,525.00
Benefit Payments	(13,882.00)
Actuarial Assumption Changes	937,388.00
Actuarial Demographic (Gain) or Loss	<u>48,678.00</u>
Net Changes	<u>1,075,066.00</u>
Balance at End of Year	<u><u>\$ 2,272,051.00</u></u>

There were no changes of benefit terms at December 31, 2020.

The discount rate was revised from 4.12% to 2.12% for the year ended December 31, 2020.

Note 5: 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:

	1.00% Decrease (3.12%)	Current Discount Rate (2.12%)	1.00% Increase (5.12%)
Total OPEB Liability	<u>\$2,844,162.00</u>	<u>\$2,272,051.00</u>	<u>\$1,836,750.00</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:

	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Total OPEB Liability	<u>\$ 1,816,041.00</u>	<u>\$ 2,272,051.00</u>	<u>\$ 2,878,807.00</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the Authority recognized OPEB expense of \$223,017.00. At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 809,252.00	\$ 97,618.00
Differences Between Expected and Actual Demographic Experience	<u>55,570.00</u>	<u>11,478.00</u>
	<u>\$ 864,822.00</u>	<u>\$ 109,096.00</u>

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) – Authority Plan (Cont'd)****OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Cont'd)**

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

2021	\$ (120,135.00)
2022	(120,135.00)
2023	(119,586.00)
2024	(115,866.00)
2025	(140,867.00)
Thereafter	(139,137.00)
	<u>\$ (755,726.00)</u>

Postemployment Benefits Other Than Pensions (OPEB) – Summary of State and Authority Plans

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

	<u>Balance December 31, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2020</u>
Deferred Outflows of Resources - Related to OPEB				
State Plan	\$ 78,961.46	\$ 1,781,940.85	\$ (369,325.76)	\$ 1,491,576.55
Authority Plan	26,165.00	986,066.00	(147,409.00)	864,822.00
Total Deferred Outflows of Resources - Related to OPEB	<u>\$ 105,126.46</u>	<u>\$ 2,768,006.85</u>	<u>\$ (516,734.76)</u>	<u>\$ 2,356,398.55</u>
Net OPEB Liability				
State Plan	\$ 3,997,310.00	\$ 4,913,708.75	\$ (3,227,326.75)	\$ 5,683,692.00
Authority Plan	1,196,985.00	1,088,948.00	(13,882.00)	2,272,051.00
Total Net OPEB Liability	<u>\$ 5,194,295.00</u>	<u>\$ 6,002,656.75</u>	<u>\$ (3,241,208.75)</u>	<u>\$ 7,955,743.00</u>
Deferred Inflows of Resources - Related to OPEB				
State Plan	\$ 3,530,163.00	\$ 274,808.30	\$ (684,630.30)	\$ 3,120,341.00
Authority Plan	136,370.00	-	(27,274.00)	109,096.00
Total Deferred Inflows of Resources - Related to OPEB	<u>\$ 3,666,533.00</u>	<u>\$ 274,808.30</u>	<u>\$ (711,904.30)</u>	<u>\$ 3,229,437.00</u>

Note 6: DETAIL NOTES – DEFERRED INFLOWS OF RESOURCES**Deferred Revenue - 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 7: INTERGOVERNMENTAL AGREEMENTS**Major Customer**

The Authority derives a significant portion of its total service fees from the Borough of Flemington. Since the charges are based upon the flow from the system, the Authority's revenues are subject to large fluctuations from one customer. A comparison of the billings is shown below:

<u>Period Ending</u>	<u>Borough of Flemington Billings</u>	<u>Total Billings</u>	<u>Percentage</u>
December 31, 2020	\$ 714,903.35	\$ 6,716,354.16	10.64%
December 31, 2019	693,950.57	6,830,407.50	10.16%
November 30, 2018	670,404.12	6,133,542.89	10.93%

Borough of Flemington Service Agreement

The Authority entered into an ongoing wastewater service agreement with the Borough of Flemington (Borough) on April 8, 1970. This agreement was amended on September 15, 1977, February 26, 1988, January 11, 1996, March 20, 2001, and August 27, 2013. The purpose of this agreement is to determine the amount of operating and capital costs the Borough must reimburse the Authority for the operation of the Flemington Wet Weather Facility (FWWF). The FWWF is owned and operated by the Authority; however, the facility's sole purpose is to service the wastewater from the Borough. Further, the FWWF only operates at time of excessive waste water flow which typically occurs during storm events. The Borough must reimburse the Authority for 80% of the FWWF operational costs and capital costs. If the Authority issues debt for capital improvements at the FWWF, the Borough must reimburse the Authority based on an agreed upon percentage of the debt payments in the year the principal and interest is paid to the bondholders.

As of December 31, 2020, the receivable on capital acquisitions and related debt obligations is \$1,350,776.62.

Township of Raritan Service Agreement

A Service Agreement was entered into on March 1, 1970 between the Authority and the Township. 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 (Service Charges).

The purpose of this agreement is to grant temporary relief to the Authority should it experience difficulty in meeting its obligations. The agreement calls for the Township to be reimbursed for any Service Charges paid by the Township when the Authority's operations permit. Ultimately, all Operating Expenses and Debt Service of the Authority are borne by revenues of the system.

