

**GLOUCESTER TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

REPORT OF AUDIT

**WITH
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEARS ENDED
FEBRUARY 29, 2020 & FEBRUARY 28, 2019**

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
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GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Roster of Officials
As of February 29, 2020

Members

Richard P. Calabrese
Joseph Pillo
Ken Garbowski
Franklin Schmidt
Dorothy Bradley
Frank Dintino

Alisa Smith

Position

Chairman
Vice-Chairman
Treasurer
Secretary
Assistant Secretary
Assistant Treasurer
Alternate Member
Alternate Member

Other Officials

Raymond J. Carr
Marlene Hrynio
Thomas Leisse
Howard C. Long, Jr., Esq.
TD Bank Wealth Management
Fulton Bank

Executive Director
Administrative Secretary
Engineer
Solicitor
Trustee
Legal Depository

**GLOUCESTER TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

PART I

FINANCIAL SECTION

**FOR THE FISCAL YEARS ENDED
FEBRUARY 29, 2020 & FEBRUARY 28, 2019**

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
The Gloucester Township Municipal Utilities Authority
Glendora, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Gloucester Township Municipal Utilities Authority, in the County of Camden, State of New Jersey, a component unit of the Township of Gloucester (Authority), as of and for the fiscal years ended February 29, 2020 and February 28, 2019 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Gloucester Township Municipal Utilities Authority, in the County of Camden, State of New Jersey as of February 29, 2020 and February 28, 2019, and the changes in its financial position and its cash flows thereof for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the Authority's total OPEB liability and related ratios, schedule of the Authority's proportionate share of the net 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 September 8, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
September 8, 2020

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
The Gloucester Township Municipal Utilities Authority
Glendora, 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 Gloucester Township Municipal Utilities Authority, in the County of Camden, State of New Jersey, a component unit of the Township of Gloucester, (Authority), as of and for the fiscal year ended February 29, 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 September 8, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

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

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
September 8, 2020

THE GLOUCESTER TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY
FOR THE FISCAL YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019

Management's Discussion & Analysis (Unaudited)

The Gloucester Township Municipal Utilities Authority's ("Authority") primary function is to maintain and service the Gloucester Township sewer system, which consists of 51 pumping stations with an associated 13 miles of sanitary sewer force mains, 368 miles of sanitary gravity sewer mains and 4,851 manholes. We maintain over 300 miles of pipe that transport 8.8 million gallons of sewage per day from the Authority to the Camden County M.U.A.'s regional treatment plant. The age of various system components ranges from 50 plus years to the present. Currently, there are 29,742 equivalent dwelling units (300 GPD/EDU) with an associated estimated average daily flow (# of EDU's x 300 g/EDU) of 8.92 MGD.

Flows from the Authority collection system are discharged into the Camden County Municipal Utilities Authority's ("CCMUA") regional collection system for treatment and disposal at the CCMUA's Delaware No. 1 Treatment Plant in the City of Camden.

The Authority primarily services Gloucester Township. There are also minor points of connection from the neighboring municipalities of the Boroughs of Runnemede, Pine Hill, Magnolia and the Township of Winslow.

The majority of Gloucester Township is serviced by public sewer, with the exception of a few small areas still on individual septic systems. In order to accomplish these services, the Authority must maintain a fleet of twenty vehicles, including a TV camera and two Jet Vac trucks. The TV camera can capture and record on video, pictures of such problems as breaks in sewer mains, grease blockages and intrusive tree roots. Once this camera pinpoints the problem, it enables a crew to uncover the underground pipe and make repairs with minimal interruption of service. Some problems can be fixed without unearthing the pipe by simply using a high pressure Jet Vac that can clear many blockages. When no emergencies exist, both of these pieces of equipment are used to inspect and clean the Township's sewer mains on a routine schedule as part of a preventative maintenance program. In addition to the mains, the Authority is also responsible for the lateral line from the curb line to the main. There are emergency generators located at forty-four pumping stations in case there is a power outage. The generators will automatically "power up" to insure that there is no interruption in service. In addition, there are three portable generators that are utilized to maintain the remaining pumping stations.

Although budgeted separately, the Authority is also responsible for the Township's Solid Waste program. The primary function of this program is to collect recyclables (cans, bottles, newspapers) and grass & leaves. We maintain and operate a sixty-acre compost site. This budget is supported by the Township along with revenue from compost sales and tipping fees. In order to accomplish these services, the Authority must maintain another fleet of vehicles, which includes recycling trucks, compactor trucks and composting equipment. Gloucester Township has joined several other towns across New Jersey by successfully implementing a Single-Stream Recycling program. Single-Stream Recycling refers to a collection system where all of your recyclables can be put into a single collection container. Rather than having to separate items such as paper and cardboard from items such as metal and glass, the new system allows for commingling of all recyclable items for the first time. The new system allows more of what people once threw into their trash cans, into their recycling containers instead. This has lightened the load of trash disposal considerably, thereby reducing the costs for the Township. The Township purchased five

Single-Stream Automated Recycling Trucks, one Compactor Truck and one retro-fitted truck. The Township also purchased 20,500 Automated Recycling Carts (Toters). The toters have scan bars in them, which tells the Authority the address, the tonnage amount recycled and if recycling is being done at all. The Recycling Trucks have GPS systems installed which informs the Authority of their locations at all times. The GTMUA began Single-Stream Recycling Collection on November 28, 2012. After one year of this new State-of the Art Collection System, the Township had increased its Recycling tonnage amount by forty percent.

In order for all of these services to run smoothly, we have to maintain billing, bookkeeping and accounting departments. Primary functions include budgeting; accounting; managing and investing cash; managing debt; paying invoices; executing payroll; and billing and collection of receivables (sewer rents, interest on delinquent accounts, connection fees, searches, tower rentals and other various revenues). The Authority's management is responsible for the financial reporting to the Board of Commissioners. We are also responsible for purchasing and maintaining all operating equipment and supplies at our location.

The Authority's main office is located at 401 W. Landing Road, Blackwood, in the Chews Landing section of the Township, adjacent to the central maintenance garage and composting facility. All data processing, billing and administration are conducted at this location. Rules and Regulations, plus standards for operation and control, are maintained to regulate development and existing facilities.

For the fiscal year ending February 29, 2020, the Authority's net revenues were sufficient to satisfy the Authority's Bond Resolution requirement contained in Section 6.10. The Authority's ability to meet its Bond Resolution requirement for the last seven fiscal years is the result of rate increases adopted in August, 2012. The increases were as follows: October 1, 2012 - \$41.00 to \$43.00 and January 1, 2014 - \$43.00 to \$46.00 for a total increase of \$5.00 per quarter.

FINANCIAL HIGHLIGHTS

- 1) **Governmental Accounting Standard Board (GASB) Statement Nos. 68, 71 & 75** - During the fiscal year ended February 29, 2016, the Authority was required to implement Governmental Accounting Standard Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. During the fiscal year ended February 28, 2019, the Authority was required to implement Governmental Accounting Standard Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The notes to the financial statements provide a more thorough discussion of the implementation of GASB 68, 71 and 75 and the effects to the financial statements.
- 2) **NJ Environmental Infrastructure Trust Loan – Series 2001A** On November 1, 2001, the Authority received a Wastewater Trust Infrastructure Loan, which enabled us to implement preventive measures in the repair of old lines and pump stations. These measures have kept our emergency repairs to a minimum. We borrowed 2.1 million dollars, of which half is interest free and the other half carries a 4% rate of interest. Although the Authority does not operate under any debt limitations, it is required to receive approval by Township resolution prior to issuing any new debt. The Authority has completed the slip-lining of some of the oldest lines in the Township and upgraded several pump stations. The Glen Oaks, College Drive, Girard Avenue and Cherrywood Pump Stations have all been completely renovated due to the funds received from this loan.

FINANCIAL HIGHLIGHTS (CONT'D)

- 3) **NJ Environmental Infrastructure Trust Loan – Series 2004A** The Authority applied for and received a second loan from the Trust totaling 4.1 million dollars. These funds were used for the following projects: fifteen new emergency generators, a new truck mounted hydraulic sewer cleaner with video inspection equipment, one central station, twenty-one remote telemetry units and slip-lining in Catalina Hills, Pine Run Interceptor and Prospect Avenue. This encompassed the rehab of 29,500 linear feet of gravity sewer mains. Manholes were slip-lined due to deterioration from hydrogen sulfide. The Black Horse Pike needed new manholes because they were too far apart and we needed to fill in the gaps. The following pumping stations were upgraded: Pine Run and Timber Cove. A new pumping station at Lincoln Drive was installed. The Authority had been band aiding the Pine Run Interceptor since 1985 with expensive emergency repairs. This preventive maintenance has been very cost effective.
- 4) **NJ Environmental Infrastructure Trust Loan – Series 2008A** The Authority received a third loan from the Trust totaling 4.5 million dollars. The Authority has completed 100% of the work funded by the third loan. We slip-lined many areas in the Township that are thirty years old or more. The lines consisted of asbestos and concrete pipes, which were badly deteriorating. Work on slip-lining of all easements was completed; this included some properties with wooded and marshy areas behind homes. Laurel Hills, Tilford Road and Woods Lane Pumping Stations were the last to be rehabilitated. They are the latest pumping stations to convert to submersible Flygt Pumps. These conversions make the pumps more accessible and less hazardous to repair. The major difference is that instead of sending four men out for a problem, we only need one. A sorely needed project was a new Administration Building. The original building was very old and it would not be cost effective to renovate it. The Authority went out for bids and the project moved forward. The employees moved into the new building in May 2012. The Authority purchased a Compost Screener several years ago. This machine can screen three times the amount of compost per day than our old screener could. Since we are screening faster, we have the time to re-screen overs (waste material from screener). This procedure saves on disposal fees, trucking cost and increases our material available for sale. The Authority also purchased a new Compost Turner. This machine can turn a windrow (leaf & grass pile) in seven minutes. Our old turner needed two - twenty minute passes to complete. The process of turning windrows almost six times as fast enables us to turn more often. This all results in giving us a better product and gives our operators more time for site maintenance. Both of these pieces of equipment were acquired through the NJ Environmental Infrastructure Trust Loan – Series 2008A. The Township reimburses the Authority on a yearly basis for their share of the loan.
- 5) **NJ Environmental Infrastructure Trust Loan – Series 2010A** The Authority applied for and received a fourth loan from the Trust totaling 2.2 million dollars. The projects were as follows: Pumping Station Installation and Rehab - Clementon Avenue submersible pump, including site work, pumps, control system, generator set, electrical work, etc. This is the very last station that was converted to the new submersible Flygt Pumps. Other Projects included were gravity sewer lines, wet well rehab, sanitary sewer CIPP and manhole rehab. One wet well was slip-lined at the Glen Oaks Pump Station, which included cleaning and coating of the wet well. The concrete deteriorates, so the epoxy coating protects the well from erosion that is incurred by gases. White Birch and the older sections of Glendora were all slip-lined up to the Front & Rowand Pumping Station discharge area. The Orr Road Pumping Station was upgraded with a new lined wet well, bypass pump, three vari-drives, three motors and a new Channel Monster. Slip-lining was completed for the Central Avenue Pumping Station sending district and the Glenn Avenue Pumping Station sending district.

FINANCIAL HIGHLIGHTS (CONT'D)

- 6) **NJ Environmental Infrastructure Trust Loan – Series 2017A** The Authority settled on its fifth loan from the Trust totaling 1.295 million dollars during the fiscal year ending February 28, 2018. The projects were as follows: Sewer Vacuum Truck. This truck releases water pressure of approximately 75 gallons per minute into the manhole. The water flushes out the debris (stones, bottles, grease, sludge, etc.) that may be lodged in the pipe. The air vacuum system then sucks all the debris and pushes it into disposal bins. Regular cleaning of the lines ensures that we reside in an environmentally safe neighborhood. Another project is slip-lining. With this project, we were able to “sleeve” the older pipes in the Hydes Chemical Pumping Station discharge area and also several broken pipes in the Blackwood Estates Section without having to excavate a newly paved street. The last project is Pump Station Monitoring & Control Hardware & Software Upgrades. This project entails the installation of new SCADA (Supervisory Control and Data Acquisition) hardware/software. This equipment monitors, gathers and processes real-time data for our pumping stations. It helps maintain efficiency at our Pumping Stations and communicates to the staff any issues with keeping the sewage flowing. It also records any events into a log file.
- 7) **Sewer Charge Collection Rate** – The collection rate for fiscal year ending February 29, 2020 was 94.10%. Sewer rents were up approximately \$21,500.00.
- 8) **Connection Fees** – Connection fee revenue for fiscal year ending February 29, 2020 was \$88,050.00. This represents a 5.12% decrease compared to last fiscal year. The decrease was a minimal amount totaling \$4,750.00.
- 9) **Total Sewer Operating Revenue** – Operating revenue for fiscal year ending February 29, 2020 was \$5,669,079.18, which is a decrease from last year’s amount of \$5,702,138.22.
- 10) **Total Sewer Operating Expenses** – For fiscal year ending February 29, 2020, operating expenses of \$3,810,820.91 were an increase from last year’s amount of \$3,588,909.39.
- 11) **Solid Waste Revenue** -The Authority operates a state-of-the-art composting facility that converts leaves and grass into high quality compost and topsoil that is sold to the public. Compost sales and tipping fees generated revenue totaling \$316,019.00, which is an increase of \$1,242.50 from the previous fiscal year. The Authority also collects all of the recyclable materials in the Township. All of this is accomplished with a savings of more than a half million dollars per year to the Township.
- 12) **Total Capital Assets** -Total capital assets for fiscal year ending February 29, 2020 were \$71,535,174.83, which includes land, buildings, pipelines, pump stations, vehicles, equipment, alarms, telemetering, etc. Asset value, net of accumulated depreciation is \$45,617,026.93.
- 13) **Debt Service** - As of February 29, 2020, the Authority has outstanding debt, New Jersey Environmental Infrastructure Loans, totaling \$5,766,782.27 (excluding premiums). The Authority’s Bond Resolution requires the Authority to generate “Net Revenues” that will exceed 110% of their current fiscal years’ Debt Service. For the fiscal year ending February 29, 2020, the percentage of “Net Revenues” to Debt Service was 409%.
- 14) **Interest Income** – For the fiscal year ending February 29, 2020, the Authority generated \$112,857.00 in interest income from investments. This was \$10,180.44 higher than fiscal year ending February 28, 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The comparative statements of cash flows provide a breakdown of the various sources of cash, which include operating activities, non-capital financing activities, capital and related financing activities and investing activities.

FINANCIAL ANALYSIS OF THE AUTHORITY

The Authority's total assets were \$56,302,701.79 on February 29, 2020. Total assets, total deferred outflows of resources, total liabilities, total deferred inflows of resources and total net position are detailed below.

Gloucester Township Municipal Utilities Authority **Net Position**

	<u>Feb. 29, 2020</u>	<u>Feb. 28, 2019</u>	<u>Restated Feb. 28, 2018</u>	<u>Change from FY 2019 to 2020</u>	
				<u>Amount</u>	<u>Percentage</u>
Current Assets	\$ 8,624,845.56	\$ 8,791,168.19	\$ 8,955,933.48	\$ (166,322.63)	-1.89%
Capital Assets (net of accumulated depreciation)	47,033,849.99	46,398,018.27	46,780,158.58	635,831.72	1.37%
Other Assets	<u>644,006.24</u>	<u>716,005.44</u>	<u>786,438.30</u>	<u>(71,999.20)</u>	-10.06%
Total Assets	56,302,701.79	55,905,191.90	56,522,530.36	397,509.89	0.71%
Total Deferred Outflows of Resources	1,830,438.52	2,159,922.04	2,151,698.65	(329,483.52)	-15.25%
Current Liabilities	2,811,469.53	2,861,923.82	3,777,866.97	(50,454.29)	-1.76%
Long-term Liabilities	<u>18,110,712.01</u>	<u>21,293,817.10</u>	<u>25,066,370.87</u>	<u>(3,183,105.09)</u>	-14.95%
Total Liabilities	20,922,181.54	24,155,740.92	28,844,237.84	(3,233,559.38)	-13.39%
Total Deferred Inflows of Resources	8,998,350.00	7,354,463.00	4,220,649.00	1,643,887.00	22.35%
Net Position					
Net Investment in Capital Assets	41,865,543.12	40,546,101.15	40,050,478.39	1,319,441.97	3.25%
Restricted	2,862,356.65	2,888,971.45	2,832,254.25	(26,614.80)	-0.92%
Unrestricted (Deficit)	<u>(16,515,291.00)</u>	<u>(16,880,162.58)</u>	<u>(17,273,390.47)</u>	<u>364,871.58</u>	-2.16%
Total Net Position	\$ 28,212,608.77	\$ 26,554,910.02	\$ 25,609,342.17	\$ 1,657,698.75	6.24%

The Authority realized operating income of \$2,105,177.05 for the current fiscal year and when combined with net non-operating revenues (expenses) of (\$492,551.71) and contributions of \$45,073.41, net position increased by \$1,657,698.75.