Note 8: COMMITMENTS

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

<u>Project</u>	<u>Total Project</u>	<u>Commitment Remaining as of Dec. 31, 2020</u>
Final Clarifier Refurbishment	\$ 3,238,000.00	\$ 183,937.00
Repair & Resurfacing of Operations Building Roof	37,800.00	37,800.00
	<u>3,275,800.00</u>	<u>\$ 221,737.00</u>

Note 9: 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 10: 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, including a reserve for contingencies are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Authority's agreement with the fund provides that the fund 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 11: CONTINGENCIES

There is the possibility that the NJDEP will require the permit level of the main plant effluent level of phosphorous to be approximately equal to 0.6 mg/l. The cost of modifications to the main plant to meet these limits would be significant but is unknown at this time.

The Authority is currently operating under a Capacity Assurance Program with the NJDEP that could limit the amount of new sewer connections allowed. Should the unlikely situation arise wherein the plant is deemed to be over capacity by the NJDEP, a ban on new sewer hookups could be imposed.

The Authority is operating the Flemington Wet Weather Facility under a NJDEP NJPDES permit effective May 1, 2010 that contains "report only" parameters for various components of effluent. It appears that the Authority's effluent will be required to meet certain levels of the various components in the new permit, effective April 1, 2015. As technology does not exist to meet these parameters in an intermittent facility such as Flemington, a permit with these requirements will create a major financial impact, the amount of which cannot be estimated at this time. The matter is under appeal and is before an Administrative Law Judge.

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 12: 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

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Required Supplementary Information Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios - Authority Plan Last Four Periods

	Period Ended			
	<u>December 31, 2020</u>	<u>December 31, 2019*</u>	<u>November 30, 2018</u>	<u>November 30, 2017</u>
Total OPEB Liability				
Service Cost	\$ 48,357.00	\$ 26,493.00	\$ 32,233.00	\$ 31,555.00
Interest Cost	54,525.00	47,507.00	44,779.00	42,379.00
Benefit Payments	(13,882.00)	(11,351.00)	(12,584.00)	(9,063.00)
Actuarial Assumption Changes	937,388.00	-	(170,833.00)	13,481.00
Actuarial Demographic Gains	48,678.00	-	(20,085.00)	32,310.00
Net Change in Total OPEB Liability	1,075,066.00	62,649.00	(126,490.00)	110,662.00
Total OPEB Liability - Beginning of Period	1,196,985.00	1,134,336.00	1,260,826.00	1,150,164.00
Total OPEB Liability - End of Period	<u>\$ 2,272,051.00</u>	<u>\$ 1,196,985.00</u>	<u>\$ 1,134,336.00</u>	<u>\$ 1,260,826.00</u>
Covered-Employee Payroll	\$ 2,188,637.45	\$ 2,252,429.42	\$ 1,839,032.00	\$ 1,820,707.00
Total OPEB Liability as a Percentage of Covered-Employee Payroll	103.81%	53.14%	61.68%	69.25%

*Represents a 13-month period

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

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Required Supplementary Information
Schedule of the Authority's Proportionate Share
of the Net OPEB Liability - State Plan
Last Four Plan Years

	Measurement Date Ended June 30,		
	<u>2020</u>	<u>2019</u>	<u>2017</u>
Authority's Proportion of the Net OPEB Liability			
Authority's Proportionate Share of the Net OPEB Liability	0.031670%	0.029509%	0.032830%
	<u>\$ 5,683,692.00</u>	<u>\$ 3,997,310.00</u>	<u>\$ 5,143,351.00</u>
	<u>\$ 1,773,921.00</u>	<u>\$ 1,787,823.00</u>	<u>\$ 1,805,294.00</u>
Authority's Covered Payroll (Plan Measurement Period)			
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	320.40%	223.59%	284.90%
			382.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%	1.98%	1.97%
			1.03%

58

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.

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Required Supplementary Information
Schedule of the Authority's OPEB Contributions - State Plan
Last Four Periods

	Period Ended			
	<u>December 31, 2020</u>	<u>December 31, 2019*</u>	<u>November 30, 2018</u>	<u>November 30, 2017</u>
Authority's Required Contributions	\$ 142,405.69	\$ 166,486.77	\$ 206,528.58	\$ 193,807.41
Authority's Contributions in Relation to the Required Contribution	(142,405.69)	(166,486.77)	(206,528.58)	(193,807.41)
Authority's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll (Period)	\$ 1,773,926.00	\$ 1,747,385.00	\$ 1,809,358.00	\$ 1,792,272.00
Authority's Contributions as a Percentage of Covered Payroll	8.03%	9.53%	11.41%	10.81%

*Represents a 13-month period

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

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

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

	Measurement Date Ending June 30,			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Authority's Proportion of the Net Pension Liability	0.0239445226%	0.0258795716%	0.0259565689%	0.0260949670%
Authority's Proportionate Share of the Net Pension Liability	\$ 3,904,725.00	\$ 4,663,106.00	\$ 5,110,719.00	\$ 6,074,491.00
Authority's Covered Payroll (Plan Measurement Period)	\$ 1,732,728.00	\$ 1,786,276.00	\$ 1,796,680.00	\$ 1,786,964.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	225.35%	261.05%	284.45%	339.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.32%	56.27%	53.60%	48.10%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Liability	0.0271612876%	0.0263881130%	0.0258060070%	0.0253975033%
Authority's Proportionate Share of the Net Pension Liability	\$ 8,044,394.00	\$ 5,923,603.00	\$ 4,831,590.00	\$ 4,853,968.00
Authority's Covered Payroll (Plan Measurement Period)	\$ 1,868,516.00	\$ 1,820,268.00	\$ 1,784,632.00	\$ 1,705,552.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	430.52%	325.42%	270.73%	284.60%
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.