**THE GLOUCESTER TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY
REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	<u>Feb. 29, 2020</u>	<u>Feb. 28, 2019</u>	<u>Restated Feb. 28, 2018</u>	<u>Change from FY 2019 to 2020 Amount</u>	
Operating Revenues:					
Service Charges	\$ 5,457,266.38	\$ 5,435,792.69	\$ 5,409,858.78	\$ 21,473.69	0.40%
Service Agreements (Twp.)	1,718,167.13	1,693,173.14	1,653,645.00	24,993.99	1.48%
Connection Fees	88,050.00	92,800.00	260,925.00	(4,750.00)	-5.12%
Miscellaneous Charges	439,781.80	488,322.03	454,371.12	(48,540.23)	-9.94%
Total Operating Revenues	7,703,265.31	7,710,087.86	7,778,799.90	(6,822.55)	-0.09%
Operating Expenses	4,716,053.89	5,479,907.03	5,746,221.50	(763,853.14)	-13.94%
Depreciation Expense	882,034.37	1,003,161.26	1,015,801.22	(121,126.89)	-12.07%
Total Operating Expenses	5,598,088.26	6,483,068.29	6,762,022.72	(884,980.03)	-13.65%
Operating Income	2,105,177.05	1,227,019.57	1,016,777.18	878,157.48	71.57%
Non-Operating Revenues (Expenses)					
Investment Income	112,857.00	102,676.56	28,655.15	10,180.44	9.92%
Net Unemployment Claims	16,344.15	16,343.61	13,722.91	0.54	-
Bond and Loan Interest	(71,020.23)	(90,290.24)	(142,075.52)	19,270.02	-21.34%
Loan Issue Costs			(28,193.85)		
Net Reserve for System Improvements	(711.76)	11,178.60	55,972.75	(11,890.36)	-106.37%
Net Reserve for Payment of Debt	(275.43)	408.54	(416.40)	(683.97)	-167.42%
Per Township Agreement – Excess Funds					
Due to Township of Gloucester	(300,932.37)	(270,022.47)	(262,016.05)	(30,909.90)	11.45%
Municipal Appropriation	(247,600.00)	(240,000.00)	(260,000.00)	(7,600.00)	3.17%
Cancellation of Accounts Payable			185,675.44		
Loss on Disposal of Fixed Assets	(1,213.07)	(18,458.32)	(2,255.06)	17,245.25	-93.43%
Prepaid Bond Insurance Expense			(3,511.40)		
Total Non-Operating Revenues (Expenses)	(492,551.71)	(488,163.72)	(414,442.03)	(4,387.99)	0.90%
Contributions-Capital Assets	45,073.41	206,712.00	-	(161,638.59)	-78.20%
Change in Net Position	1,657,698.75	945,567.85	602,335.15	712,130.90	75.31%
Net Position, Beginning of Year	26,554,910.02	25,609,342.17	25,007,007.02	945,567.85	3.69%
Net Position – End of Year	\$ 28,212,608.77	\$ 26,554,910.02	\$ 25,609,342.17	\$ 1,657,698.75	6.24%

OVERALL ANALYSIS

Overall, the Authority is in a sound financial position due, in part, to the long-term goal of eliminating its reliance on connection fee revenue in order to meet its revenue obligations. It is felt that connection fees, particularly at the level the Authority has long been accustomed to, are winding down and at some future date, the Authority must be in a financial position to afford operating expenses, debt service and capital expenditures without a substantial portion of revenue dependent on connection fees.

Connection fee revenue in the current year decreased from the prior year by \$4,750.00. Developers pay connection fees upon submittal of plans to connect residential developments, commercial properties, etc. into the Authority's sewer system. The Authority treats these payments as liabilities until issuing the developer a Certificate of Approval (CA) of their hookup into our system. Then the developer must acquire a Certificate of Occupancy (CO) from the Township. This release of a CA triggers the Authority's recognition of connection fee revenue and the property is subsequently billed for sewer charges.

The Authority operates very efficiently with minimal staffing. We have saved a substantial amount of money in the past few years by having high salaried employees retire. We did not replace most of them because we have a very hard working staff in place that has absorbed much of the extra work. The few positions that were filled were at lower entry salary levels. We have also saved money because our diligent workers provided the labor for some projects in lieu of hiring independent contractors. A few examples are an electrical upgrade at the Cherrywood Pumping Station, two-pump replacements at Terrestria, Mayfair, Sicklerville Road, Jarvis Road, and Woodbridge Pumping Stations and one-pump replacements at LaCascata, Girard Avenue and Tilford Road Pumping Stations. We replaced vari-drives at the Clementon Avenue and Cherrywood Pumping Stations. The Channel Monsters at Pierce Battery and Orr Road Pumping Stations were replaced. The Orr Road Pumping Station's corroding pipe was replaced.

We purchased two (2) new pick-up trucks, Scada system computers, computer server, two generators and one portable generator that is capable of handling all pumping stations.

Our sewer cleaning crew has cleaned thirty-three miles of pipe, with forty main blockages cleared and forty-seven miles of internal pipe lines televised. We repaired seven laterals and six manholes. These saving measures all help in keeping the sewer charges as low as possible.

The Authority cleaned, televised and slip-lined 5,277 feet of 16" sanitary sewage lines in the Pine Run Development and other areas of town. These pipes were all forty-five years old.

We rehabilitated several manholes throughout various areas of town. The Authority continues to upgrade the Scada system for pumping station monitoring and control.

The Authority has 51 Pumping Stations, which are checked, maintained and serviced by Authority staff daily. All force main locations are marked in order to get to them faster in an emergency and are inspected yearly. The Authority Personnel also performed the following services this year: Emergency callouts, most of which are outside of normal working hours, inspected new sewer mains & laterals, maintenance of vehicles, repaired generators & pumps, reviewed proposed pumping stations and design. Service calls are provided to our users seven days a week, 24 hours a day for sewer back-ups. Last year alone, we performed approximately 968 service calls, which saved the Township residents money by not having to contact a plumber. The staff also performs markouts to ensure that other contractors working on other facilities do not hit our sanitary sewer lines, causing an interruption of service for the residents.

OVERALL ANALYSIS (CONT'D)

All Authority collection system staff are trained in various safety programs and attend seminars to keep up with the latest technology throughout the year.

The Authority also changed its health care plan seventeen years ago from a private provider to the State of New Jersey Health Care Plan for an initial cost savings of \$100,000.00 per year. The Authority is complying with Chapter 78, P.L. 2011, which mandates that local government employees pay a portion of their healthcare cost.

The Authority has a very old sewer system. Some of our lines were put in as early as 1958. The original pipe that was installed was asbestos clay and terracotta. House connections (laterals) were orangeburg and that was not much better than heavy tar-paper rolled up to make a pipe. Over the years, these pipes have deteriorated badly and need to be replaced. In order to do this, utilizing conventional methods, the street would have to be dug up, the lines replaced with PVC pipe and then the street filled in and repaved. This is a very costly measure. The Authority found a better, less expensive method called slip-lining. This procedure is done by creating a bypass to the existing line of flow. Then a heavy canvass bag is inserted in the old line and pulled through to the other end. It is then heated to a very high temperature, cooled for several hours and it hardens to the same diameter as the old pipe. This procedure has been very successful and has a 50-year warranty. All this is done without tearing up the street and replacing it. In the past, pipes would deteriorate, the street would collapse and total restoration would have to be implemented. Obviously, it is easier and accomplished at a much lower cost than the old methods.

The U.S. Environmental Protection Agency and the Gems Landfill Trust are using the public sewer system as a vehicle for removing groundwater from the Superfund site, despite the possibility that the groundwater could be contaminated with radioactive uranium, radium and other pollutants. The DEP and "Gems Superfund" contended that the water was now at "Drinking Water Standards".

The Authority believed that the groundwater might still be contaminated with radioactive material. The Authority maintains that the safety of their employees is the top priority, as they are the ones who have to monitor, maintain and repair the pump stations that will be handling this water. As a result, the employees had to take HAZMAT courses and they need to wear badges that will detect levels of radiation. They need portable meters and preventive safety gear, such as boots, gloves and protective suits. The Camden County MUA performs monthly tests on the groundwater before it is discharged into the closest pumping station, which is located in Erial. The Authority collects user fees of approximately \$10,000.00 per year. These funds are used for the purchase of all the safety equipment noted above. Testing is still performed regularly and on a positive note, after twelve (12) full years of reporting, there are still no problems and Gems has met their Industrial Discharge Monitoring standards.

The Authority's recycling, grass/leaf collection and composting facility have become enormously successful. In 2020, we collected 9,658 tons of recyclables/vegetative waste and the total amount of materials that Gloucester Township accepted at our facility was 15,945 tons. If a private contractor had taken this to a landfill, the cost to the Township would have exceeded \$1,000,000.00 plus collection costs. The Authority has been accepting leaves and grass clippings from twenty (20) neighboring communities, who are paying us a tipping fee of \$3.00 per cubic yard for leaves and \$8.00 for a cubic yard of grass.

OVERALL ANALYSIS (CONT'D)

The Authority also accepts material from landscapers for a charge of \$5.00 per cubic yard for leaves and \$10.00 per cubic yard for grass. Revenue was \$116,849.00 from this source in our fiscal year ending February 29, 2020. This added income lowers the Authority's operational costs as well as provides us with another source of income from selling compost derived from other community's waste co-mingled with ours.

Expanding this and other revenue producing endeavors is high on our list of priorities. The composting program processes grass and leaves only. Composting of yard waste is done on-site by Authority employees. Revenue from the sale of compost was \$199,170.00 in our fiscal year ending February 29, 2020. Total Revenue for all three (3) programs was \$316,019.00. Additional fees would be added to the Trash Collection Fees paid by the Township, if the Authority were not collecting grass and leaves. That figure could be well over \$300,000.00 a year for collection and \$370,000.00 for disposal. If these programs were implemented privately, additional costs and fees would be well over \$800,000.00 a year. After operational costs are factored in, we realize a savings of over \$1.2 million yearly.

Since the Camden County M.U.A. took over the treatment of our wastewater several years ago, we feel that the Gloucester Township M.U.A. has been very innovative in finding other avenues of responsibility and revenue to support them. We are always looking for ways to improve the Authority in order to better serve our community.

BUDGET VARIANCES

The Authority expended 81.95% of its \$4,959,322.00 Sewer operating budget with several variances. It expended 85.63% of its \$2,086,121.00 Solid Waste operating budget with several variances. The Authority was not required to amend its fiscal year ending February 29, 2020 budgets. The percentage of amount expended to amount budgeted compares favorably to past years budgets.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

During the current fiscal year, the Authority expended \$1,670,489.92 from its Renewal & Replacement Fund for capital activities. \$196,484.17 was classified as repairs/other expenses and charged as operating expenses. During the current year, the Authority disbursed \$851,128.67 for capital assets.

The more significant disbursements were for sewer system rehabilitation and pumping station upgrades. The result of these major improvements is being felt already. Our major emergency repairs were down from past fiscal years as a result of slip-lining and pumping station upgrades. The lines presently consist of asbestos and terracotta, which are badly deteriorating and at the end of their serviceable life and are subject to hydrogen gases. The Authority is planning for continuation of slip-lining and various other improvements. Future improvements include: Prospect Avenue & Pierce Battery Force Main Replacements, Somerdale Road Pumping Station Improvements, Glen Oaks Pumping Station Rehabilitation/Replacement, Miscellaneous Generator Replacements, New Pumps @ Various Pumping Stations, Force Main Condition Testing, Force Main Locations (GIS), Gravity System Locations (GIS), Sewer Rehabilitation – Gravity Main and Lateral Lining and the purchase of a new vactor truck & service truck.

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

All of these improvements will help the Authority to serve the public in a safer, more efficient capacity.

The fiscal year ending February 29, 2020 sewer & solid waste capital budgets and five-year capital programs are \$2,619,000.00 and \$16,243,000.00 respectively. The major line items of the capital budget are:

1) Equipment Replacement	\$ 275,000.00
2) Telemetry	100,000.00
3) Standby Generators	250,000.00
4) Sewer Rehab Program	500,000.00
5) Buildings & Grounds	50,000.00
6) Computer Upgrade	30,000.00
7) Electrical Upgrade	5,000.00
8) Pump Station Upgrades	150,000.00
9) Administration Building	25,000.00
10) Vehicles	400,000.00

These projects are currently underway at different stages in the process.

Looking at the five-year Capital Program, two projects should be mentioned because these are the projects that we are actively pursuing.

1) Sewer Rehab Program	FY 21 - 25	\$500,000.00
2) Pump Station Upgrades	FY 21 - 25	150,000.00

In any planning that is done by the Authority, these projects must be included every year as part of the capital budget. They are essential projects that will have an effect on the operation of our sewer facilities. The two projects are set up to upgrade and renew our aging lines and pump stations. We have been reaping the benefits of the five (5) trust loans by seeing a major drop in emergency repairs. This is because we were able to upgrade several pump stations and implement slip-lining of the Sewer lines, which we have discussed in detail in our Overall Analysis. The second, third, fourth and fifth trust loans have given the Authority more than double the financial relief from emergency repairs and hopefully this trend will continue.

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, however, to receive approval from the Local Finance Board prior to issuing of debt.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide New Jersey, Gloucester Township residents and in particular, our customers, clients, investors and creditors, with a general overview of the Authority's finances. If you have any questions about this report or need additional information, contact the Authority at The Gloucester Township Municipal Utilities Authority, 401 W. Landing Road, P.O. Box 216, Glendora, NJ 08029 or visit our website at: www.gtmua.com.