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Required Supplementary Information
Schedule of the Authority Contributions
Public Employees' Retirement System (PERS)
Last Eight Periods

	Period Ended			
	<u>December 31, 2020</u>	<u>December 31, 2019*</u>	<u>November 30, 2018</u>	<u>November 30, 2017</u>
Contractually Required Contribution	\$ 261,941.00	\$ 251,732.00	\$ 258,184.00	\$ 241,742.00
Contributions in Relation to Contractually Required Contribution	(261,941.00)	(251,732.00)	(258,184.00)	(241,742.00)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll (Period)	\$ 1,773,926.00	\$ 1,747,385.00	\$ 1,809,358.00	\$ 1,792,272.00
Authority's Contributions as a Percentage of Covered Payroll	14.77%	14.41%	14.27%	13.49%
	<u>November 30, 2016</u>	<u>November 30, 2015</u>	<u>November 30, 2014</u>	<u>November 30, 2013</u>
Contractually Required Contribution	\$ 241,297.00	\$ 226,867.00	\$ 212,741.00	\$ 191,365.00
Contributions in Relation to Contractually Required Contribution	(241,297.00)	(226,867.00)	(212,741.00)	(191,365.00)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll (Period)	\$ 1,758,439.00	\$ 1,852,418.00	\$ 1,808,163.00	\$ 1,773,216.00
Authority's Contributions as a Percentage of Covered Payroll	13.72%	12.25%	11.77%	10.79%

*Represents a 13-month period

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.

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Notes to Required Supplementary Information
For the Year Ended December 31, 2020

Note 1: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - AUTHORITY PLANChanges in Benefit Terms

None

Changes in Assumptions

For 2018, the discount rate changed from 3.48% as of November 30, 2017 to 4.12% as of November 30, 2018. The mortality table was updated from MP-2017 to MP-2018. For 2017, the discount rate changed from 3.60% as of November 30, 2016 to 4.00% as of November 30, 2017.

For 2020, the discount changed from 4.12% as of November 30, 2018 to 2.12% as of December 31, 2020.

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

RARITAN TOWNSHIP MUNICIPAL UTILITIES 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

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2020

	Operating & General	Debt Service Reserve	Debt Service	Restricted Renewal and Replacement	Unemployment Compensation	Total
Operating Revenues:						
Utility Service Charges	\$ 6,716,354.16				\$	6,716,354.16
Connection Fees	152,255.09					152,255.09
Other Operating Revenues	424,095.86				\$ 2,470.90	426,566.76
Total Operating Revenues	7,292,705.11	\$ -	\$ -	\$ -	2,470.90	7,295,176.01
Operating Expenses:						
Administration:						
Salaries and Wages	264,888.99					264,888.99
Fringe Benefits	113,596.65					113,596.65
Other Expenses	574,925.21					574,925.21
Cost of Providing Service:						
Salaries and Wages	1,956,979.94					1,956,979.94
Fringe Benefits	635,858.12					635,858.12
Other Expenses	1,408,179.35					1,408,179.35
Depreciation	1,128,138.79					1,128,138.79
Total Operating Expenses	6,082,567.05	-	-	-	-	6,082,567.05
Operating Income	1,210,138.06				2,470.90	1,212,608.96
Non-operating Revenue (Expenses):						
Investment Income	27,483.98	627.14	7,581.48	1,851.50	121.97	37,666.07
Interest on Debt	25,190.78		(107,816.76)			(82,625.98)
Net Income (Loss) Before Transfers	1,262,812.82	627.14	(100,235.28)	1,851.50	2,592.87	1,167,649.05
Transfers	(145,432.57)	(8,327.14)	155,611.21	(1,851.50)		
Change in Net Position	1,153,947.32	(7,700.00)	55,375.93		2,592.87	1,204,216.12
Net Position - Beginning	12,660,291.09	305,500.00	245,514.06	93,274.00	37,848.55	13,342,427.70
Net Position - Ending:						
Net Investment in Capital Assets	22,289,975.02					22,289,975.02
Restricted		297,800.00	300,889.99	93,274.00	40,441.42	732,405.41
Unrestricted (Deficit)	(8,475,736.61)					(8,475,736.61)
Total Net Position	\$ 13,814,238.41	\$ 297,800.00	\$ 300,889.99	\$ 93,274.00	\$ 40,441.42	\$ 14,546,643.82

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Cash Receipts and Disbursements
For the Year Ended December 31, 2020

	Operating and General	Debt Service Reserve	Debt Service	Restricted			Unemployment Compensation	Escrow	Total
				Renewal and Replacement	Project Fund				
Cash, Cash Equivalents and Investments: Balance January 1, 2020	\$ 5,327,981.90	\$ 305,500.00	\$ 387,489.71	\$ 97,884.05	\$ 241.07	\$ 38,903.17	\$ 96,764.35	\$ 6,254,764.25	
Receipts:									
Investment Income	29,449.70	896.66	7,921.40	2,055.62	225.98	121.97	289.20	40,960.53	
Consumer Accounts Receivable	5,890,612.79							5,890,612.79	
Prepaid Rents	24,379.29							24,379.29	
Deferred Revenue	169,881.03							169,881.03	
NJIB Receipts					1,432,395.00			1,432,395.00	
Escrow Deposits							19,414.65	19,414.65	
Other Operating Revenues	424,095.86					2,470.90		426,566.76	
Due From Flemington	107,997.61							107,997.61	
Transfers In			601,604.25		413,334.67			1,014,938.92	
Total Cash and Investments Available	11,974,398.18	306,396.66	997,015.36	99,939.67	1,846,196.72	41,496.04	116,468.20	15,381,910.83	
Disbursements:									
Budgetary	4,954,693.38		3,034.53					4,957,727.91	
Bond Principal			190,000.00					190,000.00	
Loan Principal			247,375.70					247,375.70	
Interest on Debt			145,103.76					145,103.76	
Debt Issue Costs			1,989.50					1,989.50	
Capital Assets	333,651.65				1,541,339.14			1,874,990.79	
Accounts Payable	253,026.34				14,532.54			267,558.88	
Escrow Disbursements							32,939.77	32,939.77	
Transfers Out	1,012,306.59	896.66					1,735.67	1,014,938.92	
Total Disbursements	6,553,677.96	896.66	587,503.49	-	1,555,871.68	-	34,675.44	8,732,625.23	
Cash, Cash Equivalents and Investments: Balance December 31, 2020	\$ 5,420,720.22	\$ 305,500.00	\$ 409,511.87	\$ 99,939.67	\$ 290,325.04	\$ 41,496.04	\$ 81,792.76	\$ 6,649,285.60	
Analysis of Balance December 31, 2020									
Cash and Cash Equivalents	\$ 4,341,087.97	\$ 305,500.00	\$ 409,511.87		\$ 290,325.04	\$ 41,496.04	\$ 81,792.76	\$ 5,469,713.68	
Investments	1,079,632.25			\$ 99,939.67				1,179,571.92	
	\$ 5,420,720.22	\$ 305,500.00	\$ 409,511.87	\$ 99,939.67	\$ 290,325.04	\$ 41,496.04	\$ 81,792.76	\$ 6,649,285.60	

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget--Budgetary Basis
For the Year Ended December 31, 2020

	Adopted Budget	Transfers/ Modifications	Modified Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:					
Service Charges	\$ 6,395,000.00		\$ 6,395,000.00	\$ 6,716,354.16	\$ 321,354.16
Connection Fees	75,000.00		75,000.00	152,255.09	77,255.09
Other Operating Revenues	340,000.00		340,000.00	426,566.76	86,566.76
Total Operating Revenues	6,810,000.00	\$ -	6,810,000.00	7,295,176.01	485,176.01
Non-Operating Revenues:					
Contributed Capital	416,000.00		416,000.00		(416,000.00)
Investment Income	45,000.00		45,000.00	37,666.07	(7,333.93)
Total Anticipated Revenues	7,271,000.00	-	7,271,000.00	7,332,842.08	61,842.08
Operating Appropriations:					
Administration:					
Salaries and Wages:					
Administration Salaries	291,217.00		291,217.00	259,257.82	31,959.18
Commissioners' Salaries	5,600.00		5,600.00	5,631.17	(31.17)
Total Salaries and Wages	296,817.00	-	296,817.00	264,888.99	31,928.01
Fringe Benefits	131,344.00	3,597.80	134,941.80	113,596.65	21,345.15
Other Expenses:					
Professional Services - Legal	90,000.00	(19,500.00)	70,500.00	26,849.37	43,650.63
Professional Services - Audit	49,500.00		49,500.00	48,933.40	566.60
Professional Services - Accounting	8,000.00		8,000.00	350.00	7,650.00
Professional Services - Engineering	236,000.00		236,000.00	97,938.00	138,062.00
Medical	1,000.00		1,000.00		1,000.00
Trustee Fee	6,000.00		6,000.00	6,000.00	
NJIB Fees	5,485.00		5,485.00	3,034.53	2,450.47
Professional Services - Ind. Contractor	49,930.00	30,000.00	79,930.00	96,674.03	(16,744.03)
Other Professional Services	10,000.00		10,000.00	1,028.87	8,971.13
Insurance	203,300.00		203,300.00	179,197.93	24,102.07
Education	15,000.00		15,000.00	12,595.00	2,405.00
Travel Expenses	7,000.00		7,000.00	2,502.15	4,497.85
Dues and Memberships	6,000.00		6,000.00	5,593.00	407.00
Conferences & Seminars	4,000.00		4,000.00	99.00	3,901.00
Office Expense	25,000.00		25,000.00	22,072.47	2,927.53
Public Advertising	2,500.00		2,500.00	2,037.51	462.49
Postage	12,500.00		12,500.00	10,418.99	2,081.01
Permits, Licenses & Easement Fees	28,500.00		28,500.00	21,128.55	7,371.45
Retirement Benefits	170,000.00		170,000.00		170,000.00
Computer Maintenance & Upgrade	48,548.00		48,548.00	38,472.41	10,075.59
Total Other Expenses	978,263.00	10,500.00	988,763.00	574,925.21	413,837.79
Total Administration	1,406,424.00	14,097.80	1,420,521.80	953,410.85	467,110.95

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget--Budgetary Basis
For the Year Ended December 31, 2020