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Comparative Statements of Net Position
As of February 29, 2020 and February 28, 2019

	<u>Feb. 29, 2020</u>	<u>Feb. 28, 2019</u>
ASSETS		
Current Assets:		
Unrestricted Assets:		
Revenue/Operating Account:		
Cash and Cash Equivalents	\$ 1,996,459.00	\$ 2,680,625.83
Consumer Accounts Receivable	343,855.36	373,528.90
Refunds Receivable	6,061.51	13,193.43
Other Accounts Receivable	23,918.41	25,868.79
Due from Township of Gloucester	7,545.65	177,281.77
Prepaid Expenses	108,693.95	111,014.37
Total Unrestricted Assets	<u>2,486,533.88</u>	<u>3,381,513.09</u>
Restricted Assets:		
Debt Service Account:		
Cash and Cash Equivalents	601,613.31	567,759.28
Debt Service Reserve Account:		
Cash and Cash Equivalents	147,211.61	147,296.74
Renewal and Replacement Account:		
Cash and Cash Equivalents	4,915,502.19	4,240,529.07
Due from Township of Gloucester - Restricted for Debt Service	64,909.57	63,343.24
Other Accounts:		
Cash and Cash Equivalents	409,075.00	390,726.77
Total Restricted Assets	<u>6,138,311.68</u>	<u>5,409,655.10</u>
Total Current Assets	<u>8,624,845.56</u>	<u>8,791,168.19</u>
Noncurrent Assets:		
Capital Assets:		
Construction in Progress	1,416,823.06	1,008,717.97
Completed (Net of Accumulated Depreciation)	45,617,026.93	45,389,300.30
Total Capital Assets	<u>47,033,849.99</u>	<u>46,398,018.27</u>
Other Assets:		
Due from Township of Gloucester - Restricted for Debt Service	<u>644,006.24</u>	<u>716,005.44</u>
Total Assets	<u>56,302,701.79</u>	<u>55,905,191.90</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding of Loan	97,979.43	108,866.04
Related to OPEB	622,023.09	340,498.00
Related to Pensions	1,110,436.00	1,710,558.00
Total Deferred Outflows of Resources	<u>1,830,438.52</u>	<u>2,159,922.04</u>

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Comparative Statements of Net Position
As of February 29, 2020 and February 28, 2019

	<u>Feb. 29, 2020</u>	<u>Feb. 28, 2019</u>
LIABILITIES		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable--Operations	\$ 153,296.28	\$ 268,540.17
Accounts Payable--Related to Pensions	252,193.00	269,343.00
Prepaid Rental Charges	1,007,270.87	1,018,242.53
Unearned Revenue	2,281.37	2,239.29
Compensated Absences	47,557.15	42,146.51
Accrued Liabilities	28,361.76	28,477.01
	<hr/>	<hr/>
Total Current Liabilities Payable from Unrestricted Assets	1,490,960.43	1,628,988.51
	<hr/>	<hr/>
Current Liabilities Payable from Restricted Assets:		
Accounts Payable	49,089.75	11,228.07
Accounts Payable--Due to Township of Gloucester	300,932.37	270,022.47
N. J. Environmental Infrastructure Loans Payable -- Current Portion	755,050.15	735,785.26
Accrued Loan Interest Payable	10,643.75	12,081.25
Accrued Liabilities	8,710.60	8,710.60
Escrow Deposits	196,082.48	195,107.66
	<hr/>	<hr/>
Total Current Liabilities Payable from Restricted Assets	1,320,509.10	1,232,935.31
	<hr/>	<hr/>
Long-term Liabilities:		
N. J. Environmental Infrastructure Loans Payable	5,220,151.96	5,997,451.01
Net Pension Liability	4,671,646.00	5,331,610.00
OPEB Liability	7,903,093.00	9,608,503.00
Accrued Liabilities--Related to Pension	168,129.00	179,562.00
Compensated Absences	147,692.05	176,691.09
	<hr/>	<hr/>
Total Long-term Liabilities	18,110,712.01	21,293,817.10
	<hr/>	<hr/>
Total Liabilities	20,922,181.54	24,155,740.92
	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES		
Deferred Connection Fee Revenue	498,745.00	285,995.00
Related to OPEB	6,472,809.00	5,046,972.00
Related to Pensions	2,026,796.00	2,021,496.00
	<hr/>	<hr/>
Total Deferred Inflows of Resources	8,998,350.00	7,354,463.00
	<hr/>	<hr/>

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GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Comparative Statements of Net Position
 As of February 29, 2020 and February 28, 2019

	<u>Feb. 29, 2020</u>	<u>Feb. 28, 2019</u>
NET POSITION		
Net Investment in Capital Assets	\$ 41,865,543.12	\$ 40,546,101.15
Restricted for:		
Bond Covenants:		
Debt Service Reserve Requirement	149,706.79	149,706.79
Renewal and Replacement	500,000.00	500,000.00
Operating Requirement	1,854,976.75	1,854,716.50
Reserve for Payment of Bond Principal and Interest	656.13	931.56
Unemployment Claims	210,593.03	194,248.88
Reserve for System Upgrades	146,423.95	189,367.72
	<u>2,862,356.65</u>	<u>2,888,971.45</u>
Unrestricted (Deficit)	<u>(16,515,291.00)</u>	<u>(16,880,162.58)</u>
Total Net Position	<u>\$ 28,212,608.77</u>	<u>\$ 26,554,910.02</u>

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

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Comparative Statements of Revenues, Expenses and Changes in Net Position
 For the Fiscal Years Ended February 29, 2020 and February 28, 2019

	<u>Feb. 29, 2020</u>	<u>Feb. 28, 2019</u>
Operating Revenues:		
Service Charges	\$ 5,457,266.38	\$ 5,435,792.69
Service Agreements	1,718,167.13	1,693,173.14
Connection Fees	88,050.00	92,800.00
Miscellaneous Charges	439,781.80	488,322.03
	<hr/>	<hr/>
Total Operating Revenues	7,703,265.31	7,710,087.86
	<hr/>	<hr/>
Operating Expenses:		
Administrative Expenses:		
Salaries and Wages	592,880.17	613,447.33
Fringe Benefits	208,821.83	440,267.30
Other	260,275.55	327,349.08
	<hr/>	<hr/>
	1,061,977.55	1,381,063.71
	<hr/>	<hr/>
Cost of Service:		
Salaries and Wages	1,759,065.24	1,786,526.18
Fringe Benefits	474,602.45	980,032.35
Other	1,174,834.73	1,148,974.61
	<hr/>	<hr/>
	3,408,502.42	3,915,533.14
	<hr/>	<hr/>
Major Repairs and Other Expenses	245,573.92	183,310.18
Depreciation	882,034.37	1,003,161.26
	<hr/>	<hr/>
Total Operating Expenses	5,598,088.26	6,483,068.29
	<hr/>	<hr/>
Operating Income	2,105,177.05	1,227,019.57
	<hr/>	<hr/>
Non-operating Revenue (Expenses):		
Investment Income	112,857.00	102,676.56
Net Unemployment Claims	16,344.15	16,343.61
Loss on Disposal of Capital Assets	(1,213.07)	(18,458.32)
Net Reserve for System Improvements	(711.76)	11,178.60
Net Reserve for Payment of Bond & Loan		
Principal and Interest	(275.43)	408.54
Bond and Loan Interest	(71,020.23)	(90,290.24)
Per Township Agreement - Excess Funds		
Due to Township of Gloucester	(300,932.37)	(270,022.47)
Municipal Appropriation	(247,600.00)	(240,000.00)
	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	(492,551.71)	(488,163.72)
	<hr/>	<hr/>
Income Before Contributions (Carried Forward)	1,612,625.34	738,855.85

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Comparative Statements of Revenues, Expenses and Changes in Net Position
 For the Fiscal Years Ended February 29, 2020 and February 28, 2019

	<u>Feb. 29, 2020</u>	<u>Feb. 28, 2019</u>
Income Before Contributions (Brought Forward)	\$ 1,612,625.34	\$ 738,855.85
Contributions -- Capital Assets	<u>45,073.41</u>	<u>206,712.00</u>
Change in Net Position	<u>1,657,698.75</u>	<u>945,567.85</u>
Net Position - Beginning	26,554,910.02	25,609,342.17
Net Position, End of Year:		
Net Investment in Capital Assets	\$ 41,865,543.12	\$ 40,546,101.15
Restricted	\$ 2,862,356.65	\$ 2,888,971.45
Unrestricted (Deficit)	<u>\$ (16,515,291.00)</u>	<u>\$ (16,880,162.58)</u>

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

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Comparative Statements of Cash Flows
 For the Fiscal Years Ended February 29, 2020 and February 28, 2019

	<u>Feb. 29, 2020</u>	<u>Feb. 28, 2019</u>
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 5,861,283.06	\$ 5,626,362.95
Receipts from Township	1,940,018.00	1,767,707.71
Payments to Suppliers	(3,098,766.59)	(2,939,208.67)
Payments to Employees	(2,351,945.41)	(2,399,973.51)
Other Operating Receipts	383,123.23	416,122.71
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	2,733,712.29	2,471,011.19
	<hr/>	<hr/>
Cash Flows from Noncapital Financing Activities:		
Contribution to Township of Gloucester - Municipal Appropriation	(240,000.00)	(240,000.00)
Planning Escrow Activity	3,374.31	10,962.23
	<hr/>	<hr/>
Cash Flows Used in Noncapital Financing Activities	(236,625.69)	(229,037.77)
	<hr/>	<hr/>
Cash Flows from Capital and Related Financing Activities:		
N.J.E.I.T. Loan Proceeds		579,766.00
Capital Acquisitions	(1,474,005.75)	(425,871.70)
Developer's Contributions - System Upgrades	(711.76)	11,178.60
Excess Funds Transferred to Township	(270,022.47)	(522,016.05)
Interest Earned on Investments - Reserved to Pay Debt Service	41,724.57	51,408.54
Debt Service:		
Principal	(735,785.26)	(1,471,621.98)
Interest	(125,820.02)	(174,287.52)
	<hr/>	<hr/>
Net Cash Used in Capital and Related Financing Activities	(2,564,620.69)	(1,951,444.11)
	<hr/>	<hr/>
Cash Flows from Investing Activities:		
Interest on Investments	110,457.51	101,306.33
	<hr/>	<hr/>
Net Increase in Cash and Cash Equivalents	42,923.42	391,835.64
	<hr/>	<hr/>
Cash and Cash Equivalents--Beginning	8,026,937.69	7,635,102.05
	<hr/>	<hr/>
Cash and Cash Equivalents--Ending	<u>\$ 8,069,861.11</u>	<u>\$ 8,026,937.69</u>

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Comparative Statements of Cash Flows
 For the Fiscal Years Ended February 29, 2020 and February 28, 2019

	<u>Feb. 29, 2020</u>	<u>Feb. 28, 2019</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 2,105,177.05	\$ 1,227,019.57
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	882,034.37	1,003,161.26
Pension Liability Expense - GASB 68	(83,125.00)	74,391.00
OPEB Liability Expense - GASB 75	(561,098.09)	(18,293.00)
Change in Assets and Liabilities:		
(Increase) Decrease in Consumer Accounts Receivable	29,673.54	(21,802.72)
(Increase) Decrease in Due from Township	169,736.12	(23,098.06)
(Increase) Decrease in Refunds Receivable	7,131.92	(3,547.59)
(Increase) Decrease in Other Accounts Receivable	1,950.38	11,772.36
(Increase) Decrease in Prepaid Expenses	2,320.42	12,174.94
(Increase) Decrease in Due from Township - Restricted for Debt Service	70,432.87	71,768.86
Increase (Decrease) in Accounts Payable	(84,982.21)	13,701.42
Increase (Decrease) in Prepaid Rents	(10,971.66)	25,184.33
Increase (Decrease) in Overpayments		(5,698.89)
Increase (Decrease) in Unearned Revenue	42.08	40.86
Increase (Decrease) in Deferred Connection Fee Revenue	212,750.00	16,075.00
Increase (Decrease) in Accrued Liabilities	(115.25)	1,979.41
Increase (Decrease) in Reserve for Unemployment Claims	16,344.15	16,343.61
Increase (Decrease) in Compensated Absences Payable	(23,588.40)	69,838.83
Net Cash Provided by Operating Activities	<u>\$ 2,733,712.29</u>	<u>\$ 2,471,011.19</u>

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

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements
For the Fiscal Years Ended February 29, 2020 and February 28, 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Gloucester 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 Township of Gloucester (the "Township") is located in the western portion of the County of Camden, approximately 15 miles southeast of Philadelphia, Pennsylvania and 59 miles south of Trenton, New Jersey, and is bounded by the Borough of Runnemede on the north, the Boroughs of Lindenwold, Stratford and Pine Hill on the east, Winslow Township on the south and Deptford Township on the west.

The Township, by ordinance dated October 6, 1958 and amended November 29, 1963, created the Gloucester Township Municipal Utilities Authority (the "Authority"). The Authority is organized under P.L. 1957 C.183 of the laws of the State of New Jersey (the Act). The Act grants power to every municipality of the State by means and through agency of a municipal utilities authority to acquire, construct, maintain, operate or improve works for the accumulation, supply or distribution of water and works for the collection, treatment, purification or disposal of sewage or other wastes. A seven-member board governs the Authority. The Township Council appoints members of the Board for five-year terms on a staggered basis. The members of the Board oversee the Authority's operations.

The Authority operates and maintains a sewage collection system within the municipal boundaries of the Township. The sewerage is then passed on to the Camden County Municipal Utilities Authority (CCMUA) system. The CCMUA in turn is responsible for the treatment of all waste materials.

The Authority bills and collects for its services from all customers and is entitled to a connection fee for new hook-ups.

Under its solid waste department, the Authority provides curbside recycling for the Township under an Intra-Local Service agreement that is executed annually detailing the arrangements with the Township. In addition to its curbside recycling, the Authority collects grass and leaves throughout the Township and receives grass and leaves from other municipalities within the County at a compost facility that is operated and maintained by the Authority.

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 Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

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

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

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 Gloucester.

Basis of Presentation

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

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

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

Basis of Accounting

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

Revenues -- Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. Sewer and solid waste 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 year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

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

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

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

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

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

Cash, Cash Equivalents and Investments

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Cash, Cash Equivalents and Investments (Cont'd)**

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

Inventories

The Authority has determined that the inventories are immaterial and are not recorded in the financial statements.

Prepaid Expenses

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

Capital Assets

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets are stated at actual cost or estimated 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 fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Costs incurred during construction of an asset are recorded as construction in progress. In the fiscal year that the project is completed, these costs are transferred to Capital Assets - Completed. Interest costs incurred during construction are not capitalized into the cost of the asset.

Expenditures are capitalized when they meet the following requirements:

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

Depreciation

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

	<u>Years</u>
Buildings	30-40
Major Moveable Equipment	5-20
Vehicles	7
Infrastructure	40

Assets are recorded during the year by acquisition date and depreciation is calculated monthly from that date forward.

Loan Premiums

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

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

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

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Authority is required to report the following as deferred outflows of resources and deferred inflows of resources: loss on refunding of the Authority's 2008 New Jersey Environmental Infrastructure Trust loan by the Trust, connection fee funds received prior to providing sewer service, defined benefit pension plans and other postemployment benefit plans (OPEB).

Compensated Absences

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

Unearned Revenue

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

Pensions

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

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

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

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

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

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

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

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

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 (i.e., sewer service, connection fees and solid waste revenues) and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts, net unemployment claims and deposits for system improvements.

Operating expenses include expenses associated with the operation, maintenance and repair of the sewer system, solid waste operations and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt and amounts payable to the Township of Gloucester.

Accounting Estimates

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

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

For the fiscal year ended February 29, 2020, the Authority early adopted Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The adoption of this Statement has impacted the fiscal year that the Authority will adopt several of the statements listed in the recently issued accounting pronouncements below.

Recently Issued Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following Statements which will become effective in future fiscal years as shown below:

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. This Statement originally would have effected the Authority in the fiscal year ending February 29, 2020, but in May 2020, the Governmental Accounting Standards Board issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* that delayed the implementation dates for several Statements. This Statement will become effective for the Authority in the fiscal year ending February 28, 2021. Management does not expect this Statement will have an impact on the 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. This Statement originally would have effected the Authority in the fiscal year ending February 29, 2020, but in May 2020, the Governmental Accounting Standards Board issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* that delayed the implementation dates for several Statements. This Statement will become effective for the Authority in the fiscal year ending February 28, 2021. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement originally would have effected the Authority in the fiscal year ending February 28, 2021, but in May 2020, the Governmental Accounting Standards Board issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* that delayed the implementation dates for several Statements. This Statement will become effective for the Authority in the fiscal year ending February 28, 2023. 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. 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. This Statement originally would have effected the Authority in the fiscal year ending February 29, 2020, but in May 2020, the Governmental Accounting Standards Board issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* that delayed the implementation dates for several Statements. This Statement will become effective for the Authority in the fiscal year ending February 28, 2021. 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 effected the Authority in the fiscal year ending February 28, 2021, but in May 2020, the Governmental Accounting Standards Board issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* that delayed the implementation dates for several Statements. This Statement will become effective for the Authority in the fiscal year ending February 28, 2022. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 90, *Major Equity Interests*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement originally would have effected the Authority in the fiscal year ending February 29, 2020, but in May 2020, the Governmental Accounting Standards Board issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* that delayed the implementation dates for several Statements. This Statement will become effective for the Authority in the fiscal year ending February 28, 2021. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement originally would have effected the Authority in the fiscal year ending February 28, 2022, but in May 2020, the Governmental Accounting Standards Board issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* that delayed the implementation dates for several Statements. This Statement will become effective for the Authority in the fiscal year ending February 28, 2023. 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. 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 are effective for the Authority in the fiscal year ending February 28, 2022. However, with the issuance of Statement 95, the requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for the Authority in the fiscal year ending February 28, 2023.
3. The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for the Authority in the fiscal year ending February 28, 2022. However, with the issuance of Statement 95, the requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for the Authority in the fiscal year ending February 28, 2023.
4. The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for the Authority in the fiscal year ending February 28, 2022. However, with the issuance of Statement 95, the requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for the Authority in the fiscal year ending February 28, 2023.

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

Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. This Statement will become effective for the Authority in the fiscal year ending February 28, 2022. GASB Statement 95 changed the effective date for paragraphs 13 and 14 to the fiscal year ending February 28, 2023. 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 fiscal year ending February 29, 2024. 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 fiscal year ending February 29, 2024. 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 1993 Bond Resolution. A summary of the activities of each account created by the Bond Resolution is covered below.

Revenue Account - All revenues collected by the Authority are required to be deposited in the Revenue Account. A balance equal to an amount for operating expenses for the ensuing three months is maintained in the Revenue Account. In each quarter commencing with February 15th of each year, the Trustee to the extent that monies are available, is required to transfer or credit to the following accounts: Operating, Sinking/Debt Service, Debt Service Reserve and Renewal and Replacement.

Debt Service Account - This fund is maintained to pay maturing interest and principal on the New Jersey Environmental Infrastructure Trust Loans of the Authority. On or before February 15, May 15, August 15 and November 15 amounts equal to a pro rata portion of the Debt Service Requirement for the immediately ensuing Interest Payment Date plus a pro rata portion of the amount necessary to pay the maturing Loan principal should be deposited from the Revenue Account into this Account.

Debt Service Reserve Account - The amount of funds on deposit must be maintained at a level equal to the maximum annual debt service for the 2001 New Jersey Environmental Infrastructure Loans outstanding. In accordance with the Authority's bond resolution, an amount totaling \$149,706.79 was restricted by the Authority and deposited with the Authority's trustee. This amount satisfies the debt service reserve requirement.

Debt Service Reserve Account (Cont'd) - Funding of the debt service reserve requirement for the 2004 New Jersey Environmental Infrastructure Loans has been provided by the New Jersey Environmental Infrastructure Trust. The debt service reserve fund contribution for the 2004 loan was \$178,776.61. These funds were deposited with an agent for the Trust and will be returned to the Trust upon maturity of the loans. The 2008 loan, refunded by the 2016 loan, the 2010 loan and 2017 loan were issued as subordinate debt under the General Bond Resolution and shall be payable out of and secured by a subordinate pledge of gross revenues and there was no deposit required into the Debt Service Reserve Fund.

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

Renewal and Replacement Account - All excess funds of the Authority are recorded in the Renewal and Replacement account. Amounts may be withdrawn from this account for costs necessary with respect to the System for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals. Funds on deposit must be equal to the System Reserve Requirement, currently established at \$500,000.00. The System Reserve Requirement is established by the Consulting Engineer's Certificate most recently filed with the Trustee or five percent of the Gross Revenues set forth in the Authority's then-current budget.

Construction Account - The Construction account is designated as depository for moneys from any source including proceeds from the sale of additional bonds for the construction or acquisition to the system. All moneys in the Construction account are pledged to secure the principal or redemption price and interest on the Bonds. Currently, there is no balance or required balance for the Construction Account.

Rebate Account - This account was established for the purpose of paying to the United States any rebatable arbitrage. All amounts in this account shall be held by the Trustee free and clear of any liens created by the Bond resolution. Currently, there is no balance or required balance for the rebate account.

Other Restricted Accounts - In addition to those accounts required by the trust indentures, an escrow fund and an unemployment trust account are maintained to hold monies that are being held in trust for others.

Debt Service Coverage

Section 6.10 of the 1993 Bond Resolution requires certain ratios of Net Revenues to Debt Service. Compliance with this covenant is calculated as follows:

	<u>Bond Year Ending March 1</u>	
	<u>2020</u>	<u>2019</u>
<u>1993 Revenue Bond Resolution</u>		
Operating Revenue	\$ 7,703,265.31	\$ 7,710,087.86
Interest Revenue	<u>112,857.00</u>	<u>102,676.56</u>
Total Revenues	<u>7,816,122.31</u>	<u>7,812,764.42</u>
Operating Expenses:		
Administrative	1,061,977.55	1,381,063.71
Cost of Service	<u>3,408,502.42</u>	<u>3,915,533.14</u>
Total Operating Expenses	<u>4,470,479.97</u>	<u>5,296,596.85</u>
Excess of Revenues	3,345,642.34	2,516,167.57
110% of Current Fiscal Year's Annual Debt Service Requirement	<u>899,984.56</u>	<u>905,601.95</u>
Excess of Revenues	<u>\$ 2,445,657.78</u>	<u>\$ 1,610,565.62</u>
Percentage of Net Revenues to Debt Service	409%	306%

The ratio for bond years ending March 1, 2020 and 2019 meets the required debt service coverage of 110% required under the 1993 Bond Resolution. The bond years ending March 1, 2020 and 2019 include the Authority's five New Jersey Environmental Infrastructure Loans.

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

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

As of February 29, 2020 and February 28, 2019, the Authority's bank balances were exposed to custodial credit risk as follows:

	<u>2020</u>	<u>2019</u>
Insured by FDIC	\$ 500,000.00	\$ 500,000.00
Insured by GUDPA	7,660,302.24	6,883,380.96
Uninsured and Uncollateralized	<u>39,088.18</u>	<u> </u>
Total Bank Balance	<u>\$ 8,199,390.42</u>	<u>\$ 7,383,380.96</u>

Service Fees

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Billings</u>	<u>Total Collections</u>	<u>Percentage of Collections</u>
2020	\$ 373,528.90	\$ 5,457,266.38	\$ 5,486,939.92	94.10%
2019	351,726.18	5,435,792.69	5,413,989.97	93.55%
2018	424,801.15	5,409,858.78	5,482,933.75	93.97%

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

During the fiscal year ended February 29, 2020, the following changes in Capital Assets - Completed occurred:

	Balance Feb. 28, 2019	Additions	Disposals	Balance Feb. 29, 2020
Capital Assets Not Being Depreciated:				
Land	\$ 214,000.00	\$ 280,015.58	\$ -	\$ 494,015.58
Capital Assets Being Depreciated:				
Buildings and Improvements	2,359,515.87	164,453.59		2,523,969.46
Moveable Equipment	2,109,205.35	17,920.88	12,130.50	2,114,995.73
Vehicles	1,724,630.16	60,314.00		1,784,944.16
Infrastructure	64,028,979.88	588,270.02		64,617,249.90
Total Capital Assets Being Depreciated	70,222,331.26	830,958.49	12,130.50	71,041,159.25
Total Capital Assets	70,436,331.26	1,110,974.07	12,130.50	71,535,174.83
Less: Accumulated Depreciation	25,047,030.96	882,034.37	10,917.43	25,918,147.90
	<u>\$ 45,389,300.30</u>	<u>\$ 228,939.70</u>	<u>\$ 1,213.07</u>	<u>\$ 45,617,026.93</u>

During the fiscal year ended February 28, 2019, the following changes in Capital Assets – Completed occurred:

	Balance Feb. 28, 2018	Additions	Disposals	Balance Feb. 28, 2019
Capital Assets Not Being Depreciated:				
Land	\$ 214,000.00	\$ -	\$ -	\$ 214,000.00
Capital Assets Being Depreciated:				
Buildings and Improvements	2,359,515.87			2,359,515.87
Moveable Equipment	2,057,768.56	218,077.82	166,641.03	2,109,205.35
Vehicles	1,724,630.16			1,724,630.16
Infrastructure	63,808,264.84	222,136.72	1,421.68	64,028,979.88
Total Capital Assets Being Depreciated	69,950,179.43	440,214.54	168,062.71	70,222,331.26
Total Capital Assets	70,164,179.43	440,214.54	168,062.71	70,436,331.26
Less: Accumulated Depreciation	24,193,474.09	1,003,161.26	149,604.39	25,047,030.96
	<u>\$ 45,970,705.34</u>	<u>\$ (562,946.72)</u>	<u>\$ 18,458.32</u>	<u>\$ 45,389,300.30</u>

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

In May 2016, the New Jersey Environmental Infrastructure Trust (N.J.E.I.T.) refunded \$1,260,000.00 of the Authority's 2008 N.J.E.I.T. Trust Loan. The N.J.E.I.T. issued \$1,132,000.00 in 2016 bonds, along with a premium totaling \$275,943.48, of which \$1,400,697.77 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 and pay associated debt issue costs. As a result, the refunded loan is considered to be defeased and the liability has been removed from the financial statements. At February 29, 2020, \$1,160,000.00 of 2008 N.J.E.I.T. loan 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 \$141,525.87. 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 a systematic and rational method. The advance refunding was undertaken to reduce total debt payments over the next 12 fiscal years by \$233,576.39 and to obtain a present value economic gain of \$212,852.15.

Note 5: DETAIL NOTES – LIABILITIES**Long-term Liabilities**

During the fiscal year ended February 29, 2020, the following changes occurred in long-term obligations:

	<u>Balance</u> <u>Feb. 28, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Feb. 29, 2020</u>	<u>Due Within</u> <u>One Year</u>
Bonds and Loans Payable:					
NJEIT Loans	\$ 6,502,567.53		\$ (735,785.26)	\$ 5,766,782.27	\$ 755,050.15
Issuance Premiums	230,668.74		(22,248.90)	208,419.84	
Total Bonds and Loans Payable	6,733,236.27	\$ -	(758,034.16)	5,975,202.11	755,050.15
Other Liabilities					
Net Pension Liability	5,331,610.00	3,150,021.00	(3,809,985.00)	4,671,646.00	
Net OPEB Obligation	9,608,503.00	5,310,329.39	(7,015,739.39)	7,903,093.00	
Other Liabilities -					
Related to Pension	179,562.00		(11,433.00)	168,129.00	
Compensated Absences	218,837.60	14,935.07	(38,523.47)	195,249.20	47,557.15
Total Other Liabilities	15,338,512.60	8,475,285.46	(10,875,680.86)	12,938,117.20	47,557.15
Total Long Term Liabilities	\$ 22,071,748.87	\$ 8,475,285.46	\$ (11,633,715.02)	\$ 18,913,319.31	\$ 802,607.30

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Long-term Liabilities (Cont'd)**

During the fiscal year ended February 28, 2019, the following changes occurred in long-term obligations:

	Balance Feb. 28, 2018 <u>Restated</u>	Additions	Reductions	Balance Feb. 28, 2019	Due Within One Year
Bonds and Loans Payable:					
Bonds Payable	\$ 750,000.00		\$ (750,000.00)		
NJEIT Loans	7,224,189.51		(721,621.98)	\$ 6,502,567.53	\$ 735,785.26
Issuance Premiums	252,917.63		(22,248.89)	230,668.74	
Total Bonds and Loans Payable	8,227,107.14	\$ -	(1,493,870.87)	6,733,236.27	735,785.26
Other Liabilities					
Net Pension Liability	6,052,429.00	3,439,456.00	(4,160,275.00)	5,331,610.00	
Net OPEB Obligation	11,977,680.00	2,972,798.06	(5,341,975.06)	9,608,503.00	
Accrued Liabilities -					
Related to Pension	160,576.00	18,986.00		179,562.00	
Compensated Absences	148,998.77	93,948.76	(24,109.93)	218,837.60	42,146.51
Total Other Liabilities	18,339,683.77	6,525,188.82	(9,526,359.99)	15,338,512.60	42,146.51
Total Long Term Liabilities	\$ 26,566,790.91	\$ 6,525,188.82	\$ (11,020,230.86)	\$ 22,071,748.87	\$ 777,931.77

Compensated Absences

Authority employees are entitled to fifteen (15) paid sick leave days each year. Unused sick leave may be accumulated and carried forward to subsequent years, up to a maximum of forty-five (45) days. Vacation days not used during the year may not be accumulated and carried forward; however, employees have until March 31 of the succeeding year to use any unused vacation days from the prior year. Authority employees are permitted to sell back a maximum of fifteen sick days a year. Upon separation in good standing or retirement from the Authority, the employee may sell back up to forty-five accumulated sick days at the time of departure or retirement. Any employee hired after March 1, 2010 shall be limited to thirty (30) days upon separation of service or retirement. The payout at the time of separation or retirement shall be paid at the salary level in effect for the employee at that time.

Authority employees are also entitled to compensatory time, which is defined as paid time away from the job that is earned and accrued by an employee in lieu of cash payment for overtime, which is accrued at the rate of no less than one and one half hours of compensatory time for each hour of overtime worked. Accrued compensatory time can be paid out at time of good separation or retirement from Authority. Employees cannot accrue more than 240 hours of compensatory time, and any employee engaged in public safety activity, emergency response activity, or seasonal activity cannot accrue more than 480 hours of compensatory time. The accrued liability for accumulated sick time and compensatory time at February 29, 2020 and February 28, 2019 is estimated at \$195,249.20 and \$218,837.60, respectively.

Net Pension Liability

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

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Net OPEB Liability**

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

Pension Plans

A substantial number of the Authority's employees participate in the Public Employees' Retirement System ("PERS"), a defined benefit pension plan, which is administered by the New Jersey Division of Pensions and Benefits ("the Division"). In addition, Authority employees may participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. The DCRP pension plan is administered by Prudential Financial for the Division. Each pension 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 pension plan's fiduciary net position which can be obtained by writing to or at the following website:

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

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

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

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

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

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. 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:

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

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

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

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

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

The Authority's contractually required contribution rate for the fiscal years ended February 29, 2020 and February 28, 2019 was 12.87% and 14.64% of the Authority's covered payroll, respectively. These amounts were actuarially determined as an amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the fiscal year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2019, the Authority's contractually required contribution to the pension plan for the fiscal year ended February 29, 2020 was \$252,193.00, and was payable by April 1, 2020. Based on the PERS measurement date of June 30, 2018, the Authority's contractually required contribution to the pension plan for the fiscal year ended February 28, 2019 was \$269,343.00, which was paid by April 1, 2019. Employee contributions to the Plan during the fiscal years ended February 29, 2020 and February 28, 2019 were \$150,472.65 and \$139,552.22, respectively.

Defined Contribution Retirement Program - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, DCRP members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Authority contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the fiscal years ended February 29, 2020 and February 28, 2019, employee contributions totaled \$239.28 and \$239.28, respectively. The Authority recognized pension expense of \$176.16 and \$176.16 for the fiscal years ended February 29, 2020 and February 28, 2019, which equaled the required contributions. There were no forfeitures during the fiscal year.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****General Information about the Pension Plans (Cont'd)****Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS**

At February 29, 2020, the Authority's proportionate share of the net pension liability was \$4,671,646.00. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2019. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2019 measurement date, the Authority's proportion was 0.0259269652%, which was a decrease of 0.0011514755% from its proportion measured as of June 30, 2018.

At February 28, 2019, the Authority's proportionate share of the net pension liability was \$5,331,610.00. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2018 measurement date, the Authority's proportion was 0.0270784407%, which was an increase of 0.0010782499% from its proportion measured as of June 30, 2017.

For the fiscal years ended February 29, 2020 and February 28, 2019, the Authority recognized pension expense (benefit) of \$315,254.00 and \$191,796.00, respectively. These amounts were based on the plan's June 30, 2019 and 2018 measurement dates, respectively.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Pension Liabilities, Pension Expense (Benefit), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to PERS – PERS (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources - At February 29, 2020 and February 28, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>February 29, 2020</u>		<u>February 28, 2019</u>	
	Measurement Date June 30, 2019		Measurement Date June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 83,850.00	\$ 20,637.00	\$ 101,675.00	\$ 27,492.00
Changes of Assumptions	466,481.00	1,621,513.00	878,561.00	1,704,765.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	73,744.00	-	50,011.00
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	391,976.00	310,902.00	550,760.00	239,228.00
Authority Contributions Subsequent to the Measurement Date	168,129.00	-	179,562.00	-
	<u>\$ 1,110,436.00</u>	<u>\$ 2,026,796.00</u>	<u>\$ 1,710,558.00</u>	<u>\$ 2,021,496.00</u>

The deferred outflows of resources related to pensions totaling \$168,129.00 and \$179,562.00 will be included as a reduction of the net pension liability in the fiscal years ended February 28, 2021 and February 29, 2020, respectively. This amount is based on an estimated April 1, 2021 and April 1, 2020 contractually required contribution, prorated from the pension plans measurement date of June 30, 2019 and June 30, 2018 to the Authority's fiscal year end of February 29, 2020 and February 28, 2019.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Pension Liabilities, Pension Expense (Benefit), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)**

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

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

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Pension Liabilities, Pension Expense (Benefit), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)**

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

<u>Fiscal Year Ending</u>	
February 29, 2020	\$ (135,149.00)
February 28, 2021	(353,774.00)
February 28, 2022	(359,885.00)
February 28, 2023	(206,327.00)
February 29, 2024	(29,354.00)
	<u>\$ (1,084,489.00)</u>

Actuarial Assumptions – PERS

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

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

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Actuarial Assumptions – PERS (Cont'd)**

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

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

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

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Actuarial Assumptions – PERS (Cont'd)**

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

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

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Actuarial Assumptions – PERS (Cont'd)**

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

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

The following presents the Authority's proportionate share of the net pension liability at June 30, 2019, the pension plans measurement date, calculated using a discount rate of 6.28%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	February 29, 2020		
	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 5,901,048.00</u>	<u>\$ 4,671,646.00</u>	<u>\$ 3,635,700.00</u>

The following presents the Authority's proportionate share of the net pension liability at June 30, 2018, the pension plans measurement date, calculated using a discount rate of 5.66%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	February 28, 2019		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 6,703,885.00</u>	<u>\$ 5,331,610.00</u>	<u>\$ 4,180,359.00</u>

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****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. For additional information about PERS, please refer to the pension plan's Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

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

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

The Plan provides medical and prescription drug 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.