	<u>Adopted Budget</u>	<u>Transfers/ Modifications</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Appropriations (Cont'd):					
Cost of Service:					
Operations					
Salaries and Wages	\$ 1,995,528.00	\$ -	\$ 1,995,528.00	\$ 1,902,912.80	\$ 92,615.20
Fringe Benefits	768,268.00	(3,597.80)	764,670.20	635,858.12	128,812.08
Other Expenses:					
Chemical Costs - Chlorine	45,000.00		45,000.00	41,488.53	3,511.47
Chemical Costs - Polymer	25,000.00		25,000.00	37,897.20	(12,897.20)
Chemicals Costs - Sulfur Dioxide	25,000.00		25,000.00	19,535.95	5,464.05
Utility Costs - Electricity	370,000.00		370,000.00	354,670.71	15,329.29
Utility Costs - Natural Gas	30,000.00		30,000.00	23,470.41	6,529.59
Utility Costs - Telephone	26,500.00		26,500.00	28,221.17	(1,721.17)
Supplies and Services - Dyed Diesel	7,500.00		7,500.00	3,345.42	4,154.58
Sludge Disposal	650,000.00	(30,000.00)	620,000.00	600,186.75	19,813.25
Tools	4,000.00		4,000.00	3,505.87	494.13
Supplies & Services - Gasoline	15,000.00		15,000.00	8,306.00	6,694.00
Supplies & Services - Lab	17,000.00		17,000.00	5,614.24	11,385.76
Supplies & Services - Ind. Lab	18,000.00		18,000.00	12,624.00	5,376.00
Safety Equipment	8,000.00		8,000.00	5,473.17	2,526.83
Operating Building Project		20,000.00	20,000.00		20,000.00
Pump Station & Collection System	88,500.00		88,500.00	26,551.07	61,948.93
Maintenance - Treatment Plant	140,000.00	(20,000.00)	120,000.00	54,334.04	65,665.96
Maintenance - Buildings & Grounds	27,000.00		27,000.00	13,982.52	13,017.48
Maintenance - Instr & Meter Calibration	20,000.00		20,000.00	7,377.06	12,622.94
Maintenance - Vehicle	17,700.00		17,700.00	9,433.68	8,266.32
Maintenance - Plant Lab	7,000.00		7,000.00	5,578.69	1,421.31
Maintenance - Septage & Tank Cleaning	20,000.00		20,000.00	20,000.00	
Miscellaneous	39,600.00		39,600.00	9,088.80	30,511.20
Total Other Expenses	1,600,800.00	(30,000.00)	1,570,800.00	1,290,685.28	280,114.72
Total Operations	4,364,596.00	(33,597.80)	4,330,998.20	3,829,456.20	501,542.00

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget--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 Service (Cont'd):					
Flemington Storm Water Facility					
Salaries and Wages:	\$ 109,000.00	\$ -	\$ 109,000.00	\$ 54,067.14	\$ 54,932.86
Other Expenses:					
Legal	40,000.00	19,500.00	59,500.00	48,169.42	11,330.58
Accounting	8,000.00		8,000.00		8,000.00
Engineering	62,500.00		62,500.00	2,178.00	60,322.00
Insurance	6,500.00		6,500.00	6,500.00	
Permits	7,500.00		7,500.00	26,306.46	(18,806.46)
Chemicals	17,000.00		17,000.00	3,295.15	13,704.85
Utilities	32,000.00		32,000.00	15,177.35	16,822.65
Service & Supplies - Lab	20,000.00		20,000.00	6,084.00	13,916.00
Safety Supplies & Equipment	1,250.00		1,250.00		1,250.00
Maintenance - Operations	2,500.00		2,500.00	900.74	1,599.26
Maintenance - Buildings & Grounds	5,000.00		5,000.00	5,652.06	(652.06)
Maintenance - Instr & Meter Calibration	4,000.00		4,000.00	3,230.89	769.11
Miscellaneous	7,500.00		7,500.00		7,500.00
Total Other Expenses	213,750.00	19,500.00	233,250.00	117,494.07	115,755.93
Total Flemington Storm Water Facility	322,750.00	19,500.00	342,250.00	171,561.21	170,688.79
Total Cost of Service	4,687,346.00	(14,097.80)	4,673,248.20	4,001,017.41	672,230.79
Principal Payments on Debt Service in Lieu of Depreciation	437,375.00	-	437,375.00	437,375.70	(0.70)
Total Operating Appropriations	6,531,145.00	-	6,531,145.00	5,391,803.96	1,139,341.04
Non-Operating Appropriations:					
Interest on Debt	145,105.00	-	145,105.00	82,625.98	62,479.02
Total Operating, Principal Payments and Non-Operating Appropriations	6,676,250.00	-	6,676,250.00	5,474,429.94	1,201,820.06
Excess in Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations	\$ 594,750.00	\$ -	\$ 594,750.00	\$ 1,858,412.14	\$ 1,263,662.14

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedules of Anticipated Revenues, Operating Appropriations, Principal Payments and
Non-Operating Appropriations Compared to Budget--Budgetary Basis
For the Year Ended December 31, 2020

Reconciliation of Excess Budget Revenues

over Budget Appropriations to Operating Income \$ 1,858,412.14

Add:

Debt Service Principal Payments	\$ 437,375.70	
Interest on Debt	<u>82,625.98</u>	
		<u>520,001.68</u>

2,378,413.82

Less:

Investment Income	37,666.07	
Depreciation	<u>1,128,138.79</u>	
		<u>1,165,804.86</u>

Operating Income (Exhibit B) \$ 1,212,608.96

Reconciliation of Actual Expenditures

Cash Disbursements		\$ 4,957,727.91
Accounts Payable		156,400.56
Change in Accrued OPEB Costs		73,079.91
Change in Accrued Pension Costs		(247,170.00)
Change in Unfunded PERS Obligation		(5,014.00)
Change in Compensated Absences Payable		19,403.88
Debt Principal		437,375.70
Interest on Debt		<u>82,625.98</u>
		<u><u>\$ 5,474,429.94</u></u>

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Consumer Accounts Receivable

For the Year Ended December 31, 2020

Balance January 1, 2020		\$	699,039.53
Add:			
User Fees	\$ 6,716,354.16		
Capital Contributions	<u>36,567.07</u>		
			<u>6,752,921.23</u>
			7,451,960.76
Less:			
Current Year Collections	5,890,612.79		
Prepaid Rents Applied	<u>38,203.49</u>		
			<u>5,928,816.28</u>
Balance December 31, 2020		\$	<u>1,523,144.48</u>