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 OPEB Plan (Cont'd)**

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

The Authority was billed monthly by the Plan and for the fiscal years ended February 29, 2020 and February 28, 2019, the Authority paid \$116,124.96 and \$178,608.93, respectively. These amounts represent 7.91% and 9.71% of the Authority's covered payroll. During the fiscal years ended February 29, 2020 and February 28, 2019, retirees were not required to contribute to the Plan.

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

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

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

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

OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

OPEB Liability - At February 29, 2020, the Authority's proportionate share of the net OPEB liability was \$6,904,432.00. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The Authority's proportion of the net OPEB liability was based on the ratio of the plan members of an individual employer to the total members of the Plan during the measurement period July 1, 2018 through June 30, 2019. For the June 30, 2019 measurement date, the Authority's proportion was 0.050970% which was a decrease of 0.006000% from its proportion measured as of the June 30, 2018 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 Liability (Cont'd) -At February 28, 2019, the Authority's proportionate share of the net OPEB liability was \$8,925,272.00. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. 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, 2017 through June 30, 2018. For the June 30, 2018 measurement date, the Authority's proportion was 0.056970% which was an increase of 0.001688% from its proportion measured as of the June 30, 2017 measurement date.

OPEB (Benefit) Expense - At February 29, 2020, the Authority's proportionate share of the OPEB (benefit) expense, calculated by the Plan as of the June 30, 2019 measurement date is (\$344,300.00). As previously mentioned, for the fiscal year ended February 29, 2020, the Authority made contributions to the Plan totaling \$116,124.96.

At February 28, 2019, the Authority's proportionate share of the OPEB (benefit) expense, calculated by the Plan as of the June 30, 2018 measurement date is \$237,458.00. As previously mentioned, for the fiscal year ended February 28, 2019, the Authority made contributions to the Plan totaling \$178,608.93.

Deferred Outflows of Resources and Deferred Inflows of Resources - At February 29, 2020 and February 28, 2019, the Authority had deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	<u>February 29, 2020</u>		<u>February 28, 2019</u>	
	<u>Measurement Date</u> <u>June 30, 2019</u>		<u>Measurement Date</u> <u>June 30, 2018</u>	
	<u>Deferred</u> <u>Outflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Inflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Outflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Inflows</u> <u>of Resources</u>
Differences between Expected and Actual Experience	\$ -	\$ 2,019,125.00	\$ -	\$ 1,812,149.00
Changes of Assumptions	-	2,446,777.00	-	2,264,012.00
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	5,687.00	-	4,717.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	288,753.00	1,989,729.00	335,781.00	947,908.00
Authority Contributions Subsequent to the Measurement Date	89,424.09	-	-	-
	<u>\$ 383,864.09</u>	<u>\$ 6,455,631.00</u>	<u>\$ 340,498.00</u>	<u>\$ 5,024,069.00</u>

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 deferred outflows of resources related to OPEB totaling \$89,424.00 was the result of the Authority contributions subsequent to the Plan's measurement date of June 30, 2019. This amount will be included as a reduction of the Authority's net OPEB liability during the fiscal year ending February 28, 2021. The Authority reported no deferred outflows of resources resulting from Authority contributions subsequent to the measurement date that would be included as a reduction of the Authority's net OPEB liability in the fiscal year ending February 28, 2019.

The Authority will amortize the other deferred outflow of resources and deferred inflows of resources related to the OPEB liability over the following number of years:

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

Note 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>Fiscal Year Ending</u>	
February 28, 2021	\$ (1,006,372.00)
February 28, 2022	(1,006,372.00)
February 28, 2023	(1,006,818.00)
February 29, 2024	(1,007,539.00)
February 28, 2025	(1,008,197.00)
Thereafter	(1,125,893.00)
	<u>\$ (6,161,191.00)</u>

Actuarial Assumptions

The actuarial valuation at June 30, 2019 and 2018 used the following actuarial assumptions, applied to all periods in the measurement:

	<u>Measurement Date June 30, 2019</u>	<u>Measurement Date June 30, 2018</u>
Inflation Rate	2.50%	2.50%
Salary Increases *		
PERS:		
Initial Fiscal Year Applied:		
Rate Through 2026	2.00% to 6.00%	1.65% to 8.98%
Rate Thereafter	3.00% to 7.00%	2.65% to 9.98%

* The June 30, 2019 assumptions for salaries were based on years of service, and the June 30, 2018 assumptions for salaries were based on the defined benefit plan that the member is enrolled in and his or her age.

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

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

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)**

For the June 30, 2018 measurement date, Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Actuarial assumptions used in the July 1, 2017 valuation were based on the results of the PERS experience study prepared for July 1, 2011 to June 30, 2014.

100% of active members in both the June 30, 2019 and June 30, 2018 measurement dates are considered to participate in the Plan upon retirement.

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

Discount Rate - The discount rate used to measure the OPEB Liability at June 30, 2019 and 2018 were 3.50% and 3.87%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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

For the June 30, 2018 measurement date, the trend rate for pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)****Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

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

	February 29, 2020		
	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Authority's Proportionate Share of the Net OPEB Liability	<u>\$ 7,983,280.00</u>	<u>\$ 6,904,432.00</u>	<u>\$ 6,027,726.00</u>

The net OPEB liability as of June 30, 2018, the plans measurement date, for the Authority calculated using a discount rate of 3.87%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	February 28, 2019		
	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Authority's Proportionate Share of the Net OPEB Liability	<u>\$ 10,471,704.00</u>	<u>\$ 8,925,272.00</u>	<u>\$ 7,690,023.00</u>

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

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

	February 29, 2020		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Authority's Proportionate Share of the Net OPEB Liability	<u>\$ 5,826,490.00</u>	<u>\$ 6,904,432.00</u>	<u>\$ 8,279,529.00</u>

The Authority's proportionate share of the net OPEB Liability as of June 30, 2018, using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate used is as follows:

	February 28, 2019		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Authority's Proportionate Share of the Net OPEB Liability	<u>\$ 7,445,108.00</u>	<u>\$ 8,925,272.00</u>	<u>\$ 10,840,824.00</u>

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) – Authority Plan****General Information about the OPEB Plan****Plan Description and Benefits Provided**

The Authority also provides dental, prescription and vision coverage to retirees and their covered dependents. The plan is available to employees and their dependents upon retirement provided the employee has completed twenty five years of service and is at least age sixty. The reimbursements are administered by the Authority; therefore, payments are made directly by the Authority to the retirees. 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 February 29, 2020 and February 28, 2019, the following employees were covered by the benefit terms:

	<u>February 29, 2020</u>	<u>February 28, 2019</u>
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	16	15
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments		
Active Employees	<u>41</u>	<u>41</u>
	<u>57</u>	<u>56</u>

Contributions

Employees are not required to contribute to the plan.

Total OPEB Liability

The Authority's total OPEB liability of \$998,661.00 as of February 29, 2020 and \$683,231.00 as of February 28, 2019 was measured as of February 29, 2020. The liabilities were determined by an actuarial valuation as of the same date.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) – Authority Plan (Cont'd)****Net OPEB Liability (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>February 29, 2020</u>	<u>February 28, 2019</u>
Inflation	2.50% Annually	2.50% Annually
Salary Increases	3.00% Annually	3.00% Annually
Discount Rate	2.25%	4.10%
Healthcare Cost Trend Rates		
Dental Administrative Expenses	2.50%	2.50%
Dental and Vision	4.00%	4.00%
Prescription Reimbursement	1.50%	1.50%

The discount rate was based on the 20-Bond GO Index.

For the February 29, 2020 actuarial valuation, mortality rates were based on the following:

Pre-Retirement - U.S. Public Pension Plan Mortality (2010) Headcount – Weighted Healthy Employee Male / Female Mortality Projected with Scale MP-2019

Post-Retirement - U.S. Public Pension Plan Mortality (2010) Headcount – Weighted Healthy Annuitant Male / Female Mortality Projected with Scale MP-2019

Disabled - U.S. Public Pension Plan Mortality (2010) Headcount-Weighted Disabled Annuitant Male / Female Mortality Projected with Scale MP-2019

For the February 28, 2019 actuarial valuation, mortality rates were based on RP-2014 Headcount-Weighted Healthy Employee Male/Female Mortality Projected with Scale MP-2018.

Termination rates vary by age and service. 100% of future retirees will participate in the plan and 75% of future retirees are assumed to have spousal coverage.

An experience study was not performed on the actuarial assumptions used in the February 29, 2020 and February 28, 2019 valuations since the plan had insufficient data to produce a study with credible results. The actuary has used his/her professional judgement in applying these assumptions to this plan.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) – Authority Plan (Cont'd)****Changes in the Total OPEB Liability**

The following table shows the changes in the total OPEB liability for the fiscal years ended February 29, 2020 and February 28, 2019, respectively:

	<u>February 29, 2020</u>	<u>February 28, 2019</u>
Balance at Beginning of Year	\$ 683,231.00	\$ 691,424.00
Changes for the Year:		
Service Cost	10,406.00	10,281.00
Interest Cost	28,015.00	27,037.00
Benefit Payments	(20,690.00)	(16,883.00)
Changes of Assumptions	269,699.00	(22,482.00)
Differences Between Expected and Actual Demographic Experience	<u>28,000.00</u>	<u>(6,146.00)</u>
Net Changes	<u>315,430.00</u>	<u>(8,193.00)</u>
Balance at End of Year	<u><u>\$ 998,661.00</u></u>	<u><u>\$ 683,231.00</u></u>

There were no changes of benefit terms at February 29, 2020 and February 28, 2019. Changes in assumptions include the following:

Discount Rate – The rate changed from 4.10% at February 28, 2019 to 2.25% at February 29, 2020.

Mortality – The February 29, 2020 rates were based on the U.S. Public Pension Plan Mortality (2010) Headcount – Weighted Healthy Employee Male/Female, Weighted Healthy Annuitant Male/Female and Weighted Disabled Annuitant Male/Female - Mortality Projected with Scale MP-2019. The February 28, 2019 rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female Mortality Projected with Scale MP-2018.

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:

	<u>February 29, 2020</u>		
	1.00% Decrease (1.25%)	Current Discount Rate (2.25%)	1.00% Increase (3.25%)
Total OPEB Liability	<u>\$ 1,038,125.00</u>	<u>\$ 998,661.00</u>	<u>\$ 758,457.00</u>
	<u>February 28, 2019</u>		
	1.00% Decrease (3.10%)	Current Discount Rate (4.10%)	1.00% Increase (5.10%)
Total OPEB Liability	<u>\$ 793,119.00</u>	<u>\$ 683,231.00</u>	<u>\$ 593,762.00</u>

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 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:

February 29, 2020			
	<u>1.00% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1.00% Increase</u>
Total OPEB Liability	<u>\$ 883,093.00</u>	<u>\$ 998,661.00</u>	<u>\$ 1,104,293.00</u>

February 28, 2019			
	<u>1.00% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1.00% Increase</u>
Total OPEB Liability	<u>\$ 601,609.00</u>	<u>\$ 683,231.00</u>	<u>\$ 762,409.00</u>

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

For the fiscal years ended February 29, 2020 and February 28, 2019, the Authority recognized OPEB (benefit) expense of \$92,236.00 and \$31,593.00. At February 29, 2020 and February 28, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	February 29, 2020		February 28, 2019	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 215,759.00	\$ 16,757.00	\$ -	\$ 17,986.00
Plan Demographics	22,400.00	421.00	-	4,917.00
	<u>\$ 238,159.00</u>	<u>\$ 17,178.00</u>	<u>\$ -</u>	<u>\$ 22,903.00</u>

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

<u>Fiscal Year Ending</u>	
February 28, 2021	\$ 53,815.00
February 28, 2022	53,815.00
February 28, 2023	53,812.00
February 29, 2024	59,539.00
February 28, 2025	-
Thereafter	-
	<u>\$ 220,981.00</u>

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) – Summary of State and Authority Plans**

At February 29, 2020, the Authority reported deferred outflows of resources, net OPEB liability and deferred inflows of resources related to OPEB from the following sources:

	<u>Balance</u> <u>February 28, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>February 29, 2020</u>
Deferred Outflows of Resources - Related to OPEB				
State Plan	\$ 340,498.00	\$ 91,320.32	\$ (47,954.23)	\$ 383,864.09
Authority Plan	-	297,699.00	(59,540.00)	238,159.00
Total Deferred Outflows of Resources - Related to OPEB	<u>\$ 340,498.00</u>	<u>\$ 389,019.32</u>	<u>\$ (107,494.23)</u>	<u>\$ 622,023.09</u>
Net OPEB Liability				
State Plan	\$ 8,925,272.00	\$ 4,974,209.39	\$ (6,995,049.39)	\$ 6,904,432.00
Authority Plan	683,231.00	336,120.00	(20,690.00)	998,661.00
Total Net OPEB Liability	<u>\$ 9,608,503.00</u>	<u>\$ 5,310,329.39</u>	<u>\$ (7,015,739.39)</u>	<u>\$ 7,903,093.00</u>
Deferred Inflows of Resources - Related to OPEB				
State Plan	\$ 5,024,069.00	\$ 2,485,888.23	\$ (1,054,326.23)	\$ 6,455,631.00
Authority Plan	22,903.00	-	(5,725.00)	17,178.00
Total Deferred Inflows of Resources - Related to OPEB	<u>\$ 5,046,972.00</u>	<u>\$ 2,485,888.23</u>	<u>\$ (1,060,051.23)</u>	<u>\$ 6,472,809.00</u>

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) – Summary of State and Authority Plans (Cont'd)**

At February 28, 2019, the Authority reported deferred outflows of resources, net OPEB liability and deferred inflows of resources related to OPEB from the following sources:

	<u>Balance</u> <u>February 28, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>February 28, 2019</u>
Deferred Outflows of Resources - Related to OPEB				
State Plan	\$ 1,934.00	\$ 386,284.63	\$ (47,720.63)	\$ 340,498.00
Authority Plan	-	-	-	-
Total Deferred Outflows of Resources - Related to OPEB	<u>\$ 1,934.00</u>	<u>\$ 386,284.63</u>	<u>\$ (47,720.63)</u>	<u>\$ 340,498.00</u>
Net OPEB Liability				
State Plan	\$ 11,286,256.00	\$ 2,935,480.06	\$ (5,296,464.06)	\$ 8,925,272.00
Authority Plan	691,424.00	37,318.00	(45,511.00)	683,231.00
Total Net OPEB Liability	<u>\$ 11,977,680.00</u>	<u>\$ 2,972,798.06</u>	<u>\$ (5,341,975.06)</u>	<u>\$ 9,608,503.00</u>
Deferred Inflows of Resources - Related to OPEB				
State Plan	\$ 2,357,524.00	\$ 3,422,012.63	\$ (755,467.63)	\$ 5,024,069.00
Authority Plan	-	28,628.00	(5,725.00)	22,903.00
Total Deferred Inflows of Resources - Related to OPEB	<u>\$ 2,357,524.00</u>	<u>\$ 3,450,640.63</u>	<u>\$ (761,192.63)</u>	<u>\$ 5,046,972.00</u>

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**New Jersey Environmental Infrastructure Trust**

In November 2001, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$1,095,000.00 from the Trust and a \$1,095,500.00 from the Fund. The loan proceeds were used to fund a sewer system rehabilitation project. As of February 29, 2020, the Authority has drawn all of these funds.

The Fund Loan is a non-interest bearing loan with the first semi-annual principal payment paid August 1, 2003. The Trust Loan carries rates from 4.00% to 5.50%. Both loans have a final maturity of August 1, 2021.

In November 2004, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$2,110,000.00 from the Trust and a \$2,069,790.00 from the Fund. The loan proceeds were used to fund the continuation of a sewer system rehabilitation project. As of February 29, 2020, the Authority has drawn all of these funds.

The Fund Loan is a non-interest bearing loan with its semi-annual principal payment due August 1 and February 1. The Trust Loan carries rates from 3.00% to 5.00%. Both loans have a final maturity of August 1, 2024.

In November 2008, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling 1,960,000.00 from the Trust and a \$1,937,488.00 from the Fund. The loan proceeds were used to fund the continuation of a sewer system rehabilitation project, construct a new administration building and provide equipment for its composting facility. As of February 29, 2020, the Authority has drawn all of these funds.

The Fund Loan is a non-interest bearing loan with its semi-annual principal payment due August 1 and February 1. The Trust Loan carries rates from 5.00% to 5.50%. Both loans have a final maturity of August 1, 2028.

In November 2010, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$540,000.00 from the Trust and a \$1,653,750.00 from the Fund. The loan proceeds were used to fund the continuation of a sewer system rehabilitation project. As of February 29, 2020, the Authority has drawn down \$2,142,933.69. The loan proceeds not drawn by the Authority, totaling \$50,816.31, were de-obligated by the Trust and as a result, the corresponding receivable was canceled in fiscal year 2017.

The Fund Loan is a non-interest bearing loan with its semi-annual principal payment due August 1 and February 1. The Trust Loan carries rates from 3.00% to 5.00%. Both loans have a final maturity of August 1, 2029.

In May 2016, the Authority closed on a refunding loan from the New Jersey Environmental Infrastructure Trust totaling \$1,132,000.00 from the Trust. The loan proceeds are being used to refund \$1,260,000.00 of the Authority's 2008 Trust Loan. The Authority will receive "savings credits" that will offset future principal and interest payments.

The Trust Loan carries rates from 4.25% to 4.75% with its semi-annual principal and interest payments due August 1 and February 1. The loan has a final maturity of August 1, 2028.

In May 2017, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$320,000.00 from the Trust and a \$975,000.00 from the Fund. The loan proceeds were used to fund the continuation of a sewer system rehabilitation project. As of February 29, 2020, the Authority has drawn down all of these funds.

The Fund Loan is a non-interest bearing loan with its semi-annual principal payment due August 1 and February 1. The Trust Loan carries rates from 3.00% to 5.00%. Both loans have a final maturity of August 1, 2036.

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**New Jersey Environmental Infrastructure Trust (Cont'd)**

The following schedule reflects the Debt Service Requirements for all N.J.E.I.T. Loans until 2036.

Bond Year Ending March 1,	Principal	Interest	Total
2021	\$ 755,050.15	\$ 108,751.27	\$ 863,801.42
2022	764,677.71	91,113.77	855,791.48
2023	638,696.68	74,945.02	713,641.70
2024	645,481.81	60,651.27	706,133.08
2025	672,585.55	46,098.14	718,683.69
2026	401,952.89	34,413.76	436,366.65
2027	404,817.23	26,663.76	431,480.99
2028	415,482.85	19,073.76	434,556.61
2029	426,893.14	10,951.26	437,844.40
2030	165,635.64	5,668.76	171,304.40
2031	69,576.26	4,268.76	73,845.02
2032	69,576.26	3,668.76	73,245.02
2033	69,576.26	3,068.76	72,645.02
2034	69,576.26	2,456.26	72,032.52
2035	69,576.26	1,818.76	71,395.02
2036	69,576.26	1,168.76	70,745.02
2037	<u>58,051.06</u>	<u>421.88</u>	<u>58,472.94</u>
	5,766,782.27	<u>\$ 495,202.71</u>	<u>\$ 6,261,984.98</u>
Premium on Loan	208,419.84		
Current Portion	<u>(755,050.15)</u>		
Long Term	<u>\$ 5,220,151.96</u>		

Note 6: DETAIL NOTES – DEFERRED INFLOWS OF RESOURCES**Connection Fees**

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

Note 7: DETAIL NOTES – NET POSITION**Reserve for System Upgrades**

The Authority has several agreements with developers whose projects have connected to the Authority's system. These agreements require that money be deposited with the Authority for future costs that the Authority may incur as a result of the impact on the system by the developer's project. The Authority records these funds as "Reserve for System Upgrades".

Note 8: 1983 SERVICE CONTRACT

Under a Service Contract, dated October 24, 1983 between the Township of Gloucester and the Authority, the Township is obligated to pay to the Authority "amounts" equal to any deficits in Authority revenues necessary to pay or provide for (i) operation and maintenance expenses and administrative or other expenses of the Authority, (ii) the principal of and interest on bonds or notes of the Authority, (iii) the maintenance of such reserves as may be required by the General Bond Resolution or by any contract deemed necessary by the Authority, and (iv) amounts necessary to enable the Authority to comply with the terms of the General Bond Resolution.

Amounts referred to above are considered revenues if and when received under the General Bond Resolution.

Note 9: INTERGOVERNMENTAL AGREEMENTS

The Authority has entered into three agreements with the Township of Gloucester. The first agreement is for the collection of residential grass clippings. The Authority provides curbside collection from April to October. The second agreement is for recycling in the Township. The Authority provides curbside collection of recyclable material on a year round basis. The third agreement is for the operation and expansion of the Authority's compost facilities. The Township has agreed to provide the funding for this project. Each agreement is renewed annually.

Note 10: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded coverage for the past several years.

Note 11: CONTINGENCIES

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

Note 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 COVID-19 impact is 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

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

	Fiscal Year Ended		
	<u>February 29, 2020</u>	<u>February 28, 2019</u>	<u>February 28, 2018</u>
Total OPEB Liability			
Service Cost	\$ 10,406.00	\$ 10,281.00	\$ 9,886.00
Interest Cost	28,015.00	27,037.00	26,335.00
Benefit Payments	(20,690.00)	(16,883.00)	(20,361.00)
Actuarial Assumption Changes	269,699.00	(22,482.00)	
Actuarial Demographic Gains	28,000.00	(6,146.00)	
Net Change in Total OPEB Liability	315,430.00	(8,193.00)	15,860.00
Total OPEB Liability - Beginning of Fiscal Year	683,231.00	691,424.00	675,564.00
Total OPEB Liability - End of Fiscal Year	<u>\$ 998,661.00</u>	<u>\$ 683,231.00</u>	<u>\$ 691,424.00</u>
Covered-Employee Payroll	1,959,585.00	\$ 1,840,154.00	\$ 1,889,947.00
Total OPEB Liability as a Percentage of Covered-Employee Payroll	50.96%	37.13%	36.58%

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.

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

	Measurement Date Ended June 30,		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Authority's Proportion of the Net OPEB Liability	0.050970%	0.056970%	0.055282%
Authority's Proportionate Share of the Net OPEB Liability	<u>\$ 6,904,432.00</u>	<u>\$ 8,925,272.00</u>	<u>\$ 11,286,256.00</u>
Authority's Covered Payroll (Plan Measurement Period)	\$ 1,959,585.00	\$ 1,840,154.00	\$ 1,889,947.00
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	352.34%	485.03%	597.17%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.98%	1.97%	1.03%

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

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Required Supplementary Information
 Schedule of the Authority's OPEB Contributions - State Plan
 Last Three Fiscal Years

	Fiscal Year Ended		
	<u>February 29, 2020</u>	<u>February 28, 2019</u>	<u>February 28, 2018</u>
Authority's Required Contributions	\$ 116,124.96	\$ 178,608.93	\$ 219,442.97
Authority's Contributions in Relation to the Required Contribution	<u>(116,124.96)</u>	<u>(178,608.93)</u>	<u>(219,442.97)</u>
Authority's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll (Fiscal Year)	\$ 1,468,332.00	\$ 1,840,154.00	\$ 1,889,947.00
Authority's Contributions as a Percentage of Covered Payroll	7.91%	9.71%	11.61%

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.

GLOUCESTER 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 Seven Plan Years

	Measurement Date Ended June 30,			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's Proportion of the Net Pension Liability	0.0259269652%	0.0270784407%	0.0260001908%	0.0240242494%
Authority's Proportionate Share of the Net Pension Liability	\$ 4,671,646.00	\$ 5,331,610.00	\$ 6,052,429.00	\$ 7,115,294.00
Authority's Covered Payroll (Plan Measurement Period)	\$ 7,214,032.00	\$ 7,691,824.00	\$ 7,205,136.00	\$ 6,610,800.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	64.76%	69.32%	84.00%	107.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.27%	53.60%	48.10%	40.14%
	Measurement Date Ended June 30,			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	
Authority's Proportion of the Net Pension Liability	0.0234298649%	0.0275628306%	0.0270311242%	
Authority's Proportionate Share of the Net Pension Liability	\$ 5,259,535.00	\$ 5,160,516.00	\$ 5,166,185.00	
Authority's Covered Payroll (Plan Measurement Period)	\$ 6,396,464.00	\$ 7,510,848.00	\$ 5,582,880.00	
Authority's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	82.23%	68.71%	92.54%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%	

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

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

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

	Fiscal Year Ended			
	February 29, 2020	February 28, 2019	February 28, 2018	February 28, 2017
Authority's Contractually Required Contribution	\$ 252,193.00	\$ 269,343.00	\$ 240,864.00	\$ 213,428.00
Authority's Contributions in Relation to the Contractually Required Contribution	<u>(252,193.00)</u>	<u>(269,343.00)</u>	<u>(240,864.00)</u>	<u>(213,428.00)</u>
Authority's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll (Fiscal Year)	\$ 1,959,585.00	\$ 1,840,154.00	\$ 1,889,947.00	\$ 1,815,942.00
Authority's Contributions as a Percentage of Authority's Covered Payroll	12.87%	14.64%	12.74%	11.75%
	February 29, 2016	February 28, 2015	February 28, 2014	
Authority's Contractually Required Contribution	\$ 201,434.00	\$ 227,224.00	\$ 203,674.00	
Authority's Contributions in Relation to the Contractually Required Contribution	<u>(201,434.00)</u>	<u>(227,224.00)</u>	<u>(203,674.00)</u>	
Authority's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Authority's Covered Payroll (Fiscal Year)	\$ 1,697,126.00	\$ 1,631,933.00	\$ 1,829,983.00	
Authority's Contributions as a Percentage of Authority's Covered Payroll	11.87%	13.92%	11.13%	

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.

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Notes to Required Supplementary Information

For the Fiscal Year Ended February 29, 2020

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

Changes in Benefit Terms

None

Changes in Assumptions

Discount Rate:

For the fiscal year 2020, the discount rate changed from 4.10% as of February 28, 2019 to 2.25% as of February 29, 2020.

For the fiscal year 2019, the discount rate changed from 3.90% as of February 28, 2018 to 4.10% as of February 28, 2019.

Mortality Rates:

For the fiscal year 2020, the mortality rates utilized were the U.S. Public Pension Plan Mortality (2010) Headcount – Weighted Healthy Employee Male / Female Mortality Projected with Scale MP-2019, the U.S. Public Pension Plan Mortality (2010) Headcount – Weighted Healthy Annuitant Male / Female Mortality Projected with Scale MP-2019 and the U.S. Public Pension Plan Mortality (2010) Headcount-Weighted Disabled Annuitant Male / Female Mortality Projected with Scale MP-2019 which was a change from the mortality rates utilized for the fiscal year 2019 that were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female Mortality Projected with Scale MP-2018

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

Changes in Benefit Terms

In fiscal year 2020, there were slight changes to the Chapter 48 provisions.

Changes in Assumptions

In fiscal year 2020, the discount rate changed to 3.50% from 3.87%, and there were changes in the assumed health care cost trend, PPO/HMO future retiree elections, and excise tax assumptions. Further, decrements, salary scale, and mortality assumptions were updated based on the July 1, 2013 - June 30, 2018 PFRS and July 1, 2014 - June 30, 2018 PERS experience studies. For mortality related to PFRS members and retirees, the Pub-2010 "Safety" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019 was used. For mortality related to PERS members and retirees, the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019 was used.

In fiscal year 2019, the discount rate changed to 3.87% from 3.58%, there were changes in the census, claims and premiums experience and a decrease in the assumed health care cost trend and excise tax assumptions.

In fiscal year 2018, the discount rate changed to 3.58% from 2.85%.

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Notes to Required Supplementary Information

For the Fiscal Year Ended February 29, 2020

Note 3: POSTEMPLOYMENT BENEFITS – PENSION**Public Employees Retirement System (PERS)**Changes in Benefit Terms

None

Changes in Assumptions

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

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

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

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

SUPPLEMENTAL SCHEDULES

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Net Position by Department
As of February 29, 2020

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
ASSETS			
Current Assets:			
Unrestricted Assets:			
Cash and Cash Equivalents	\$ 1,647,724.31	\$ 348,734.69	\$ 1,996,459.00
Consumer Accounts Receivable	343,855.36		343,855.36
Refunds Receivable	4,485.24	1,576.27	6,061.51
Other Accounts Receivable	18,901.41	5,017.00	23,918.41
Due from Township of Gloucester		7,545.65	7,545.65
Prepaid Expenses	64,446.69	44,247.26	108,693.95
Total Unrestricted Assets	2,079,413.01	407,120.87	2,486,533.88
Restricted Assets:			
Debt Service Account:			
Cash and Cash Equivalents	601,613.31		601,613.31
Debt Service Reserve Account:			
Cash and Cash Equivalents	147,211.61		147,211.61
Renewal and Replacement Account:			
Cash and Cash Equivalents	4,915,502.19		4,915,502.19
Due from Township of Gloucester - Restricted for Debt Service		64,909.57	64,909.57
Other Accounts:			
Cash and Cash Equivalents	409,075.00		409,075.00
Total Restricted Assets	6,073,402.11	64,909.57	6,138,311.68
Total Current Assets	8,152,815.12	472,030.44	8,624,845.56
Capital Assets:			
Construction in Progress	1,416,823.06		1,416,823.06
Completed (Net of Accumulated Depreciation)	44,975,177.33	641,849.60	45,617,026.93
Total Capital Assets	46,392,000.39	641,849.60	47,033,849.99
Other Assets:			
Due from Township of Gloucester - Restricted for Debt Service	-	644,006.24	644,006.24
Total Assets	54,544,815.51	1,757,886.28	56,302,701.79
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Refunding of Loan	65,254.31	32,725.12	97,979.43
Related to OPEB	622,023.09		622,023.09
Related to Pensions	1,110,436.00		1,110,436.00
Total Deferred Outflows of Resources	1,797,713.40	32,725.12	1,830,438.52

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Net Position by Department
As of February 29, 2020

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
LIABILITIES			
Current Liabilities Payable from Unrestricted Assets:			
Accounts Payable--Operations	\$ 116,534.30	\$ 36,761.98	\$ 153,296.28
Accounts Payable--Related to Pensions	252,193.00		252,193.00
Prepaid Rental Charges	1,007,270.87		1,007,270.87
Unearned Revenue	2,281.37		2,281.37
Compensated Absences	32,246.64	15,310.51	47,557.15
Accrued Liabilities	28,291.51	70.25	28,361.76
	<hr/>	<hr/>	<hr/>
Total Current Liabilities Payable from Unrestricted Assets	1,438,817.69	52,142.74	1,490,960.43
	<hr/>	<hr/>	<hr/>
Current Liabilities Payable from Restricted Assets:			
Accounts Payable	49,089.75		49,089.75
Accounts Payable--Due to Township of Gloucester		300,932.37	300,932.37
N. J. Environmental Infrastructure Loans Payable -- Current Portion	690,140.58	64,909.57	755,050.15
Accrued Bond and Loan Interest Payable	8,966.79	1,676.96	10,643.75
Accrued Liabilities	8,710.60		8,710.60
Escrow Deposits	196,082.48		196,082.48
	<hr/>	<hr/>	<hr/>
Total Current Liabilities Payable from Restricted Assets	952,990.20	367,518.90	1,320,509.10
	<hr/>	<hr/>	<hr/>
Long-term Liabilities:			
N. J. Environmental Infrastructure Loans Payable	4,576,145.73	644,006.23	5,220,151.96
Net Pension Liability	4,671,646.00		4,671,646.00
OPEB Liability	7,903,093.00		7,903,093.00
Accrued Liabilities--Related to Pension	168,129.00		168,129.00
Compensated Absences	95,323.25	52,368.80	147,692.05
	<hr/>	<hr/>	<hr/>
Total Long-term Liabilities	17,414,336.98	696,375.03	18,110,712.01
	<hr/>	<hr/>	<hr/>
Total Liabilities	19,806,144.87	1,116,036.67	20,922,181.54
	<hr/>	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES			
Deferred Connection Fee Revenue	498,745.00		498,745.00
Related to OPEB	6,472,809.00		6,472,809.00
Related to Pensions	2,026,796.00		2,026,796.00
	<hr/>	<hr/>	<hr/>
Total Deferred Inflows of Resources	8,998,350.00	-	8,998,350.00
	<hr/>	<hr/>	<hr/>