Schedule 5

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Accrued Investment Income Receivable

For the Year Ended December 31, 2020

	Balance January 1, 2020	Investment Income	Received	Balance December 31, 2020
Unrestricted Accounts				
Operating & General Accounts	\$ 3,420.80	\$ 26,968.80	\$ 29,449.70	\$ 939.90
Restricted Accounts:				
Debt Service Reserve Account	275.10	627.14	896.66	5.58
Debt Service Account	347.40	7,581.48	7,921.40	7.48
Escrow		289.20	289.20	
Unemployment		121.97	121.97	
Project Fund		225.98	225.98	
Renewal & Replacement Account	1,800.96	1,851.50	2,055.62	1,596.84
	<u>2,423.46</u>	<u>10,697.27</u>	<u>11,510.83</u>	<u>1,609.90</u>
Total Investment Income	\$ 5,844.26	\$ 37,666.07	\$ 40,960.53	\$ 2,549.80

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Capital Assets - Completed
For the Year Ended December 31, 2020

	Balance January 1, 2020	Additions	Deletions	Balance December 31, 2020
Buildings, Plant & Pump Stations	\$ 13,324,152.72	\$ 20,688.81		\$ 13,344,841.53
Infrastructure	32,047,499.78			32,047,499.78
Equipment	2,190,578.44	380,681.51		2,571,259.95
Vehicles	1,012,017.44	67,914.19		1,079,931.63
	48,574,248.38	469,284.51	\$ -	49,043,532.89
Less: Accumulated Depreciation	20,933,481.24	1,128,138.79		22,061,620.03
	<u>\$ 27,640,767.14</u>	<u>\$ (658,854.28)</u>	<u>\$ -</u>	<u>\$ 26,981,912.86</u>
Accounts Payable		\$ 3,910.00		
Disbursed		<u>465,374.51</u>		
		<u>\$ 469,284.51</u>		

Schedule 7**RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

Schedule of Construction in Progress
For the Year Ended December 31, 2020

Balance January 1, 2020	\$ 1,950,182.76
Add:	
Disbursed	\$ 1,424,148.82
Retainage Payable	<u>27,181.93</u>
	<u>1,451,330.75</u>
Balance December 31, 2020	<u>\$ 3,401,513.51</u>

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Deferred Revenue (Connection Fees)
For the Year Ended December 31, 2020

Balance January 1, 2020	\$ 718,789.59
Add:	
Receipts	<u>169,881.03</u>
	888,670.62
Less:	
Realized as Revenue	<u>152,255.09</u>
Balance December 31, 2020	<u><u>\$ 736,415.53</u></u>

Schedule 9

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Accrued Interest Payable
For the Year Ended December 31, 2020

Balance January 1, 2020	\$ 38,163.65
Increased by:	
Accrued	\$ 107,816.76
Due from Flemington	<u>32,310.41</u>
	<u>140,127.17</u>
	178,290.82
Decreased by:	
Cash Disbursed	<u>145,103.76</u>
Balance December 31, 2020	<u><u>\$ 33,187.06</u></u>
Analysis of Interest Expense:	
Accrued	\$ 107,816.76
Amortization of Deferred Loss on Defeasance	1,184.90
Amortization of Loan Premium	(5,123.88)
Amortization of Bond Premium	<u>(21,251.80)</u>
Total Interest Expense	<u><u>\$ 82,625.98</u></u>

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenue Bonds Payable
For the Year Ended December 31, 2020

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance January 1, 2020</u>	<u>Decreased</u>	<u>Balance December 31, 2020</u>
Sewer System Revenue Bonds, Series 2010	08/12/10	\$ 3,810,000.00				\$ 180,000.00	\$ 180,000.00	
Sewer System Revenue Refunding Bonds, Series 2017	12/13/17	2,465,000.00	05/01/21	\$ 200,000.00	4.00%			
			05/01/22	210,000.00	4.00%			
			05/01/23	220,000.00	4.00%			
			05/01/24	225,000.00	4.00%			
			05/01/25	235,000.00	4.00%			
			05/01/26	245,000.00	4.00%			
			05/01/27	255,000.00	4.00%			
			05/01/28	270,000.00	4.00%			
			05/01/29	275,000.00	4.00%			
			05/01/30	285,000.00	4.00%			
				<u>2,420,000.00</u>		<u>2,430,000.00</u>	<u>10,000.00</u>	<u>2,420,000.00</u>
Premium on Bonds						<u>2,610,000.00</u>	<u>190,000.00</u>	<u>2,420,000.00</u>
						<u>211,857.34</u>	<u>21,251.80</u>	<u>190,605.54</u>
						<u>\$ 2,821,857.34</u>	<u>\$ 211,251.80</u>	<u>\$ 2,610,605.54</u>

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of New Jersey Infrastructure Bank Loans
For the Year Ended December 31, 2020