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Net Position by Department
As of February 29, 2020

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
NET POSITION			
Net Investment in Capital Assets	\$ 41,190,968.39	\$ 674,574.73	\$ 41,865,543.12
Restricted for:			
Bond Covenants:			
Debt Service Reserve Requirement	149,706.79		149,706.79
Renewal and Replacement	500,000.00		500,000.00
Operating Requirement	1,854,976.75		1,854,976.75
Reserve for Payment of Bond Principal and Interest	656.13		656.13
Unemployment Claims	210,593.03		210,593.03
Reserve for System Upgrades	146,423.95		146,423.95
	2,862,356.65	-	2,862,356.65
Unrestricted (Deficit)	(16,515,291.00)	-	(16,515,291.00)
Total Net Position	\$ 27,538,034.04	\$ 674,574.73	\$ 28,212,608.77

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Revenues, Expenses and Changes in Net Position by Department
For the Fiscal Year Ended February 29, 2020

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Operating Revenues:			
Service Charges	\$ 5,457,266.38		\$ 5,457,266.38
Service Agreements		\$ 1,718,167.13	1,718,167.13
Connection Fees	88,050.00		88,050.00
Miscellaneous Charges	123,762.80	316,019.00	439,781.80
Total Operating Revenues	5,669,079.18	2,034,186.13	7,703,265.31
Operating Expenses:			
Administrative Expenses:			
Salaries and Wages	422,043.41	170,836.76	592,880.17
Fringe Benefits	151,509.34	57,312.49	208,821.83
Other	260,275.55		260,275.55
	833,828.30	228,149.25	1,061,977.55
Cost of Service:			
Salaries and Wages	1,002,159.93	756,905.31	1,759,065.24
Fringe Benefits	92,794.78	381,807.67	474,602.45
Other	818,690.68	356,144.05	1,174,834.73
	1,913,645.39	1,494,857.03	3,408,502.42
Major Repairs and Other Expenses	245,573.92		245,573.92
Depreciation	817,773.30	64,261.07	882,034.37
Total Operating Expenses	3,810,820.91	1,787,267.35	5,598,088.26
Operating Income	1,858,258.27	246,918.78	2,105,177.05
Non-operating Revenue (Expenses):			
Investment Income	112,857.00		112,857.00
Net Unemployment Claims	16,344.15		16,344.15
Loss on Disposal of Capital Assets	(1,213.07)		(1,213.07)
Net Reserve for System Improvements	(711.76)		(711.76)
Net Reserve for Payment of Loan			
Principal and Interest	(275.43)		(275.43)
Loan Interest	(57,136.63)	(13,883.60)	(71,020.23)
Per Township Agreement - Excess Funds			
Due to Township of Gloucester		(300,932.37)	(300,932.37)
Municipal Appropriation	(247,600.00)		(247,600.00)
Total Non-Operating Revenues (Expenses)	(177,735.74)	(314,815.97)	(492,551.71)
Income (Loss) Before Contributions	1,680,522.53	(67,897.20)	1,612,625.34
Contributions	42,232.01	2,841.40	45,073.41
Change in Net Position	1,722,754.54	(65,055.80)	1,657,698.75
Net Position, Beginning of Year	25,815,279.50	739,630.52	26,554,910.02
Net Position, End of Year:			
Net Investment in Capital Assets	\$ 41,190,968.39	\$ 674,574.73	\$ 41,865,543.12
Restricted	\$ 2,862,356.65	\$ -	\$ 2,862,356.65
Unrestricted (Deficit)	\$ (16,515,291.00)	\$ -	\$ (16,515,291.00)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Cash Equivalents
For the Fiscal Year Ended February 29, 2020

	Accounts Required by Bond Resolution							
	Revenue/Operating Accounts	Revenue	Debt Service Reserve	Debt Service	Renewal and Replacement	Other Accounts	Total	
Cash and Cash Equivalents								
Balance February 28, 2019	\$ 1,058,851.26	\$ 1,621,774.57	\$ 147,296.74	\$ 567,759.28	\$ 4,240,529.07	\$ 390,726.77	\$ 8,026,937.69	
Receipts:								
Service Fees	4,468,697.39						4,468,697.39	
Service Agreements	1,940,018.00						1,940,018.00	
Connection Fee Deposits	25,600.00						25,600.00	
Penalties on Delinquent Accounts -- Sewer	82,233.43						82,233.43	
Other Revenue -- Sewer	42,842.46						42,842.46	
Other Revenue -- Solid Waste	311,002.00						311,002.00	
Prepaid Sewer Rents	1,007,059.63						1,007,059.63	
Deferred Connection Fee Revenue	275,200.00						275,200.00	
Prepaid Land Lease Agreements	2,281.37						2,281.37	
Rent Overpayments	211.24						211.24	
Compost Sales Receivable	1,000.00						1,000.00	
Tipping Fees Receivable	2,415.00						2,415.00	
Other Accounts Receivable	25,863.77						25,863.77	
Refunds Receivable	13,193.43						13,193.43	
Accrued Liabilities	1,426.85						1,426.85	
Reserve for System Upgrades					56,590.50		56,590.50	
Planning Escrow Deposits						60,343.48	60,343.48	
Investment Income	13,748.34	30,435.37	2,167.18		64,106.62		110,457.51	
Payroll Deduction Payable	2,574,525.71						2,574,525.71	
Unemployment Account Deposits						27,578.28	27,578.28	
Reserve to Pay Future Debt Service				41,724.57			41,724.57	
Due to Unrestricted - Interest Receivable						2,399.49	2,399.49	
Transfers In	4,815,422.74	8,169,254.62		859,788.55	2,844,494.22		16,688,960.13	
Total Cash and Cash Equivalents Available	16,661,592.62	9,821,464.56	149,463.92	1,469,272.40	7,205,720.41	481,048.02	35,788,561.93	

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Cash Equivalents
For the Fiscal Year Ended February 29, 2020

		Accounts Required by Bond Resolution						
	Revenue/Operating Accounts	Revenue	Debt Service Reserve	Debt Service	Renewal and Replacement	Other Accounts	Total	
Disbursements:								
Budgetary Expenses:								
Sewer	\$ 3,463,197.45						\$ 3,463,197.45	
Solid Waste	1,660,628.83						1,660,628.83	
Prepaid Expenses	106,448.48						106,448.48	
Accounts Payable	268,540.17				\$ 11,228.07		279,768.24	
Payroll Deductions Payable	2,574,701.60						2,574,701.60	
Refunds Receivable	13,607.16						13,607.16	
Accrued Liabilities	1,366.21						1,366.21	
Loan Principal				\$ 735,785.26			735,785.26	
Loan Interest				125,820.02			125,820.02	
Transfers Out	8,155,777.00	\$ 8,242,331.28	\$ 2,252.31	6,053.81	281,175.50	\$ 1,370.23	16,688,960.13	
Capital Outlays:								
Expensed					196,484.17		196,484.17	
Capital Assets					851,128.67		851,128.67	
Construction in Progress					622,877.08		622,877.08	
Reserve for System Upgrades					57,302.26		57,302.26	
Due to Township of Gloucester					270,022.47		270,022.47	
Expenditures for Planning Escrow						59,368.66	59,368.66	
Unemployment Expenses						11,234.13	11,234.13	
Total Disbursements	16,244,266.90	8,242,331.28	2,252.31	867,659.09	2,290,218.22	71,973.02	27,718,700.82	
Cash and Cash Equivalents								
Balance February 29, 2020	\$ 417,325.72	\$ 1,579,133.28	\$ 147,211.61	\$ 601,613.31	\$ 4,915,502.19	\$ 409,075.00	\$ 8,069,861.11	

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Sewer Anticipated Revenues, Operating Appropriations and
Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
For the Fiscal Year Ended February 29, 2020

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Anticipated Revenues:			
Operating Revenues:			
Service Charges	\$ 4,677,161.00	\$ 5,457,266.38	\$ 780,105.38
Connection Fees	200,000.00	88,050.00	(111,950.00)
Other Revenue	173,500.00	123,762.80	(49,737.20)
Total Operating Revenues	5,050,661.00	5,669,079.18	618,418.18
Other Budget Revenues:			
Investment Income	17,000.00	112,857.00	95,857.00
Total Anticipated Revenues	5,067,661.00	5,781,936.18	714,275.18
Operating Appropriations:			
Administrative:			
Salaries and Wages:			
Boardmembers	30,450.00	31,175.00	(725.00)
Administrative Employees	198,500.00	198,155.20	344.80
Office Personnel	214,000.00	176,652.40	37,347.60
Overtime - Summer Help	8,000.00		8,000.00
Longevity	16,300.00	16,060.81	239.19
Total Salaries and Wages	467,250.00	422,043.41	45,206.59
Employee Benefits:			
Prescription	6,500.00	2,880.74	3,619.26
Dental	24,000.00	15,970.50	8,029.50
Hospitalization	262,000.00	204,070.21	57,929.79
Eye Care	4,500.00	2,326.90	2,173.10
Social Security Tax	36,000.00	32,987.24	3,012.76
Public Employees' Retirement System	52,850.00	53,741.86	(891.86)
Unemployment Insurance	500.00	587.66	(87.66)
Total Employee Benefits	386,350.00	312,565.11	73,784.89

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Sewer Anticipated Revenues, Operating Appropriations and
Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
For the Fiscal Year Ended February 29, 2020

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Administrative (Cont'd):			
Other Expenses:			
Services	\$ 4,000.00	\$ 2,341.63	\$ 1,658.37
Compliance Testing	2,000.00	1,607.00	393.00
Payroll Services	13,500.00	16,012.65	(2,512.65)
Postage and Envelopes	28,200.00	21,714.53	6,485.47
Stationery and Printing	14,000.00	8,987.05	5,012.95
Maintenance Contracts	15,000.00	14,967.56	32.44
Archiving	25,000.00		25,000.00
Supplies - Office	8,000.00	6,982.22	1,017.78
Equipment and Repairs	9,000.00	3,784.03	5,215.97
Auditor Fees	49,000.00	7,415.00	41,585.00
Trustee Fees	32,500.00	32,475.00	25.00
Solicitor Fees/Retainer	40,000.00	20,882.13	19,117.87
Engineer Fees/Retainer	35,200.00	31,095.95	4,104.05
Workers' Compensation Insurance	4,400.00		4,400.00
Auto Insurance	650.00	579.09	70.91
General Liability Insurance Policies	8,400.00	7,538.62	861.38
Bank Service Fees	18,000.00	31,789.02	(13,789.02)
Bond Counsel	7,000.00		7,000.00
Public Official Bond	6,700.00	6,033.00	667.00
Contingencies	6,500.00	5,001.89	1,498.11
Employee Appreciation	3,000.00	1,425.00	1,575.00
Telephone	10,000.00	7,938.56	2,061.44
Gas and Oil	2,000.00	1,079.32	920.68
I.T. Support	10,000.00	4,861.29	5,138.71
Service Agreement with Township	14,000.00	10,200.00	3,800.00
Hardware & Software Maintenance	15,600.00	15,560.01	39.99
Registration	300.00		300.00
Tires	450.00		450.00
Transportation-Other	100.00	5.00	95.00
Total Other Expenses	382,500.00	260,275.55	122,224.45
Total Administrative	1,236,100.00	994,884.07	241,215.93
Cost of Service:			
Salaries and Wages:			
Foreman/Laborers/Inspection Salaries	1,065,000.00	920,773.04	144,226.96
Overtime (Foreman)	7,000.00	5,318.77	1,681.23
Overtime (Laborers)	27,000.00	35,739.81	(8,739.81)
Overtime (Inspections)	2,500.00	222.65	2,277.35
Summer Help	28,000.00	8,406.03	19,593.97
Longevity (Laborers)	27,500.00	22,907.30	4,592.70
Longevity (Inspections)	4,000.00	3,921.75	78.25
Longevity (Foremen)	5,000.00	4,870.58	129.42
Total Salaries and Wages	1,166,000.00	1,002,159.93	163,840.07

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Sewer Anticipated Revenues, Operating Appropriations and
Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
For the Fiscal Year Ended February 29, 2020

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Cost of Service (Cont'd):			
Employee Benefits:			
Prescription	\$ 12,000.00	\$ 3,105.97	\$ 8,894.03
Dental	37,500.00	22,013.60	15,486.40
Hospitalization	501,000.00	333,908.89	167,091.11
Eye Care	7,550.00	3,667.40	3,882.60
Social Security Tax	88,500.00	78,449.70	10,050.30
Public Employees' Retirement System	131,625.00	133,914.25	(2,289.25)
Unemployment Insurance	1,000.00	902.29	97.71
Total Employee Benefits	779,175.00	575,962.10	203,212.90
Other Expenses:			
Services	4,000.00	1,320.00	2,680.00
Custodial Supplies	6,000.00	5,826.58	173.42
Pollution Insurance	9,000.00	9,981.87	(981.87)
Supplies - Office	2,500.00	1,636.86	863.14
Equipment - Other	19,000.00	23,353.24	(4,353.24)
Equipment - Automotive	29,000.00	33,696.37	(4,696.37)
Workers' Compensation Insurance	50,000.00	20,240.63	29,759.37
Auto Insurance	16,800.00	16,032.09	767.91
General Liability/Special Multi-peril Insurance Policies	18,700.00	16,719.74	1,980.26
Boiler Insurance	9,900.00	8,844.19	1,055.81
Maintenance Contracts	16,500.00	4,734.83	11,765.17
Electricity	280,000.00	240,275.32	39,724.68
Uniforms	11,000.00	2,483.30	8,516.70
Telecommunications/Mobile Units	12,000.00	9,191.78	2,808.22
Force Main Inspections	7,500.00	3,581.46	3,918.54
Water	11,500.00	12,933.92	(1,433.92)
Hardware & Software Maintenance	6,000.00	3,907.44	2,092.56
Natural Gas	23,000.00	13,681.18	9,318.82
Gas and Oil	70,000.00	34,470.33	35,529.67
Registration	1,000.00	562.50	437.50
Garage Expenses	10,000.00	6,311.78	3,688.22
Tires	11,500.00	5,351.02	6,148.98
Transportation-Other	1,500.00		1,500.00
Hardware Supplies	1,900.00	423.55	1,476.45
Safety Shoes	4,400.00	3,513.89	886.11
Administration Building Expenses	10,000.00	9,469.05	530.95
Hydrogen Sulfide Remediation	100,000.00	111,630.21	(11,630.21)
Maintenance/Equipment/Repairs	50,000.00	17,692.83	32,307.17
Collection System Pump Stations	27,000.00	17,687.07	9,312.93
Collection System Supplies	27,000.00	11,562.97	15,437.03
Solicitor Fees	9,000.00	1,593.20	7,406.80
Telemetry	30,000.00	6,540.00	23,460.00
Equipment	5,300.00	778.59	4,521.41

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Sewer Anticipated Revenues, Operating Appropriations and
Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
For the Fiscal Year Ended February 29, 2020

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Cost of Service (Cont'd):			
Other Expenses (Cont'd):			
Engineer Fees	\$ 20,000.00	\$ 12,491.30	\$ 7,508.70
Emergency Repairs	75,000.00	41,854.39	33,145.61
Miscellaneous	1,600.00	749.35	850.65
Trash Disposal	1,000.00	995.34	4.66
Markouts	9,500.00	9,421.74	78.26
Safety Equipment	15,000.00	9,690.90	5,309.10
Generator Maintenance	40,000.00	44,288.50	(4,288.50)
Generator Repairs	40,000.00	30,671.37	9,328.63
MUA Contribution/Unemployment	12,500.00	12,500.00	
Total Other Expenses	1,105,600.00	818,690.68	286,909.32
Total Cost of Service	3,050,775.00	2,396,812.71	653,962.29
Principal Payments on Debt in Lieu of Depreciation	672,447.00	672,442.02	4.98
Total Operating Appropriations	4,959,322.00	4,064,138.80	895,183.20
Non-operating Appropriations:			
Interest on Loans	108,339.00	65,045.41	43,293.59
Municipal Appropriation	247,600.00	247,600.00	
Total Operating Appropriations, Principal Payments and Non-Operating Appropriations	5,315,261.00	4,376,784.21	938,476.79
Excess Anticipated Revenues over Operating Appropriations, Principal Payments and Non-Operating Appropriations	\$ (247,600.00)	\$ 1,405,151.97	\$ 1,652,751.97
<u>Reconciliation to Operating Income</u>			
Excess Anticipated Revenues over Operating Appropriations, Principal Payments and Non-Operating Appropriations			\$ 1,652,751.97
Add:			
Loan Principal		\$ 672,442.02	
Loan Interest		65,045.41	
Related to Pensions		83,125.00	
Related to OPEB		561,098.09	
			1,381,710.52
			3,034,462.49
Less:			
Depreciation		817,773.30	
Major Repairs and Other Expenses		245,573.92	
Interest on Investments		112,857.00	
			1,176,204.22
Operating Income (Schedule 2)			\$ 1,858,258.27

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Solid Waste Anticipated Revenues, Operating Appropriations and
Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
For the Fiscal Year Ended February 29, 2020

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Anticipated Revenues:			
Operating Revenues:			
Service Agreements	\$ 1,788,605.00	\$ 1,788,600.00	\$ (5.00)
Other Revenue	315,000.00	316,019.00	1,019.00
Total Anticipated Revenues	2,103,605.00	2,104,619.00	1,014.00
Operating Appropriations:			
Administrative:			
Salaries and Wages	170,200.00	162,013.80	8,186.20
Longevity	11,450.00	8,822.96	2,627.04
	181,650.00	170,836.76	10,813.24
Employees Benefits:			
Prescription	2,500.00	1,180.49	1,319.51
Dental	5,000.00	3,332.00	1,668.00
Hospitalization	43,843.00	13,738.57	30,104.43
Eye Care	1,750.00	984.72	765.28
Social Security Tax	14,800.00	11,407.14	3,392.86
Public Employees' Retirement System	26,327.00	26,656.08	(329.08)
Unemployment Insurance	500.00	13.49	486.51
Total Employee Benefits	94,720.00	57,312.49	37,407.51
Total Administration	276,370.00	228,149.25	48,220.75
Cost of Service:			
Salaries and Wages:			
Laborers	633,500.00	576,765.18	56,734.82
Mechanic	30,000.00	30,000.00	
Temporary Help	117,800.00	114,149.66	3,650.34
Summer Help	3,500.00		3,500.00
Overtime	20,500.00	18,994.44	1,505.56
Longevity	17,000.00	16,996.03	3.97
Total Salaries and Wages	822,300.00	756,905.31	65,394.69
Employees Benefits:			
Prescription	6,000.00	2,265.52	3,734.48
Dental	12,500.00	5,410.70	7,089.30
Hospitalization	304,657.00	241,205.58	63,451.42
Eye Care	3,500.00	907.35	2,592.65
Social Security Tax	53,400.00	47,995.36	5,404.64
Public Employees' Retirement System	81,900.00	83,394.68	(1,494.68)
Unemployment Insurance	500.00	628.48	(128.48)
Total Employee Benefits	462,457.00	381,807.67	80,649.33

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Solid Waste Anticipated Revenues, Operating Appropriations and
Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
For the Fiscal Year Ended February 29, 2020

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable
Operating Appropriations (Cont'd):			
Cost of Service (Cont'd):			
Other Expenses:			
Workers' Compensation Insurance	\$ 6,000.00	\$ 67.98	\$ 5,932.02
Auto Insurance	33,300.00	32,159.49	1,140.51
Office Supplies	4,450.00	2,773.70	1,676.30
Gas and Oil	101,000.00	84,162.47	16,837.53
Water - Fire Hydrant	2,300.00	2,189.76	110.24
Security	1,250.00	1,108.52	141.48
Custodial	1,000.00	1,232.78	(232.78)
Tires	59,500.00	42,596.63	16,903.37
Transportation - Other	450.00		450.00
Compost Testing	750.00	470.00	280.00
Uniforms	3,400.00	3,281.36	118.64
Other Services	500.00	400.00	100.00
Hardware	1,000.00		1,000.00
Hardware & Software Maintenance	2,000.00	2,027.82	(27.82)
Towing	2,100.00	550.00	1,550.00
General Liability Insurance Policies	25,300.00	20,857.56	4,442.44
Safety Shoes	3,000.00	2,739.87	260.13
Grass Phone	4,000.00	3,637.47	362.53
Testing Equipment	2,000.00		2,000.00
Other Equipment	31,000.00	45,143.67	(14,143.67)
Equipment - Automotive	27,500.00	36,599.67	(9,099.67)
Disposal and Tipping Fees	1,500.00	553.89	946.11
Trailer -- Electric	4,500.00	2,160.23	2,339.77
RFID Hardware, Software, Reader & Truck Fees	18,600.00		18,600.00
Gloucester Township Day	1,000.00		1,000.00
Miscellaneous	6,500.00	6,792.33	(292.33)
Stationery and Printing	1,150.00	928.66	221.34
Residue & Trash Disposal	30,000.00		30,000.00
Compost Marketing, Delivery & Packaging	2,600.00	400.00	2,200.00
Grading Materials	17,000.00	17,012.30	(12.30)
Solicitor Fees	6,000.00	4,581.80	1,418.20
Auditing Fees	4,500.00		4,500.00
Compliance Testing	1,500.00	1,405.00	95.00
Payroll Service Fees	8,200.00	9,840.54	(1,640.54)
Engineering Fees	10,000.00	362.50	9,637.50
Communications	4,300.00	3,310.55	989.45
MUA Contribution/Unemployment	10,500.00	10,500.00	
N.J. DEP Inspection Fees	10,500.00	7,102.50	3,397.50
N.J. Recycling Center Fees	9,000.00	7,928.00	1,072.00
N.J. Permits	2,500.00	1,267.00	1,233.00
Total Other Expenses	461,650.00	356,144.05	105,505.95
Total Cost of Services	1,746,407.00	1,494,857.03	251,549.97

(Continued)

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Solid Waste Anticipated Revenues, Operating Appropriations and
Non-operating Appropriations Compared to Budget--Non-GAAP (Budgetary) Basis
For the Fiscal Year Ended February 29, 2020

	<u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Operating Appropriations (Cont'd):			
Principal Payments on Debt			
In Lieu of Depreciation	\$ 63,344.00	\$ 63,343.24	\$ 0.76
Total Operating Appropriations	2,086,121.00	1,786,349.52	299,771.48
Non-operating Appropriations:			
Interest on Bonds	17,484.00	17,337.11	146.89
Total Operating Appropriations, Principal Payments and Non-Operating Appropriations	2,103,605.00	1,803,686.63	299,918.37
Excess Anticipated Revenues over Operating Appropriations, Principal Payments and Non-Operating Appropriations	\$ -	\$ 300,932.37	\$ 300,932.37
<u>Reconciliation to Operating Income</u>			
Excess Anticipated Revenues over Operating Appropriations, Principal Payments and Non-Operating Appropriations			\$ 300,932.37
Add:			
Loan Principal		\$ 63,343.24	
Loan Interest		17,337.11	
			80,680.35
			381,612.72
Less:			
Service Agreement Revenue Associated with Debt Service Payment		70,432.87	
Depreciation		64,261.07	
			134,693.94
Operating Income (Schedule 2)			\$ 246,918.78

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Consumer Accounts Receivable

For the Fiscal Year Ended February 29, 2020

Balance Feb. 28, 2019		\$ 373,528.90
Increased by:		
Service Fees		<u>5,457,266.38</u>
		5,830,795.28
Decreased by:		
Collections	\$ 4,468,697.39	
Prepayments Applied	<u>1,018,242.53</u>	
		<u>5,486,939.92</u>
Balance Feb. 29, 2020		<u><u>\$ 343,855.36</u></u>

Schedule 6**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

Schedule of Connection Fees Receivable

For the Fiscal Year Ended February 29, 2020

Connection Charges 2019-20		\$ 88,050.00
Decreased by:		
Collections	\$ 25,600.00	
Prepaid Connection Permit Applied	<u>62,450.00</u>	
		<u><u>\$ 88,050.00</u></u>

Schedule 7**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

Schedule of Penalties on Delinquent Accounts

For the Fiscal Year Ended February 29, 2020

Balance Feb. 28, 2019	\$ 22,453.79
Accrued in Fiscal Year 2020	<u>78,681.05</u>
	101,134.84
Decreased by:	
Collections	<u>82,233.43</u>
Balance Feb. 29, 2020	<u><u>\$ 18,901.41</u></u>

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Refunds Receivable
For the Fiscal Year Ended February 29, 2020

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Balance Feb. 28, 2019	\$ 10,710.99	\$ 2,482.44	\$ 13,193.43
Increased by:			
Accrued in Fiscal Year 2020	4,485.24	1,576.27	6,061.51
	15,196.23	4,058.71	19,254.94
Decreased by:			
Collections	10,710.99	2,482.44	13,193.43
Balance Feb. 29, 2020	<u>\$ 4,485.24</u>	<u>\$ 1,576.27</u>	<u>\$ 6,061.51</u>

Schedule 9**GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

Schedule of Interest Receivable
For the Fiscal Year Ended February 29, 2020

	<u>Balance Feb. 28, 2019</u>	<u>Interest Earned</u>	<u>Interest Collected</u>	<u>Balance Feb. 29, 2020</u>
Unrestricted Earnings:				
Revenue Fund	\$ 1,370.23	\$ 45,212.97	\$ 44,183.71	\$ 2,399.49 (1)
Debt Service Reserve Fund		2,167.18	2,167.18	
Renewal and Replacement Fund		64,106.62	64,106.62	
	1,370.23	111,486.77	110,457.51	2,399.49
Restricted Earnings:				
Performance Escrow Deposits	(1,370.23)	1,370.23	2,399.49	(2,399.49) (2)
	<u>\$ -</u>	<u>\$ 112,857.00</u>	<u>\$ 112,857.00</u>	<u>\$ -</u>

(1) Includes Due from Escrow Deposit Fund

(2) Due to Revenue Fund

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Service Agreements with the Township of Gloucester
For the Fiscal Year Ended February 29, 2020

Balance Feb. 28, 2019		\$ 151,418.00
Fiscal Year 2020 Service Agreements:		
Recycling Services	\$ 785,389.00	
Grass Collection	719,013.00	
Compost	<u>203,366.00</u>	
	1,707,768.00	
Agreement to Pay Debt Service	<u>80,832.00</u>	
		<u>1,788,600.00</u>
		1,940,018.00
Decreased by:		
Collections		<u><u>\$ 1,940,018.00</u></u>

Schedule 11

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Prepaid Expenses
For the Fiscal Year Ended February 29, 2020

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Balance Feb. 28, 2019	\$ 69,325.56	\$ 41,688.81	\$ 111,014.37
Add:			
Disbursements for Fiscal Year 2021	<u>62,201.22</u>	<u>44,247.26</u>	<u>106,448.48</u>
	131,526.78	85,936.07	217,462.85
Less:			
Charged to Operations Fiscal Year 2020	<u>67,080.09</u>	<u>41,688.81</u>	<u>108,768.90</u>
Balance Feb. 29, 2020	<u><u>\$ 64,446.69</u></u>	<u><u>\$ 44,247.26</u></u>	<u><u>\$ 108,693.95</u></u>

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Deferred Connection Fee Revenue

For the Fiscal Year Ended February 29, 2020

Balance Feb. 28, 2019	\$ 285,995.00
Increased by:	
Cash Received	<u>275,200.00</u>
	561,195.00
Decreased by:	
Applied	<u>62,450.00</u>
Balance Feb. 29, 2020	<u><u>\$ 498,745.00</u></u>

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Capital Assets - Completed
For the Fiscal Year Ended February 29, 2020

	Balance Feb. 28, 2019	Additions	Disposals	Balance Feb. 29, 2020	Useful Life
Sewer:					
Capital Assets Not Being Depreciated:					
Land	\$ 114,000.00	\$ 280,015.58	\$ -	\$ 394,015.58	
Capital Assets Being Depreciated:					
Buildings and Improvements	1,802,503.64	164,453.59		1,966,957.23	40 Yrs.
Sewer Mains	52,458,070.16	137,828.43		52,595,898.59	40 Yrs.
Pumping Stations	11,280,784.26	450,441.59		11,731,225.85	40 Yrs.
Telemetry	290,125.46			290,125.46	15 Yrs.
Alarm System	20,125.66			20,125.66	15 Yrs.
Paging System	1,861.50			1,861.50	20 Yrs.
Vehicles	1,724,630.16	60,314.00		1,784,944.16	7 Yrs.
Telephone System	23,039.00			23,039.00	20 Yrs.
Furniture	37,630.29			37,630.29	10 Yrs.
Equipment-Other	770,663.75	15,079.48	12,130.50	773,612.73	5-10 Yrs.
Total Capital Assets Being Depreciated	68,409,433.88	828,117.09	12,130.50	69,225,420.47	
Total Capital Assets	68,523,433.88	1,108,132.67	12,130.50	69,619,436.05	
Less: Accumulated Depreciation	23,837,402.85	817,773.30	10,917.43	24,644,258.72	
	\$ 44,686,031.03	\$ 290,359.37	\$ 1,213.07	\$ 44,975,177.33	
Solid Waste:					
Capital Assets Not Being Depreciated:					
Land	\$ 100,000.00	\$ -	\$ -	\$ 100,000.00	
Capital Assets Being Depreciated:					
Improvements	557,012.23			557,012.23	40 Yrs.
Equipment-Other	1,255,885.15	2,841.40		1,258,726.55	7 Yrs.
Total Capital Assets Being Depreciated	1,812,897.38	2,841.40	-	1,815,738.78	
Total Capital Assets	1,912,897.38	2,841.40	-	1,915,738.78	
Less: Accumulated Depreciation	1,209,628.11	64,261.07	-	1,273,889.18	
	\$ 703,269.27	\$ (61,419.67)	\$ -	\$ 641,849.60	
Recap:					
Total Capital Assets	\$ 70,436,331.26	\$ 1,110,974.07	\$ 12,130.50	\$ 71,535,174.83	
Less: Accumulated Depreciation	25,047,030.96	882,034.37	10,917.43	25,918,147.90	
	\$ 45,389,300.30	\$ 228,939.70	\$ 1,213.07	\$ 45,617,026.93	
Cash Disbursed		\$ 851,128.67			
Contribution		2,841.40			
Transfer from Construction in Progress		257,004.00			
		\$ 1,110,974.07			

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Construction in Progress
For the Fiscal Year Ended February 29, 2020

Balance Feb. 28, 2019		\$ 1,008,717.97
Increased by:		
Cash Disbursed	\$ 622,877.08	
Contribution - System Reserve Funds	<u>42,232.01</u>	
		<u>665,109.09</u>
		1,673,827.06
Decreased by:		
Transferred to Capital Assets - Completed		<u>257,004.00</u>
Balance Feb. 29, 2020		<u><u>\$ 1,416,823.06</u></u>

Analysis of Balance

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Sewer Rehabilitation Program	\$ 290,545.79	\$ -	\$ 290,545.79
Orr Road Sewer Upgrades	340,013.07	-	340,013.07
Computer Hardware - Server	30,020.20	-	30,020.20
Pump Station Monitoring & Control	<u>756,244.00</u>	<u>-</u>	<u>756,244.00</u>
	<u>\$ 1,416,823.06</u>	<u>\$ -</u>	<u>\$ 1,416,823.06</u>

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Accrued Interest Payable on Loans

For the Fiscal Year Ended February 29, 2020

	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Balance Feb. 28, 2019	\$ 10,258.17	\$ 1,823.08	\$ 12,081.25
Interest Charges for the Fiscal Year Ended Feb. 29, 2020:			
Budget:			
NJEIT Loans	65,045.41	17,337.11	82,382.52
Amortization of Deferred Amount of Refunding	7,250.48	3,636.13	10,886.61
Amortization of Premium on NJEIT Loan	(15,159.26)	(7,089.64)	(22,248.90)
Total Interest Expense (Exhibit B)	57,136.63	13,883.60	71,020.23
Bond Service Account Interest (Sewer)	42,000.00	-	42,000.00
	99,136.63	13,883.60	113,020.23
	109,394.80	15,706.68	125,101.48
Decreased by:			
Interest Paid	108,336.79	17,483.23	125,820.02
Amortization of Deferred Amount of Refunding	7,250.48	3,636.13	10,886.61
Amortization of Premium on NJEIT Loan	(15,159.26)	(7,089.64)	(22,248.90)
	100,428.01	14,029.72	114,457.73
Balance Feb. 29, 2020	\$ 8,966.79	\$ 1,676.96	\$ 10,643.75

**GLOUCESTER TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

PART II

FINDINGS AND RECOMMENDATIONS

GLOUCESTER TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Findings and Recommendations

For the Fiscal Year Ended February 29, 2020

Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None

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

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

FINANCIAL STATEMENT FINDINGS

None

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APPRECIATION

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

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