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Date</u>	<u>Principal Payments</u>		<u>Interest Rate</u>	<u>Balance January 1, 2020</u>	<u>Decreased</u>	<u>Balance December 31, 2020</u>
				<u>Amount</u>	<u>Rate</u>				
NJEIT Loan, Series 2012A (Interest Bearing)	05/03/12	\$ 765,000.00	08/01/21	\$ 35,000.00	5.000%				
			08/01/22	40,000.00	5.000%				
			08/01/23	40,000.00	5.000%				
			08/01/24	45,000.00	5.000%				
			08/01/25	45,000.00	5.000%				
			08/01/26	45,000.00	5.000%				
			08/01/27	50,000.00	3.000%				
			08/01/28	50,000.00	3.000%				
			08/01/29	55,000.00	3.125%				
			08/01/30	55,000.00	3.200%				
			08/01/31	55,000.00	3.250%				
				<u>515,000.00</u>			\$ 550,000.00	\$ 35,000.00	\$ 515,000.00
NJEIT Loan, Series 2012A (Non-Interest Bearing)	05/03/12	1,554,383.00	02/01/21	27,756.83					
			08/01/21	55,513.67					
			02/01/22	27,756.83					
			08/01/22	55,513.67					
			02/01/23	27,756.83					
			08/01/23	55,513.67					
			02/01/24	27,756.83					
			08/01/24	55,513.67					
			02/01/25	27,756.83					
			08/01/25	55,513.67					
			02/01/26	27,756.83					
			08/01/26	55,513.67					
			02/01/27	27,756.83					
			08/01/27	55,513.67					
			02/01/28	27,756.83					
			08/01/28	55,513.67					
			02/01/29	27,756.83					
			08/01/29	55,513.67					
			02/01/30	27,756.83					
			08/01/30	55,513.67					
			02/01/31	27,128.13					
			08/01/31	34,599.70					
				<u>894,432.83</u>			977,703.33	83,270.50	894,432.83

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of New Jersey Infrastructure Bank Loans
For the Year Ended December 31, 2020

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Date</u>	<u>Principal Payments</u>		<u>Interest Rate</u>	<u>Balance January 1, 2020</u>	<u>Decreased</u>	<u>Balance December 31, 2020</u>
				<u>Amount</u>	<u>Rate</u>				
NJEIT Loan, Series 2015A-1 (Interest Bearing)	05/28/15	\$ 245,000.00	08/01/21	\$ 10,000.00	5.000%				
			08/01/22	10,000.00	5.000%				
			08/01/23	10,000.00	5.000%				
			08/01/24	10,000.00	5.000%				
			08/01/25	15,000.00	5.000%				
			08/01/26	15,000.00	5.000%				
			08/01/27	15,000.00	4.000%				
			08/01/28	15,000.00	4.000%				
			08/01/29	15,000.00	4.000%				
			08/01/30	15,000.00	4.000%				
			08/01/31	15,000.00	4.000%				
			08/01/32	15,000.00	4.000%				
			08/01/33	15,000.00	4.000%				
			08/01/34	20,000.00	4.000%				
				195,000.00			\$ 205,000.00	\$ 10,000.00	\$ 195,000.00
NJEIT Loan, Series 2015A-1 (Non-Interest Bearing)	05/28/15	784,299.00	02/01/21	13,759.63					
			08/01/21	27,519.26					
			02/01/22	13,759.63					
			08/01/22	27,519.26					
			02/01/23	13,759.63					
			08/01/23	27,519.26					
			02/01/24	13,759.63					
			08/01/24	27,519.26					
			02/01/25	13,759.63					
			08/01/25	27,519.26					
			02/01/26	13,759.63					
			08/01/26	27,519.26					
			02/01/27	13,759.63					
			08/01/27	27,519.26					
			02/01/28	13,759.63					
			08/01/28	27,519.26					
			02/01/29	13,759.63					
			08/01/29	27,519.26					
			02/01/30	13,759.63					
			08/01/30	27,519.26					
			02/01/31	13,759.63					
			08/01/31	27,519.26					
			02/01/32	13,759.63					

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of New Jersey Infrastructure Bank Loans
For the Year Ended December 31, 2020

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance January 1, 2020</u>	<u>Decreased</u>	<u>Balance December 31, 2020</u>
NJEIT Loan, Series 2015A-1 (Non-Interest Bearing) (Cont'd)	05/28/15	\$ 784,299.00	08/01/32 02/01/33 08/01/33 02/01/34 08/01/34	\$ 27,519.26 13,759.63 27,519.26 13,759.63 27,519.35				
				<u>577,904.55</u>		\$ 619,183.44	\$ 41,278.89	\$ 577,904.55
NJEIT Loan, Series 2015A-2 (Interest Bearing)	11/24/15	400,000.00	08/01/21 08/01/22 08/01/23 08/01/24 08/01/25 08/01/26 08/01/27 08/01/28 08/01/29 08/01/30 08/01/31 08/01/32 08/01/33 08/01/34 08/01/35	15,000.00 20,000.00 20,000.00 20,000.00 20,000.00 20,000.00 20,000.00 25,000.00 25,000.00 25,000.00 25,000.00 25,000.00 25,000.00 25,000.00 30,000.00	5.000% 5.000% 5.000% 5.000% 5.000% 3.000% 3.000% 3.000% 3.000% 3.000% 3.000% 3.000% 3.125% 3.125% 3.250%			
				<u>340,000.00</u>		355,000.00	15,000.00	340,000.00
NJEIT Loan, Series 2015A-2 (Non-Interest Bearing)	11/24/15	1,193,700.00	02/01/21 08/01/21 02/01/22 08/01/22 02/01/23 08/01/23 02/01/24 08/01/24 02/01/25 08/01/25 02/01/26 08/01/26 02/01/27 08/01/27	20,942.10 41,884.21 20,942.10 41,884.21 20,942.10 41,884.21 20,942.10 41,884.21 20,942.10 41,884.21 20,942.10 41,884.21 20,942.10 41,884.21				

(Continued)

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of New Jersey Infrastructure Bank Loans
For the Year Ended December 31, 2020

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments Date</u>	<u>Principal Payments</u>		<u>Interest Rate</u>	<u>Balance January 1, 2020</u>	<u>Decreased</u>	<u>Balance December 31, 2020</u>
				<u>Amount</u>	<u>\$</u>				
NJEIF Loan, Series 2015A-2 (Non-Interest Bearing) (Cont'd)	11/24/15	\$ 1,193,700.00	02/01/28	20,942.10					
			08/01/28	41,884.21					
			02/01/29	20,942.10					
			08/01/29	41,884.21					
			02/01/30	20,942.10					
			08/01/30	41,884.21					
			02/01/31	20,942.10					
			08/01/31	41,884.21					
			02/01/32	20,942.10					
			08/01/32	41,884.21					
			02/01/33	20,942.10					
			08/01/33	41,884.21					
			02/01/34	20,942.10					
			08/01/34	41,884.21					
			02/01/35	20,942.10					
			08/01/35	41,884.32					
				<u>942,394.76</u>			\$ 1,005,221.07	\$ 62,826.31	\$ 942,394.76
NJIB Interim Loan, Series 2019 (Non-Interest Bearing)	05/15/19	3,904,852.00	06/30/22	3,904,852.00			3,904,852.00		3,904,852.00
Premium on Loans							7,616,959.84	247,375.70	7,369,584.14
							70,360.03	5,123.88	65,236.15
							<u>\$ 7,687,319.87</u>	<u>\$ 252,499.58</u>	<u>\$ 7,434,820.29</u>

**RARITAN TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

PART II

SINGLE AUDIT SECTION

**FOR THE YEAR ENDED
DECEMBER 31, 2020**

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

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
Raritan Township Municipal Utilities Authority
Flemington, New Jersey

Report on Compliance for Each Major State Program

We have audited the Raritan Township Municipal Utilities Authority's, in the County of Hunterdon, State of New Jersey, a component unit of the Township of Raritan, compliance with the types of compliance requirements described in the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on the Authority's major state program for the year ended December 31, 2020. The Authority's major state program is identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major State Program

In our opinion, the Raritan Township Municipal Utilities Authority, in the County of Hunterdon, State of New Jersey, a component unit of the Township of Raritan, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

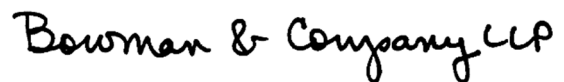
Management of the Raritan Township Municipal Utilities Authority's, in the County of Hunterdon, State of New Jersey, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit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

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

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

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

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
April 8, 2022

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Expenditures of State Financial Assistance
For the Year Ended December 31, 2020

Federal Grantor/ Pass Through Grantor/ <u>Program or Cluster Title</u>	State GMIS <u>Number</u>	Pass-through Grantors' <u>Number</u>	Program or Award <u>Amount</u>	<u>Grant Period</u>		December 31, 2019	
				<u>From</u>	<u>To</u>	<u>Unreimbursed Expenditures</u>	<u>Project Funds Balance</u>
NJ Department of Environmental Protection Passed through NJ Infrastructure Bank Trust Infrastructure Bank Trust	N/A	S340485-12	\$3,866,190.00	05/15/19	Open	\$ 158,482.05	\$ 1,972,721.95

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

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Expenditures of State Financial Assistance

For the Year Ended December 31, 2020

Revenue <u>Recognized</u>	Cash <u>Receipts</u>	Passed- Through to <u>Subrecipients</u>	<u>Adjustments</u>	Disbursements or <u>Expenditures</u>	NJIB Loan Receivable December 31, 2020		(Memo Only)	
					<u>Unreimbursed Expenditures</u>	<u>Project Funds Balance</u>	Cash Received <u>2020</u>	Accumulated <u>Expenditures</u>
\$ -	\$ 1,432,395.00	\$ -	\$ -	\$ 1,423,884.00	\$ 149,971.00	\$ 548,838.00	\$ 1,432,395.00	\$ 3,317,352.05

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to the Schedule of Expenditures of State Financial Assistance
For the Year Ended December 31, 2020

Note 1: BASIS OF PRESENTATION

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Note 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

Note 4: RELATIONSHIP TO STATE FINANCIAL REPORTS

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

Note 5: MAJOR PROGRAMS

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

**RARITAN TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

PART III

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**FOR THE YEAR ENDED
DECEMBER 31, 2020**

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2020

Section 1- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

yes X no

Significant deficiency(ies) identified?

yes X none reported

Noncompliance material to financial statements noted?

yes X no

Federal Awards

Not Applicable

Internal control over major programs:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified?

yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

_____ yes _____ no

Identification of major programs:

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

Dollar threshold used to determine Type A programs

Auditee qualified as low-risk auditee?

yes no

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2020

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

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified?

yes x no

Significant deficiency(ies) identified?

yes x none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with New Jersey Circular 15-08-OMB?

yes x no

Identification of major programs:

GMIS Number(s)

Name of State Program

Not Available

New Jersey Infrastructure Bank Trust

Dollar threshold used to determine Type A programs

\$ 750,000.00

Auditee qualified as low-risk auditee?

yes x no

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

Section 2- Schedule of Financial Statement Findings

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

None.

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

Section 3- Schedule of Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs, and significant instances of abuse related to the audit of major Federal programs, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Not Applicable.

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

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

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

None.

RARITAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Summary Schedule of Prior Year Audit Findings
and Questioned Costs as Prepared by Management

This section identifies the status of prior year findings related to the financial statements and federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and State of New Jersey Circular 15-08-OMB.

None.

APPRECIATION

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

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants