

**TOWNSHIP OF LOWER  
MUNICIPAL UTILITIES AUTHORITY  
(a Component Unit of the Township of Lower)**

**REPORT OF AUDIT**

**WITH  
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEARS ENDED  
NOVEMBER 30, 2020 AND 2019**

**Township of Lower Municipal Utilities Authority**  
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**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY  
Roster of Officials  
As of November 30, 2020**

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AUTHORITY COMMISSIONERS

Brian O'Connor  
Jacqueline U. Henderson  
Harrison A. Bitting  
Marc Lambert  
Karen Rechner

POSITION

Chairperson  
Vice Chairperson  
Treasurer  
Assistant Treasurer  
Board Member

OFFICIALS

Michael Chapman  
Craig Loper  
Sharon Otto  
Remington, Vernick & Walberg  
William J. Kaufmann  
McManimon, Scotland & Baumann, LLC

Executive Director  
Water/Sewer Superintendent  
Board Secretary  
Engineers  
Solicitor  
Bond Counsel

**TOWNSHIP OF LOWER  
MUNICIPAL UTILITIES AUTHORITY**

**PART I**

**FINANCIAL SECTION**

**FOR THE FISCAL YEARS ENDED  
NOVEMBER 30, 2020 AND 2019**

## **INDEPENDENT AUDITOR'S REPORT**

The Chairman and Members of  
The Board of Commissioners of the  
Township of Lower Municipal Utilities Authority  
Villas, New Jersey

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

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

**Opinion**

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

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of 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 June 29, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
June 29, 2022

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

**INDEPENDENT AUDITOR'S REPORT**

The Chairman and Members of  
The Board of Commissioners of the  
Township of Lower Municipal Utilities Authority  
Villas, 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 Township of Lower Municipal Utilities Authority, in the County of Cape May, State of New Jersey, a component unit of the Township of Lower, (Authority), as of and for the fiscal year ended November 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 29, 2022.

**Internal Control Over Financial Reporting**

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

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

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

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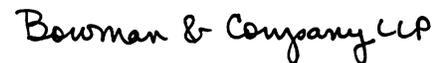
**Compliance and Other Matters**

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

**Purpose of this Report**

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

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
June 29, 2022

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEARS ENDED**  
**NOVEMBER 30, 2020 AND 2019**  
(Unaudited)

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The management's discussion and analysis of the Township of Lower Municipal Utilities Authority (Authority) financial performance provides an overall review of the Authority's financial activities for the fiscal years ended November 30, 2020 and 2019. The entire annual financial report consists of five parts; Independent Auditor's Reports, the management's discussion and analysis, the basic financial statements, required supplementary information and supplementary information.

**FINANCIAL HIGHLIGHTS**

Management believes the financial position of the Township of Lower Municipal Utilities Authority (the "Authority") is strong. Key financial highlights for the Authority's fiscal year 2020 were:

- Total assets as of November 30, 2020 were \$64,836,515.95. After adding deferred outflows of resources of \$6,452,902.02 and deducting liabilities of \$28,123,322.82 and deferred inflows of resources of \$7,150,363.00; the resulting net position is \$36,015,732.15.
- Operating revenues were \$8,858,379.73 and \$9,497,972.39 for the fiscal years ended November 30, 2020 and 2019, respectively. The decrease in 2020 were mainly attributed to reduction in connection fees revenue.
- Operating expenses were \$6,565,531.00 and \$6,031,391.04 for the fiscal years ended November 30, 2020 and 2019, respectively. The increase in 2020 can be mainly attributed to the increase in fringe benefits expenditures as a result of GASB 68 and 75.
- Net position restricted for capital assets was \$28,267,237.55 as of November 30, 2020, an increase of \$2,953,717.84 from the prior year, as a result of the Authority's continued investment in capital assets. Unrestricted net position was \$7,245,094.59 as of November 30, 2020, a decrease of \$1,045,490.31 from the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Comparison to the prior year's activity is provided in this document. The Authority's basic financial statements comprise two components: (1) financial statements, and (2) notes to the financial statements.

The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The statements of net position includes all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. As the Authority follows the accrual method of accounting, the current fiscal year's revenue and expenses are accounted for in the statements of revenues, expenses and change 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 - are a measure of the Authority's financial health or position. The statements of revenues, expenses and change in net position provides a breakdown of the various areas of revenues and expenses encountered during the current fiscal year. The statements of cash flows provides a breakdown of the various sources of cash flow, categorized into four areas: cash flows from operating activities, noncapital financing activities, capital and related financing activities and investing activities.

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEARS ENDED**  
**NOVEMBER 30, 2020 AND 2019**  
(Unaudited) (Cont'd)

**FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE**

The Authority's total net position was \$36,015,732.15 on November 30, 2020. Total assets, deferred outflows of resources, total liabilities, deferred inflows of resources, and total net position are detailed below.

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

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

**Comparative Statements of Net Position**  
**As of November 30,**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Change from 2019 to 2020</u>	
				<u>Amount</u>	<u>Percentage</u>
Total Unrestricted Assets	\$ 14,313,720.59	\$ 10,605,515.49	\$ 7,809,204.93	\$ 3,708,205.10	34.96%
Total Restricted Assets	4,214,416.59	8,749,277.71	11,800,014.09	(4,534,861.12)	-51.83%
Capital Assets	45,924,531.75	43,581,489.36	40,124,544.70	2,343,042.39	5.38%
Other Assets	383,847.02	679,765.51	404,920.00	(295,918.49)	-43.53%
<b>Total Assets</b>	<b>64,836,515.95</b>	<b>63,616,048.07</b>	<b>60,138,683.72</b>	<b>1,220,467.88</b>	<b>1.92%</b>
Total Deferred Outflows of Resources	6,452,902.02	1,536,102.12	1,836,489.49	4,916,799.90	320.08%
Total Current Liabilities					
Payable from Current Assets	771,766.84	523,668.52	496,237.88	248,098.32	47.38%
Payable from Restricted Assets	860,660.60	1,363,640.11	1,292,723.09	(502,979.51)	-36.89%
Long-Term Obligations	26,490,895.38	22,769,249.94	25,488,735.57	3,721,645.44	16.35%
<b>Total Liabilities</b>	<b>28,123,322.82</b>	<b>24,656,558.57</b>	<b>27,277,696.54</b>	<b>3,466,764.25</b>	<b>14.06%</b>
Total Deferred Inflows of Resources	7,150,363.00	6,383,962.00	3,994,578.00	766,401.00	12.01%
Net Position					
Net Investment in Capital Assets	28,267,237.55	25,313,519.71	24,053,025.84	2,953,717.84	11.67%
Restricted	503,400.01	507,525.01	506,884.38	(4,125.00)	-0.81%
Unrestricted	7,245,094.59	8,290,584.90	6,142,988.45	(1,045,490.31)	-12.61%
<b>Total Net Position</b>	<b>\$ 36,015,732.15</b>	<b>\$ 34,111,629.62</b>	<b>\$ 30,702,898.67</b>	<b>\$ 1,904,102.53</b>	<b>5.58%</b>

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEARS ENDED**  
**NOVEMBER 30, 2020 AND 2019**  
(Unaudited) (Cont'd)

**FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (CONTINUED)**

The Authority realized operating income of \$2,292,848.73 for the current fiscal year. Combined with non-operating revenues (expenses) of (\$388,746.20), the Authority's total change in net position for the current fiscal year was an increase of \$1,904,102.53. Major components of this activity are detailed below.

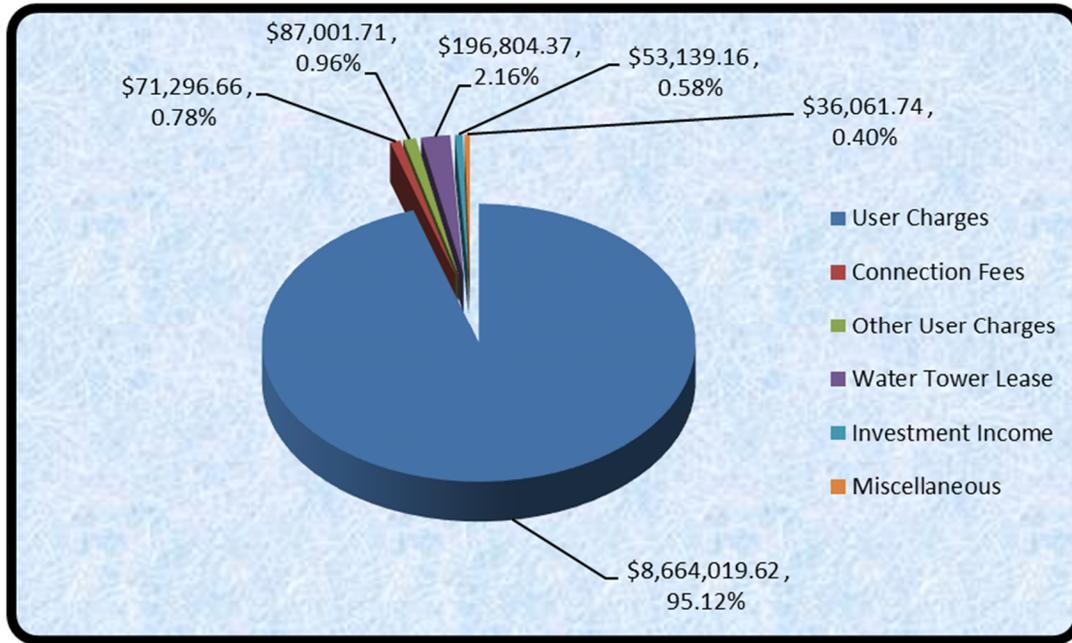
**Comparative Statements of Revenues, Expenses and Change in Net Position**  
**for the Fiscal Years Ended November 30,**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Change from 2019 to 2020</u>	
				<u>Amount</u>	<u>Percentage</u>
Total Operating Revenues	\$ 8,858,379.73	\$ 9,497,972.39	\$ 8,764,214.27	\$ (639,592.66)	-6.73%
Total Operating Expenses	<u>(6,565,531.00)</u>	<u>(6,031,391.04)</u>	<u>(6,245,332.32)</u>	<u>(534,139.96)</u>	<u>8.86%</u>
Operating Income	2,292,848.73	3,466,581.35	2,518,881.95	(1,173,732.62)	-33.86%
Non Operating Revenues / (Expenses)	<u>(388,746.20)</u>	<u>(159,000.40)</u>	<u>(262,941.06)</u>	<u>(229,745.80)</u>	<u>144.49%</u>
Increase in Net Position, Before Capital Contribution	1,904,102.53	3,307,580.95	2,255,940.89	(1,403,478.42)	-42.43%
Capital Contribution	<u>-</u>	<u>101,150.00</u>	<u>-</u>	<u>(101,150.00)</u>	<u>-100.00%</u>
Increase in Net Position, After Capital Contribution	1,904,102.53	3,408,730.95	2,255,940.89	(1,504,628.42)	-44.14%
Net Position - Beginning	<u>34,111,629.62</u>	<u>30,702,898.67</u>	<u>28,446,957.78</u>	<u>3,408,730.95</u>	<u>11.10%</u>
Net Position - Ending	<u>\$ 36,015,732.15</u>	<u>\$ 34,111,629.62</u>	<u>\$ 30,702,898.67</u>	<u>\$ 1,904,102.53</u>	<u>5.58%</u>

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEARS ENDED**  
**NOVEMBER 30, 2020 AND 2019**  
(Unaudited) (Cont'd)

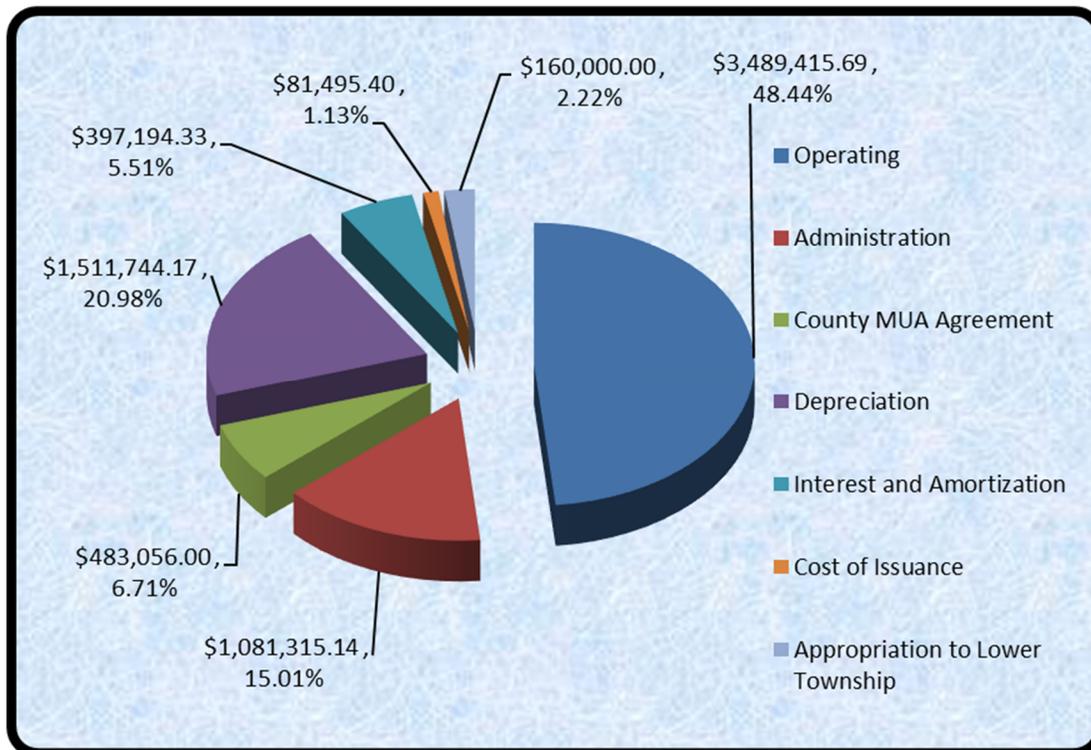
**TOTAL REVENUES**

Following is a breakdown of total revenue for the fiscal year ended November 30, 2020.



**TOTAL EXPENSES**

Following is a breakdown of total expenses for the fiscal year ended November 30, 2020.



**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED  
NOVEMBER 30, 2020 AND 2019  
(Unaudited) (Cont'd)

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**OVERALL ANALYSIS**

The Authority's overall financial position is firm. User fees and rent revenues remained consistent from 2019 to 2020.

Connection fee revenue in the 2020 was \$71,296.66 compared to \$842,600.00 in 2019. The decrease of \$771,303.34 was attributed to the completion of East Villas Phase II water expansion project in 2019, therefore, related connection fee revenues were realized in prior year.

Overall, the Authority believes it is managing its financial position as efficiently as possible in spite of the challenging fiscal environment. Net position increased by \$1,904,102.53 in 2020, \$3,408,730.95 in 2019 and \$2,255,940.89 in 2018. The increase in net position is consistent with the Authority's plan to reinvest those gains into capital projects, which do not show as expenditures in GAAP financial statements. The Authority expended over \$3,000,000.00 on capital projects and major repairs in fiscal year 2020. The capital expenditures will be recorded as expenses over the next few decades as they are depreciated. The water and sewer service charges have been very stable and are expected to grow steadily during the next few years as expansion projects are completed. Further, the recent and planned service extensions have allowed the Authority to increase its customers with only minimal increases in service costs. This has allowed the Authority to reinvest into its infrastructure without increasing service rates. Also, the residential and public sectors, the most stable when considering the volatility of a billing base, comprise approximately 95% of the Authority's water and sewer customers. There is no particular emphasis or imbalance in the type of business enterprises within the commercial sector. Industrial users exist, but do not comprise a major portion of the Authority's billing base.

**BUDGET VARIANCES**

The actual Water Division revenues exceeded the anticipated revenues by \$229,218.35 in 2020 [\$3,803,500.00 budgeted vs. \$4,032,718.35 actual] and \$969,179.04 in 2019 [\$3,703,500.00 budgeted vs. \$4,672,679.04 actual]. The actual Sewer Division revenues also exceeded the anticipated revenues by \$51,304.91 in 2020 [\$5,024,300.00 budgeted vs. \$5,075,604.91 actual] and \$223,488.69 in 2019 [\$4,978,300.00 budgeted vs. \$5,210,788.69 actual].

Connection fee revenues of \$12,800.00 were budgeted in 2020 and 2019, respectively. Actual revenues realized for connection fees totaled \$71,296.66 in 2020 and \$842,600.00 in 2019. As noted above, the connection fees for the East Vilas Phase II expansion were recognized in fiscal year 2019 when the project was completed and actual water service became available, just as the connections from East Villas Phase I expansion were recognized in 2017 when the project was completed. The budgeted connection fees are based on miscellaneous development by the private sector and not those created through the Authority's expansion programs. The Authority's management does not utilize expansion project connection fees to balance operating budgets and therefore does not budget those connection fees in the operating budget. The expansion project connection fees are not budgeted so when they are earned, they create net position that can be utilized for future capital needs or future debt service.

Total Operating Appropriations once again came in well under our budget for 2020 in the amount of \$454,975.15 (Water Division) and \$588,882.32 (Sewer Division); as compared to 2019 in the amount of \$421,264.64 (Water Division) and \$686,350.11 (Sewer Division).

During fiscal years 2020 and 2019, the Township of Lower exercised its right to request up to 5% of the appropriated annual costs of operation of the Authority per N.J.S.A. 40A: 5A-12.1. The amounts requested in 2020 and 2019 were \$160,000.00 and \$150,000.00, respectively.

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED  
NOVEMBER 30, 2020 AND 2019  
(Unaudited) (Cont'd)

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

During the current fiscal year, the Authority placed into service new capital assets for \$5,211,182.64.

The Authority continues to maintain a proactive maintenance philosophy for its capital facilities. The Authority's 2020-2021 budget includes \$10,873,000.00 in Sewer Capital and \$1,451,000.00 in Water Capital construction projects and equipment purchases funded through the budget, Renewal and Replacement Fund and Long Term Debt issues. The major projects in the 2020-2021 Capital Program include the following:

1. Sewer Treatment Plant Improvements
2. Sewer Pump Station Rehabilitation
3. Sanitary Sewer Main Replacement
4. Sanitary Sewer Expansion Project
5. Water Conversion to Chlorine Table System
6. Water Well Inspection & Refurbish
7. Water Storage – Airport Cleaning, Painting & Repairs
8. Water Main Replacement
9. Purchase of Various Operating Equipment and Vehicles

In connection with the most recent bond sale in February 2014, Moody's Investors Services assigned a rating of Aa3 to the Authority. The Authority does not anticipate any change in its excellent credit rating.

\$165,000.00 of debt service principal payments scheduled in 2020 were paid on the outstanding Revenue Refunding Bond of 2012. \$236,693.21 of debt service principal payments scheduled in 2020 were paid on three series of USDA Loans.

On May 13, 2020, the Authority closed on loans from the New Jersey Environmental Infrastructure Bank totaling \$715,000.00 from the Trust and \$2,184,182.00 from the Fund. The loan proceeds were used to permanently finance an interim loan from Construction Financing Program (CFP)-18-1, which was issued to fund the East Villas Water Expansion Project Phase II. The Fund Loan is a non-interest bearing loan with its semi-annual principal payments due August 1 and February 1, with a final maturity of August 1, 2049. The Trust Loan carries interest rates from 2.125% to 5.000%, with a final maturity of August 1, 2049.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide Lower Township's citizens and our customers, clients, investors and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have questions about this report or need additional financial information, contact the Executive Director, Michael Chapman, Township of Lower Municipal Utilities Authority, 2900 Bayshore Road, Villas, NJ 08251.

## **BASIC FINANCIAL STATEMENTS**

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Statements of Net Position  
 As of November 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b><u>ASSETS</u></b>		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 13,391,499.76	\$ 9,634,525.29
Consumer Accounts Receivable, Net of Allowance of \$39,078.52 and \$53,191.09, respectively	832,962.88	868,537.76
Connection Fees Receivable	78,460.87	93,686.36
Prepaid Expenses	10,797.08	8,766.08
	<hr/>	<hr/>
Total Unrestricted Assets	14,313,720.59	10,605,515.49
Restricted Assets:		
Cash and Cash Equivalents	4,214,416.59	8,380,857.29
NJIB Loan Receivable		368,420.42
	<hr/>	<hr/>
Total Restricted Assets	4,214,416.59	8,749,277.71
	<hr/>	<hr/>
Total Current Assets	18,528,137.18	19,354,793.20
Noncurrent Assets:		
Capital Assets:		
Land	97,234.00	97,234.00
Completed (Net of Accumulated Depreciation)	40,278,337.03	36,578,898.56
Construction in Progress	5,548,960.72	6,905,356.80
	<hr/>	<hr/>
Total Capital Assets	45,924,531.75	43,581,489.36
Unrestricted Assets:		
Connection Fees Receivable	383,847.02	679,765.51
	<hr/>	<hr/>
Total Noncurrent Assets	46,308,378.77	44,261,254.87
	<hr/>	<hr/>
Total Assets	64,836,515.95	63,616,048.07
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Related to Pensions	950,298.00	1,347,979.00
Related to OPEB	5,455,473.15	134,092.40
Deferred Loss on Defeasance of Debt	47,130.87	54,030.72
	<hr/>	<hr/>
Total Deferred Outflows of Resources	6,452,902.02	1,536,102.12
	<hr/>	<hr/>

(Continued)

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Statements of Net Position  
 As of November 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b><u>LIABILITIES</u></b>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	\$ 525,760.28	\$ 310,028.57
Accounts Payable - Related to Pensions	199,000.00	177,413.00
Payroll Deductions Payable	4,268.01	405.39
Overpayments	42,555.19	33,693.56
Capital Lease	183.36	2,128.00
	<u>771,766.84</u>	<u>523,668.52</u>
Total Current Liabilities Payable from Unrestricted Assets		
Current Liabilities Payable from Restricted Assets:		
Construction Contracts Payable	238,510.70	842,639.93
Deposits and Reserves	18,633.91	16,490.91
Accrued Interest on Bonds and Loans Payable	107,598.63	102,816.06
Revenue Bonds Payable - Current Portion	165,000.00	165,000.00
USDA Loans Payable - Current Portion	242,293.25	236,693.21
NJIB Loan Payable - Current Portion	88,624.11	
	<u>860,660.60</u>	<u>1,363,640.11</u>
Total Current Liabilities Payable from Restricted Assets		
Long-term Liabilities:		
Compensated Absences	189,062.99	133,552.55
Net Pension Liability	2,966,471.00	3,286,414.00
Net OPEB Liability	6,028,088.00	1,574,731.00
Accrued Liability - Related to Pensions	82,917.00	73,922.00
Capital Lease		183.36
NJIB Loan Payable	2,804,200.66	2,872,552.42
Revenue Bonds Payable	2,498,127.30	2,663,572.93
USDA Loans Payable	11,922,028.43	12,164,321.68
	<u>26,490,895.38</u>	<u>22,769,249.94</u>
Total Long-Term Liabilities		
	<u>28,123,322.82</u>	<u>24,656,558.57</u>
Total Liabilities		
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Related to Pensions	1,324,363.00	1,428,228.00
Related to OPEB	5,826,000.00	4,955,734.00
	<u>7,150,363.00</u>	<u>6,383,962.00</u>
Total Deferred Inflows of Resources		
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	28,267,237.55	25,313,519.71
Restricted:		
Bond Service Fund	249,040.63	253,165.63
Bond Service Reserve Fund	254,359.38	254,359.38
Unrestricted	7,245,094.59	8,290,584.90
	<u>\$ 36,015,732.15</u>	<u>\$ 34,111,629.62</u>
Total Net Position		

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

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Statements of Revenues, Expenses and Change in Net Position  
 For the Fiscal Years Ended November 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
User Charges, Service Agreements, Fees, Penalties and Provision for Doubtful Accounts	\$ 8,751,021.33	\$ 8,574,241.22
Connection Fees	71,296.66	842,600.00
Other Operating Revenues	36,061.74	81,131.17
Total Operating Revenues	<u>8,858,379.73</u>	<u>9,497,972.39</u>
Operating Expenses:		
Administration:		
Salaries and Wages	428,740.20	405,533.30
Fringe Benefits	233,371.35	22,317.29
Other Expenses	419,203.59	443,332.00
Cost of Providing Services:		
Salaries and Wages	1,235,437.83	1,128,530.25
Fringe Benefits	674,033.58	412,416.18
Other Expenses	2,063,000.28	1,930,148.82
Depreciation	1,511,744.17	1,689,113.20
Total Operating Expenses	<u>6,565,531.00</u>	<u>6,031,391.04</u>
Operating Income	<u>2,292,848.73</u>	<u>3,466,581.35</u>
Non-Operating Revenue / (Expenses):		
Water Tower Leases	196,804.37	168,972.51
Appropriations to Lower Township	(160,000.00)	(150,000.00)
Investment Income	53,139.16	216,522.83
Interest on Debt	(397,194.33)	(394,495.74)
Cost of Issuance	(81,495.40)	
Total Non-Operating Revenue / (Expenses)	<u>(388,746.20)</u>	<u>(159,000.40)</u>
Change in Net Position, Before Capital Contributions	1,904,102.53	3,307,580.95
Capital Contributions	<u>-</u>	<u>101,150.00</u>
Change in Net Position, After Capital Contributions	1,904,102.53	3,408,730.95
Net Position - Beginning	<u>34,111,629.62</u>	<u>30,702,898.67</u>
Net Position - Ending	<u>\$ 36,015,732.15</u>	<u>\$ 34,111,629.62</u>

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

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Statements of Cash Flows  
 For the Fiscal Years Ended November 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Receipts from Customers and Users	\$ 8,795,457.84	\$ 8,639,521.95
Receipts from Connection Fees	382,440.64	604,719.99
Payments for Other Goods or Services	(2,266,360.16)	(2,363,204.82)
Payments for Employee Services	(2,505,512.65)	(2,454,793.81)
Other Operating Receipts	36,061.74	81,131.17
Net Cash Provided by Operating Activities	<u>4,442,087.41</u>	<u>4,507,374.48</u>
Cash Flows from Non-Capital Financing Activities		
Water Tower Leases	196,804.37	168,972.51
Payment to the Township of Lower	(160,000.00)	(150,000.00)
Net Cash Provided by Non-Capital Financing Activities	<u>36,804.37</u>	<u>18,972.51</u>
Cash Flows from Capital and Related Financing Activities:		
Principal Paid on Bonds	(165,000.00)	(160,000.00)
Principal Paid on USDA Loans	(236,693.21)	(231,232.14)
Principal Paid on NJIB Loans	(51,577.53)	
Interest Paid on Bonds and Loans	(385,957.54)	(391,130.90)
Proceeds From NJIB Interim Loans	440,270.30	2,504,132.00
Payments of Bond Issuance Costs	(81,495.40)	
Payment of Capital Lease	(2,128.00)	(2,012.67)
Acquisitions of Capital Assets	(4,458,915.79)	(5,069,326.70)
Capital Contribution		101,150.00
Net Cash Used in Capital and Related Financing Activities	<u>(4,941,497.17)</u>	<u>(3,248,420.41)</u>
Cash Flows from Investing Activities:		
Gain / Loss on Investment	53,139.16	216,522.83
Net Cash Provided by Investing Activities	<u>53,139.16</u>	<u>216,522.83</u>
Net Change in Cash and Cash Equivalents	(409,466.23)	1,494,449.41
Cash and Cash Equivalents, December 1	<u>18,015,382.58</u>	<u>16,520,933.17</u>
Cash and Cash Equivalents, November 30	<u>\$ 17,605,916.35</u>	<u>\$ 18,015,382.58</u>

(Continued)

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Statements of Cash Flows  
 For the Fiscal Years Ended November 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Income to Net Cash Provided		
by Operating Activities:		
Operating Income	\$ 2,292,848.73	\$ 3,466,581.35
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation Expense	1,511,744.17	1,689,113.20
Pension Liability Expense - GASB 68	4,455.00	84,830.00
Other Post Employment Benefits - GASB 75	2,242.25	(570,938.27)
Changes in Assets and Liabilities:		
(Increase) Decrease in Consumer Accounts Receivable	35,574.88	64,405.92
(Increase) Decrease in Connection Fees Receivable	311,143.98	(237,880.01)
(Increase) Decrease in Prepaid Expense	(2,031.00)	1,462.19
Increase (Decrease) in Accounts Payable	215,731.71	21,634.06
Increase (Decrease) in Payroll Deductions Payable	3,862.62	(3,284.56)
Increase (Decrease) in Overpayments	8,861.63	874.81
Increase (Decrease) in Deposits and Reserves	2,143.00	(12,820.25)
Increase (Decrease) in Compensated Absences	55,510.44	3,396.04
Net Cash Provided by Operating Activities	<u>\$ 4,442,087.41</u>	<u>\$ 4,507,374.48</u>

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

**TOWNSHIP OF LOWER  
MUNICIPAL UTILITIES AUTHORITY**  
Notes to Financial Statements  
For the Fiscal Years Ended November 30, 2020 and 2019

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

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

**Reporting Entity**

The Township of Lower Municipal Utilities Authority is a public body corporate and politic of the State of New Jersey and was originally created by an ordinance adopted on July 24, 1968 by the governing body of the Township of Lower (the "Township"), in the County of Cape May, State of New Jersey.

The Authority was created for the purpose of acquiring, constructing, maintaining and operating water facilities for accumulating, supplying, and distributing water, and acquiring, constructing, maintaining, improving, and operating sewage facilities for collecting, treating, purifying and disposing of sewage and other wastes.

**Component Unit**

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, as amended. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

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

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

Based upon the application of these criteria, the Authority has no component units and is a component unit of the Township of Lower, in the County of Cape May, State of New Jersey.

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

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

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

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

**Basis of Accounting**

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

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

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

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

**Budgets and Budgetary Accounting**

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

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

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

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

**Cash, Cash Equivalents and Investments**

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

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

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

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

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

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

**Prepaid Expenses**

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

**Capital Assets**

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased are stated at actual cost. Donated capital assets are recorded at their fair market value as of the date received.

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

Expenditures are capitalized when they meet the following requirements:

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

**Depreciation**

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

Land and Improvements	20 years
Buildings and Improvements	50 years
Machinery and Equipment	5 to 15 years
Infrastructure	50 years
Other	5 to 15 years

**Bond and Loan Premiums**

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

**Deferred Outflows and Deferred Inflows of Resources**

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

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

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

**Compensated Absences**

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

**Unearned Revenue**

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

**Pensions**

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

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

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

**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.

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

**Net Position (Cont'd)** - The classifications of net position 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 water treatment and sewer collection facilities (i.e., water and sewer rents and connection fees) and other revenue sources. Non-operating revenues principally consist of water tower lease and investment income.

Operating expenses include expenses associated with the operation, maintenance and repair of the water treatment and sewer collection facilities and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt, debt issue costs and appropriations to the Township of Lower.

**Accounting Estimates**

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

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

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Impact of Recently Issued Accounting Policies (Cont'd)****Recently Issued and Adopted 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. The adoption of this Statement had no impact on the Authority's financial statements.

**Recently Issued Accounting Pronouncements**

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

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

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

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

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

Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement originally would have become effective for the Authority in the fiscal year ending November 30, 2022, but as a result of GASB Statement 95 will become effective in the fiscal year ending November 30, 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 originally would have become effective for the Authority in the fiscal year ending November 30, 2021, but as a result of GASB Statement 95 will become effective in the fiscal year ending November 30, 2022.
3. The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities originally would have become effective for the Authority in the fiscal year ending November 30, 2021, but as a result of GASB Statement 95 will become effective in the fiscal year ending November 30, 2022.
4. The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition originally would have become effective for the Authority in the fiscal year ending November 30, 2021, but as a result of GASB Statement 95 will become effective in the fiscal year ending November 30, 2022.

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

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

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

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

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

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The portions of the statement effect component unit criteria are effective immediately, but the other portions of the Statement will become effective for the Authority in the fiscal year ending November 30, 2022. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The Statement will become effective for the Authority in the fiscal year ending November 30, 2022. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective immediately. The requirements related to leases, PPPs, and SBITAs will become effective for the Authority in the fiscal year ending November 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 will become effective for the Authority in the fiscal year ending November 30, 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 General Bond Resolution adopted December 4, 1972 as amended and supplemented (collectively the "Bond Resolution"). A summary of the activities of each account created by the Bond Resolution is covered below.

**Revenue Account** - All money collected by the Authority for service charges or from any other source for operating, maintaining or repairing the system is deposited in this account. The Trustee, on the first day of each month in any fiscal year and within ten days thereafter, after reserving the amount shown by the annual budget to be required for operating expenses for the period of three consecutive calendar months beginning on said date, shall make payments into the other accounts to satisfy bond resolution or operating requirements.

**Bond Service Account** - The balance on deposit must be sufficient to enable the Trustee to withdraw amounts equal to interest due on bonds and principal amount maturing on bonds. At November 30, 2020, the balance in the bond service account meets the requirements of the Bond Resolution.

**Sinking Fund Account** – The amount of funds on deposit must be sufficient to meet the aggregate amount of all sinking fund installments payable during the next ensuing fiscal year.

**Bond Reserve Account** - The amount of funds on deposit must be maintained at a level equal to the Maximum Annual Debt Service to insure funds are available for payment of Debt Service. At November 30, 2020, the balance in the bond reserve account meets the requirements of the Bond Resolution.

**Construction Account** - The Construction Fund is held by the Trustee and is used to pay the cost of the project and is pledged, pending application to such costs, for the security of the payment of principal and interest on the Revenue Bonds.

**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, 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 November 30, 2020, the Authority's bank balances of \$17,589,310.37 were exposed to custodial credit risk as follows: \$500,000.00 is insured by FDIC and \$4,284,793.94 is covered under GUDPA as described above. The balance in the amount of \$12,804,516.43 is invested in Goldman Sachs Money Market Funds, which is a triple A Government Money Market Fund.

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

As of November 30, 2019, the Authority's bank balances of \$18,065,662.53 were exposed to custodial credit risk as follows: \$500,000.00 is insured by FDIC and \$8,411,448.08 is covered under GUDPA as described above. The balance in the amount of \$9,154,214.45 is invested in Goldman Sachs Money Market Funds, which is a triple A Government Money Market Fund.

**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	\$ 868,537.76	\$ 8,751,021.33	\$ 8,786,596.21	91.34%
2019	932,943.68	8,574,241.22	8,638,647.14	90.86%
2018	804,277.58	8,636,620.59	8,507,954.49	90.12%

**Capital Assets**

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

	<u>Balance Dec. 1, 2019</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Balance Nov. 30, 2020</u>
Capital Assets, not being depreciated:					
Land and Improvements	\$ 97,234.00				\$ 97,234.00
Construction in Progress	6,905,356.80	\$ 3,781,500.06	\$ (5,137,896.14)		5,548,960.72
Total Capital Assets not being depreciated	7,002,590.80	3,781,500.06	(5,137,896.14)	\$ -	5,646,194.72
Capital Assets, being depreciated:					
Buildings and Improvements	14,086,089.98	6,847.50			14,092,937.48
Machinery and Equipment	6,081,540.05	66,439.00	155,076.57		6,303,055.62
Infrastructure	61,421,150.79		4,982,819.57		66,403,970.36
Other	14,835.00				14,835.00
Total Capital Assets being depreciated	81,603,615.82	73,286.50	5,137,896.14	-	86,814,798.46
Less Accumulated Depreciation	45,024,717.26	1,511,744.17	-	-	46,536,461.43
Total Capital Assets being depreciated, Net	36,578,898.56	(1,438,457.67)	5,137,896.14	-	40,278,337.03
Total Capital Assets, Net	\$43,581,489.36	\$ 2,343,042.39	\$ -	\$ -	\$45,924,531.75

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

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

	<u>Balance</u> <u>Dec. 1, 2018</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>Nov. 30, 2019</u>
Capital Assets, not being depreciated:					
Land and Improvements	\$ 97,234.00				\$ 97,234.00
Construction in Progress	3,915,543.30	\$ 5,146,057.86	\$ (2,156,244.36)		6,905,356.80
Total Capital Assets not being depreciated	4,012,777.30	5,146,057.86	(2,156,244.36)	\$ -	7,002,590.80
Capital Assets, being depreciated:					
Buildings and Improvements	13,348,620.80		737,469.18		14,086,089.98
Machinery and Equipment	5,815,486.22		303,685.03	(37,631.20)	6,081,540.05
Infrastructure	60,306,060.64		1,115,090.15		61,421,150.79
Other	14,835.00				14,835.00
Total Capital Assets being depreciated	79,485,002.66	-	2,156,244.36	(37,631.20)	81,603,615.82
Less Accumulated Depreciation	43,373,235.26	1,689,113.20	-	(37,631.20)	45,024,717.26
Total Capital Assets being depreciated, Net	36,111,767.40	(1,689,113.20)	2,156,244.36	-	36,578,898.56
Total Capital Assets, Net	\$40,124,544.70	\$ 3,456,944.66	\$ -	\$ -	\$43,581,489.36

Depreciation expense by major class of capital assets is:

	<u>Fiscal Year Ended</u>	
	<u>Nov. 30, 2020</u>	<u>Nov. 30, 2019</u>
Buildings and Improvements	\$ 226,341.75	\$ 199,307.68
Machinery and Equipment	282,843.17	265,152.04
Infrastructure	1,001,547.00	1,223,641.23
Other	1,012.25	1,012.25
	<u>\$ 1,511,744.17</u>	<u>\$ 1,689,113.20</u>

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

On May 30, 2012, the Authority issued Revenue Refunding Bonds in the amount of \$3,725,000.00 to advance refund outstanding principal amount of \$3,520,000.00 of the Revenue Bonds Series 2003B. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$122,121.20. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations as a component of interest expense over the life of the refunding bonds using the bonds outstanding method.

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

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

	<u>Balance</u> <u>Dec. 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Nov. 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
<b>Bonds and Loans Payable:</b>					
Revenue Refunding Bonds, Series 2012	\$ 2,825,000.00		\$ 165,000.00	\$ 2,660,000.00	\$ 165,000.00
NJIB Interim Loan CFP-18-1	2,872,552.42	\$ 39,690.58	2,912,243.00		
NJIB Loan		2,899,182.00	49,082.74	2,850,099.26	88,624.11
USDA Loan - 2010	1,653,587.00		28,526.00	1,625,061.00	29,679.00
USDA Loan - 2013	7,336,002.82		149,037.52	7,186,965.30	152,221.39
USDA Loan - 2017	3,411,425.07		59,129.69	3,352,295.38	60,392.86
Obligations Capital Lease	2,311.36		2,128.00	183.36	183.36
Add:					
Premiums on Bonds	3,572.93		445.63	3,127.30	
Premiums on Loans		45,220.30	2,494.79	42,725.51	
<b>Total Bonds and Loans Payable</b>	<u>18,104,451.60</u>	<u>2,984,092.88</u>	<u>3,368,087.37</u>	<u>17,720,457.11</u>	<u>496,100.72</u>
<b>Other Liabilities:</b>					
Compensated Absences	133,552.55	191,025.41	135,512.97	189,064.99	
Net OPEB Liability	1,574,731.00	10,456,661.00	6,003,304.00	6,028,088.00	
Net Pension Liability	3,286,414.00	2,477,477.00	2,797,420.00	2,966,471.00	
Accrued Liability - Related to Pensions	73,922.00	82,917.00	73,922.00	82,917.00	
<b>Total Other Liabilities</b>	<u>5,068,619.55</u>	<u>13,208,080.41</u>	<u>9,010,158.97</u>	<u>9,266,540.99</u>	<u>-</u>
<b>Total Long-Term Liabilities</b>	<u>\$ 23,173,071.15</u>	<u>\$ 16,192,173.29</u>	<u>\$ 12,378,246.34</u>	<u>\$ 26,986,998.10</u>	<u>\$ 496,100.72</u>

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

	<u>Balance</u> <u>Dec. 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Nov. 30, 2019</u>	<u>Due Within</u> <u>One Year</u>
<b>Bonds and Loans Payable:</b>					
Revenue Refunding Bonds, Series 2012	\$ 2,985,000.00		\$ 160,000.00	\$ 2,825,000.00	\$ 165,000.00
NJIB Interim Loan CFP-18-1	2,014,462.04	\$ 858,090.38		2,872,552.42	
USDA Loan - 2010	1,681,006.00		27,419.00	1,653,587.00	28,526.00
USDA Loan - 2013	7,481,923.06		145,920.24	7,336,002.82	149,037.52
USDA Loan - 2017	3,469,317.97		57,892.90	3,411,425.07	59,129.69
Obligations Capital Lease	4,324.03		2,012.67	2,311.36	2,128.00
Add:					
Premiums on Bonds	4,043.80		470.87	3,572.93	
<b>Total Bonds and Loans Payable</b>	<u>17,640,076.90</u>	<u>858,090.38</u>	<u>393,715.68</u>	<u>18,104,451.60</u>	<u>403,821.21</u>
<b>Other Liabilities:</b>					
Compensated Absences	130,156.51	152,507.37	149,111.33	133,552.55	
Net OPEB Liability	4,689,489.00	1,965,607.00	5,080,365.00	1,574,731.00	
Net Pension Liability	3,351,707.00	3,046,317.00	3,111,610.00	3,286,414.00	
Accrued Liability - Related to Pensions	70,551.00	73,922.00	70,551.00	73,922.00	
<b>Total Other Liabilities</b>	<u>8,241,903.51</u>	<u>5,238,353.37</u>	<u>8,411,637.33</u>	<u>5,068,619.55</u>	<u>-</u>
<b>Total Long-Term Liabilities</b>	<u>\$ 25,881,980.41</u>	<u>\$ 6,096,443.75</u>	<u>\$ 8,805,353.01</u>	<u>\$ 23,173,071.15</u>	<u>\$ 403,821.21</u>

**Revenue Refunding Bonds Payable**

At November 30, 2020, the Authority has the following bonds payable:

Revenue Refunding Bonds, Series 2012 – On May 30, 2012, the Authority issued \$3,725,000.00 in Revenue Refunding Bonds, with interest rates ranging from 2.375% to 3.000%. The purpose of the bonds is to provide funds to advance refund all or a portion of the outstanding principal amount of Revenue Bonds, Series 2003B and to pay for the costs of issuance. The final maturity of the bonds is December 1, 2032. The balance remaining at November 30, 2020 is \$2,660,000.00.

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

The following schedule reflects the Debt Service maturities for Revenue Refunding Bonds Payable:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 165,000.00	\$ 84,040.63	\$ 249,040.63
2022	175,000.00	79,359.38	254,359.38
2023	180,000.00	73,918.76	253,918.76
2024	185,000.00	67,987.51	252,987.51
2025	190,000.00	61,893.76	251,893.76
2026-2030	1,045,000.00	210,534.41	1,255,534.41
2031-2033	720,000.00	37,125.00	757,125.00
	2,660,000.00	\$ 614,859.45	\$ 3,274,859.45
Current Maturities	(165,000.00)		
Premium on Bonds	3,127.30		
	<u>\$ 2,498,127.30</u>		

**Loans Payable****New Jersey Infrastructure Bank (NJIB) Loans**

On May 13, 2020, the Authority closed on loans from the New Jersey Environmental Infrastructure Bank totaling \$715,000.00 from the Trust and \$2,184,182.00 from the Fund. The loan proceeds were used to permanently finance an interim loan from Construction Financing Program (CFP)-18-1, which was issued to fund the East Villas Water Expansion Project Phase II. The Fund Loan is a non-interest bearing loan with its semi-annual principal payments due August 1 and February 1, with a final maturity of August 1, 2049. The Trust Loan carries interest rates from 2.125% to 5.000%, with a final maturity of August 1, 2049.

**USDA Loans**

At November 30, 2020, the Authority has the following loans payable:

\$1,875,000.00 principal amount of USDA Loans dated 2010, due in semi-annual installments beginning August 25, 2010, through February 25, 2050, bearing interest at a rate of 4% per annum. The balance remaining as of November 30, 2020 is \$1,625,061.00.

\$8,167,000.00 principal amount of USDA Loans dated 2013, due in semi-annual installments beginning March 19, 2014, through September 19, 2053, bearing interest at a rate of 2.125% per annum. The balance remaining as of November 30, 2020 is \$7,186,965.30.

\$3,526,000.00 principal amount of USDA Loans dated 2017, due in semi-annual installments beginning April 13, 2018, through October 13, 2057, bearing interest at a rate of 2.125% per annum. The balance remaining as of November 30, 2020 is \$3,352,295.38.

The schedule on the next page reflects the debt service maturities for loans payable until 2057.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Loans Payable (Cont'd)**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 330,917.36	\$ 311,350.58	\$ 642,267.94
2022	336,658.42	304,859.51	641,517.93
2023	342,545.51	298,222.94	640,768.45
2024	348,580.70	291,436.87	640,017.57
2025	354,771.11	284,497.16	639,268.27
2026-2030	1,897,383.45	1,310,205.10	3,207,588.55
2031-2035	2,097,799.32	1,108,277.63	3,206,076.95
2036-2040	2,312,943.61	887,895.52	3,200,839.13
2041-2045	2,566,586.72	635,146.83	3,201,733.55
2046-2050	2,698,866.35	344,740.02	3,043,606.37
2051-2055	1,472,253.97	95,281.82	1,567,535.79
2056-2057	255,114.40	6,801.15	261,915.55
	15,014,420.91	<u>\$ 5,878,715.14</u>	<u>\$ 20,893,136.05</u>
Current Maturities	(330,917.36)		
Premium on Loans	42,725.51		
	<u>\$ 14,726,229.06</u>		

**Obligations under Capital Lease**

The Authority is leasing a copier totaling \$9,590.00 under a capital lease. The capital lease is for a term of five years. Capital leases are depreciated in a manner consistent with the Authority's depreciation policy for owned assets.

The following schedule represents the remaining principal and interest payments, through maturity, for the capital lease.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 182.82	\$ 0.85	\$ 183.67

**Compensated Absences**

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

Authority employees earn sick and vacation time depending on their length of service. Employees are permitted to carryover the earned and unused sick and vacation time to future periods and upon termination may receive payment for any accrued time. Employees are compensated for accumulated sick leave upon retirement or resignation at their then current hourly rate of pay times the number of days accumulated, up to a maximum of \$15,000.00. Vacation days not used during the year may be carried forward for one year. Upon separation from the Authority, the employee will be paid for all accrued vacation time at their then current hourly rate. The accrued liability for accumulated sick leave and vacation time at November 30, 2020 and 2019 is estimated at \$189,064.99 and \$133,552.55, respectively.

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

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

**Net OPEB Liability**

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

**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. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for PERS:

**Tier    Definition**

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

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

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

**Contributions**

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

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

**Public Employees' Retirement System (Cont'd)** – The Authority's contractually required contribution rate for the fiscal years ended November 30, 2020 and 2019 was 14.29% and 13.72% 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, 2020, the Authority's contractually required contribution to the pension plan for the fiscal year ended November 30, 2020 was \$199,000.00, and was payable by April 1, 2021. 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 November 30, 2019 was \$177,413.00, and was payable by April 1, 2020. Employee contributions to the pension plan during the fiscal years ended November 30, 2020 and 2019 were \$104,411.82 and \$100,183.08, 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 November 30, 2020 and 2019, employee contributions totaled \$1,108.63 and \$781.17, respectively. The Authority recognized pension expense of \$952.05 and \$583.41 for the fiscal years ended November 30, 2020 and 2019, which equaled the required contributions. There were no forfeitures during the fiscal year.

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

**Pension Liability** - As of November 30, 2020, the Authority's proportionate share of the net pension liability was \$2,966,471.00. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2020. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2020 measurement date, the Authority's proportion was .0181909666%, which was a decrease of .0000481625% from its proportion measured as of June 30, 2019.

At November 30, 2019, the Authority's proportionate share of the net pension liability was \$3,286,414.00. 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 .0182391291%, which was an increase of .0012163153% from its proportion measured as of June 30, 2018.

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

**Pension Expense** - For the fiscal years ended November 30, 2020 and 2019, the Authority recognized pension (benefit) expense of \$181,868.00 and \$254,152.00, respectively. These amounts were based on the plan's June 30, 2020 and 2019 measurement dates, respectively.

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

	<u>November 30, 2020</u>		<u>November 30, 2019</u>	
	<u>Measurement Date</u>		<u>Measurement Date</u>	
	<u>June 30, 2020</u>		<u>June 30, 2019</u>	
	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>Inflows of</u>	<u>Outflows of</u>	<u>Inflows of</u>
	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>
Differences between Expected and Actual Experience	\$ 54,015.00	\$ 10,491.00	\$ 58,987.00	\$ 14,518.00
Changes of Assumptions	96,236.00	1,242,089.00	328,161.00	1,140,704.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	101,396.00	-	-	51,877.00
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	615,734.00	71,783.00	886,909.00	221,129.00
Authority Contributions Subsequent to the Measurement Date	82,917.00	-	73,922.00	-
	<u>\$ 950,298.00</u>	<u>\$ 1,324,363.00</u>	<u>\$ 1,347,979.00</u>	<u>\$ 1,428,228.00</u>

The deferred outflows of resources related to pensions totaling \$82,917.00 and \$73,922.00 will be included as a reduction of the net pension liability in the fiscal years ended November 30, 2021 and 2020, respectively. This amount is based on an estimated April 1, 2022 and April 1, 2021 contractually required contribution, prorated from the pension plans measurement date of June 30, 2020 and June 30, 2019 to the Authority's fiscal year end of November 30, 2020 and 2019.

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

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

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

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

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

<b>Fiscal Year Ending November 30,</b>	
2021	\$ (171,838.00)
2022	(127,166.00)
2023	(71,262.00)
2024	(69,421.00)
2025	(17,295.00)
	<u>\$ (456,982.00)</u>

**Actuarial Assumptions – PERS**

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

	<b>Measurement Date June 30, 2020</b>	<b>Measurement Date June 30, 2019</b>
Inflation Rate:		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary Increases:		
Through 2026	2.00% - 6.00%	2.00% - 6.00%
	Based on Years of Service	Based on Years of Service
Thereafter	3.00% - 7.00%	3.00% - 7.00%
	Based on Years of Service	Based on Years of Service
Investment Rate of Return	7.00%	7.00%
Period of Actuarial Experience		
Study upon which Actuarial Assumptions were Based	July 1, 2014 - June 30, 2018	July 1, 2014 - June 30, 2018

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

For the June 30, 2020 measurement date, pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

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

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

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

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

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Sensitivity of Authority's Proportionate Share of Net Pension Liability to Changes in the Discount Rate – PERS**

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

	<b>November 30, 2020</b>		
	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 4,136,589.00</u>	<u>\$ 2,966,471.00</u>	<u>\$ 2,548,598.00</u>

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

	<b>November 30, 2019</b>		
	<b>1% Decrease (5.28%)</b>	<b>Current Discount Rate (6.28%)</b>	<b>1% Increase (7.28%)</b>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 4,515,512.00</u>	<u>\$ 3,286,414.00</u>	<u>\$ 2,815,749.00</u>

**Pension Plan Fiduciary Net Position - PERS**

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

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

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

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

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

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

The Authority was billed monthly by the Plan and paid \$150,669.75 and \$160,236.97, for the fiscal years ended November 30, 2020 and November 30, 2019, respectively. These amounts represent 10.82% and 12.39% of the Authority's covered payroll. During the fiscal years ended November 30, 2020 and November 30, 2019, retirees were not required to contribute to the Plan.

**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**

**OPEB Liability** - At November 30, 2020, the Authority's proportionate share of the net OPEB liability was \$6,028,088.00.

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

The Authority's proportion of the net OPEB liability was based on the ratio of the Plan members of an individual employer to the total members of the Plan' during the measurement period July 1, 2019 through June 30, 2020. For the June 30, 2020 measurement date, the Authority's proportion was .033589%, which was an increase of .021964% from its proportion measured as of the June 30, 2019 measurement date.

At November 30, 2019, the Authority's proportionate share of the net OPEB liability was \$1,574,731.00.

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 .011625%, which was a decrease of .018308% from its proportion measured as of the June 30, 2018 measurement date.

**OPEB (Benefit) Expense** - At November 30, 2020, the Authority's proportionate share of the OPEB (benefit) expense, calculated by the Plan as of the June 30, 2020 measurement date, is \$106,449.00.

At November 30, 2019, the Authority's proportionate share of the OPEB (benefit) expense, calculated by the Plan as of the June 30, 2020 measurement date, is (\$578,190.00).

**Deferred Outflows of Resources and Deferred Inflows of Resources** - At November 30, 2020 and 2019, the Authority had deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>November 30, 2020</u>		<u>November 30, 2019</u>	
	<u>Measurement Date</u>		<u>Measurement Date</u>	
	<u>June 30, 2020</u>		<u>June 30, 2019</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 158,775.00	\$ 1,122,542.00	\$ -	\$ 460,513.00
Changes of Assumptions	901,612.00	1,340,554.00	-	558,050.00
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	3,828.00	-	1,297.00	-
Changes in Proportion	4,330,263.00	3,362,904.00	66,030.00	3,937,171.00
Authority Contributions Subsequent to the Measurement Date	60,995.15	-	66,765.40	-
	<u>\$ 5,455,473.15</u>	<u>\$ 5,826,000.00</u>	<u>\$ 134,092.40</u>	<u>\$ 4,955,734.00</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)** - Deferred outflows of resources in the amount of \$60,995.15 was the result of the Authority contributions subsequent to the Plan's measurement date of June 30, 2020. This amount will be included as a reduction of the Authority's net OPEB liability during the year ending November 30, 2021. Deferred outflows of resources in the amount of \$66,765.40 was the result of the Authority contributions subsequent to the Plan's measurement date of June 30, 2019. This amount will be included as a reduction of the Authority's net OPEB liability during the year ending November 30, 2020.

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

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

**Note 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:

<b><u>Fiscal Year Ending</u></b>		
November 30, 2021	\$	(265,284.00)
November 30, 2022		(265,578.00)
November 30, 2023		(266,052.00)
November 30, 2024		(266,486.00)
November 30, 2025		(109,808.00)
Thereafter		741,686.00
	<u>\$</u>	<u>(431,522.00)</u>

**Actuarial Assumptions**

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

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

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

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

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

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

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

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

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

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

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

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

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

	<b>November 30, 2020</b>		
	<b>1% Decrease <u>(1.21%)</u></b>	<b>Current Discount Rate <u>(2.21%)</u></b>	<b>1% Increase <u>(3.21%)</u></b>
Authority's Proportionate Share of the Net OPEB Liability	\$ 7,126,474.00	\$ 6,028,088.00	\$ 5,158,616.00

**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 (Cont'd)**

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

	<b>November 30, 2019</b>		
	<b>1% Decrease <u>(2.50%)</u></b>	<b>Current Discount Rate <u>(3.50%)</u></b>	<b>1% Increase <u>(4.50%)</u></b>
Authority's Proportionate Share of the Net OPEB Liability	\$ 1,820,790.00	\$ 1,574,731.00	\$ 1,374,776.00

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

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

	<b>November 30, 2020</b>		
	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Authority's Proportionate Share of the Net OPEB Liability	\$ 4,988,249.00	\$ 6,028,088.00	\$ 7,389,771.00

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

	<b>November 30, 2019</b>		
	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Authority's Proportionate Share of the Net OPEB Liability	\$ 1,328,879.00	\$ 1,574,731.00	\$ 1,888,357.00

**OPEB Plan Fiduciary Net Position**

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

**Note 6: DETAIL NOTES – NET POSITION****Net Position Appropriated**

As of November 30, 2020, the Authority had an unrestricted net position balance of \$7,245,094.59; however, \$2,790,538.00 has been appropriated and included as support in the operating budgets for the fiscal year ending November 30, 2021.

As of November 30, 2019, the Authority had an unrestricted net position balance of \$8,290,584.90; however, \$1,301,732.00 has been appropriated and included as support in the operating budgets for the fiscal year ending November 30, 2020.

**Net Position Designated**

As of November 30, 2020 and 2019, \$8,153,330.77, and \$5,835,583.77, respectively, of the balance in unrestricted net position has been designated for Capital Improvements.

**Unrestricted/Undesignated Net Position**

The balance of unrestricted net position as of November 30, 2020 and 2019 is comprised of the following:

	<u>2020</u>	<u>2019</u>
Unrestricted and Undesignated Net Position	\$ 6,322,293.67	\$ 11,167,639.73
Amount Related to Pensions (GASB 68 and 71)	(3,622,453.00)	(3,617,998.00)
Amount Related to OPEB (GASB 75)	(6,398,614.85)	(6,396,372.60)
Net Position Designated for Capital Improvements	8,153,330.77	5,835,583.77
Appropriated in the Subsequent Year's Budget	<u>2,790,538.00</u>	<u>1,301,732.00</u>
Unrestricted Net Position	<u>\$ 7,245,094.59</u>	<u>\$ 8,290,584.90</u>

**Note 7: INTERGOVERNMENTAL AGREEMENTS****Township of Lower Service Contract**

A Service Contract was entered into on November 19, 1968 between the Authority and the Township. Under the Service Contract, the Township agrees to pay any shortfall the Authority may encounter in making payments for either Operating Expenses and/or Debt Service (Annual Charges).

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

**Note 8: COMMITMENTS**

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

<u>Project</u>	<u>Awarded</u>	<u>Commitment Remaining</u>
Wastewater Treatment Plant Electrical Renovation Project	\$ 2,304,829.56	\$ 69,737.44
Bayshore Road Water Main Extension - Phase II	749,777.00	<u>749,777.00</u>
		<u>\$ 819,514.44</u>

**Note 9: DEFERRED COMPENSATION**

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

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

**Note 10: RISK MANAGEMENT**

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

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

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

The Fund publishes its own financial report, which can be obtained from the New Jersey Utility Authorities Joint Insurance Fund, 9 Campus Drive, Suite 16, Parsippany, New Jersey 07054-4412.

**Note 11: SUBSEQUENT EVENT****Authorization of Debt**

On January 6, 2021, the Authority authorized not to exceed \$18,000,000.00 Revenue Bonds (Junior Lien) for the purpose of financing the project costs of the installation of a Vacuum Sanitary Collection system to non-sewered areas of the Township of Lower. On April 21, 2021, the Authority closed on an interim construction loan from the New Jersey Infrastructure Bank (NJIB) in the amount of \$17,100,000.00. The loan proceeds held by NJIB are being used to fund the project. On June 2, 2021, the Authority further authorized the issuance of an additional not to exceed \$12,000,000.00 principal amount of Revenue Bonds (Junior Lien) associated with this project.

On April 7, 2021, the Authority authorized not to exceed \$8,500,000.00 Revenue Bonds (Junior Lien) for the purpose of financing the project costs of the extension of the Authority water system north to the Township of Middle. On June 11, 2021, the Authority closed on an interim construction loan from the New Jersey Infrastructure Bank (NJIB) in the amount of \$8,500,000.00. The loan proceeds held by NJIB are being used to fund the project. On June 1, 2022, the Authority further authorized the issuance of an additional not to exceed \$3,000,000.00 principal amount of Revenue Bonds (Junior Lien) associated with this project.

**COVID-19**

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

	<u>Measurement Date Ending June 30,</u>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Authority's Proportion of the Net Pension Liability	0.0181909666%	0.0182391291%	0.0170228138%	0.0141741109%
Authority's Proportionate Share of the Net Pension Liability	\$ 2,966,471.00	\$ 3,286,414.00	\$ 3,351,707.00	\$ 3,299,506.00
Authority's Covered Payroll (Plan Measurement Period)	\$ 1,318,120.00	\$ 1,225,988.00	\$ 1,195,436.00	\$ 962,560.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	225.05%	268.06%	280.38%	342.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.32%	56.27%	53.60%	48.10%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Liability	0.0116972840%	0.0147986848%	0.0167587842%	0.0163273172%
Authority's Proportionate Share of the Net Pension Liability	\$ 3,464,400.00	\$ 3,322,008.00	\$ 3,137,703.00	\$ 3,120,475.00
Authority's Covered Payroll (Plan Measurement Period)	\$ 791,516.00	\$ 993,092.00	\$ 1,158,964.00	\$ 1,126,292.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	437.69%	334.51%	270.73%	277.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.93%	52.08%	47.72%

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.

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Required Supplementary Information  
 Schedule of the Authority Contributions  
 Public Employees' Retirement System (PERS)  
 Last Eight Fiscal Years

	<b>Fiscal Year Ended November 30,</b>			
	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Authority's Contractually Required Contribution	\$ 199,000.00	\$ 177,413.00	\$ 169,322.00	\$ 131,308.00
Authority's Contribution in Relation to the Contractually Required Contribution	<u>(199,000.00)</u>	<u>(177,413.00)</u>	<u>(169,322.00)</u>	<u>(131,308.00)</u>
Authority's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll (Fiscal Year)	\$ 1,392,155.00	\$ 1,292,781.00	\$ 1,197,221.00	\$ 1,165,371.00
Authority's Contributions as a Percentage of its Covered Payroll	14.29%	13.72%	14.14%	11.27%
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Authority's Contractually Required Contribution	\$ 103,917.00	\$ 127,229.00	\$ 138,157.00	\$ 123,023.00
Authority's Contribution in Relation to the Contractually Required Contribution	<u>(103,917.00)</u>	<u>(127,229.00)</u>	<u>(138,157.00)</u>	<u>(123,023.00)</u>
Authority's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll (Fiscal Year)	\$ 970,590.00	\$ 811,920.00	\$ 973,028.00	\$ 1,151,898.00
Authority's Contributions as a Percentage of its Covered Payroll	10.71%	15.67%	14.20%	10.68%

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.

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Required Supplementary Information  
 Schedule of the Authority's Proportionate Share  
 of the Net OPEB Liability  
 State Health Benefits Local Government Retired Employees Plan  
 Last Four Plan Years

	<b>Measurement Date Ended June 30,</b>			
	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Authority's Proportion of the Net OPEB Liability	0.033589%	0.011625%	0.029933%	0.029547%
Authority's Proportionate Share of the Net OPEB Liability	\$ 6,028,088.00	\$ 1,574,731.00	\$ 4,689,489.00	\$ 6,032,253.00
Authority's Covered Payroll (Plan Measurement Period)	\$ 1,367,892.00	\$ 1,243,612.00	\$ 1,212,420.00	\$ 1,140,312.00
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	440.68%	126.63%	386.79%	529.00%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%	1.98%	1.97%	1.03%

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

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Required Supplementary Information  
 Schedule of the Authority's OPEB Contributions  
 State Health Benefits Local Government Retired Employees Plan  
 Last Four Fiscal Years

	<b>Fiscal Year Ended November 30,</b>			
	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Authority's Required Contributions	\$ 150,669.75	\$ 160,236.97	\$ 261,490.94	\$ 290,590.17
Authority's Contributions in Relation to the Required Contribution	<u>(150,669.75)</u>	<u>(160,236.97)</u>	<u>(261,490.94)</u>	<u>(290,590.17)</u>
Authority's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll (Fiscal Year)	\$ 1,392,155.00	\$ 1,292,781.00	\$ 1,197,221.00	\$ 1,165,371.00
Authority's Contributions as a Percentage of Covered Payroll	10.82%	12.39%	21.84%	24.94%

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.

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Notes to Required Supplementary Information  
For the Fiscal Years Ended November 30, 2020 and 2019

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**Note 1: POSTEMPLOYMENT BENEFITS - PENSION**

**Public Employees' Retirement System (PERS)**

***Changes in Benefit Terms:***

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

***Changes in Assumptions:***

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

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

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

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

The mortality assumption was updated upon direction from the DPB.

(Continued)

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**

Notes to Required Supplementary Information (Cont'd)  
For the Fiscal Years Ended November 30, 2020 and 2019

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**Note 2: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)**

***Change in Benefit Terms:***

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

***Changes in Assumptions:***

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

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2020	2.21%	2018	3.87%
2019	3.50%	2017	3.58%

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

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

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

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

## **SUPPLEMENTARY SCHEDULES**

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and  
 Non-Operating Appropriations Compared to Budget--Budgetary Basis  
 Water Division  
 For the Fiscal Year Ended November 30, 2020

	<u>Original Budget</u>	<u>Transfers/ Modifications</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Operating Revenues:</b>					
Service Charges	\$ 3,564,000.00	\$ -	\$ 3,564,000.00	\$ 3,683,975.90	\$ 119,975.90
Connection Fees	8,000.00	-	8,000.00	40,596.66	32,596.66
Other Operating Revenues	61,000.00	-	61,000.00	84,771.84	23,771.84
<b>Total Operating Revenues</b>	<b>3,633,000.00</b>	<b>-</b>	<b>3,633,000.00</b>	<b>3,809,344.40</b>	<b>176,344.40</b>
<b>Non-Operating Revenues:</b>					
Investment Income	37,500.00	-	37,500.00	26,569.58	(10,930.42)
Water Tower Leases	133,000.00	-	133,000.00	196,804.37	63,804.37
<b>Total Anticipated Revenues</b>	<b>3,803,500.00</b>	<b>-</b>	<b>3,803,500.00</b>	<b>4,032,718.35</b>	<b>229,218.35</b>
<b>Operating Appropriations:</b>					
<b>Administration:</b>					
Salaries and Wages	229,000.00	-	229,000.00	214,370.16	14,629.84
Fringe Benefits	147,000.00	-	147,000.00	115,783.77	31,216.23
<b>Other Expenses:</b>					
Professional Services	158,000.00	-	158,000.00	124,857.90	33,142.10
Insurance	52,000.00	-	52,000.00	51,002.70	997.30
Equipment Rental	4,000.00	-	4,000.00	2,434.18	1,565.82
Other Employee Expenses	1,200.00	-	1,200.00		1,200.00
Dues and Memberships	5,000.00	-	5,000.00	3,586.00	1,414.00
Conferences & Seminars	3,000.00	-	3,000.00	472.00	2,528.00
Office Expense	3,200.00	-	3,200.00	377.88	2,822.12
Public Advertising	6,500.00	-	6,500.00	1,388.54	5,111.46
Printing	7,500.00	-	7,500.00	8,504.30	(1,004.30)
Postage	20,000.00	-	20,000.00	156.90	19,843.10
Computer Maintenance & Upgrade	8,000.00	-	8,000.00	8,200.02	(200.02)
Software Licenses and Internet / Website	9,000.00	-	9,000.00	10,380.99	(1,380.99)
Miscellaneous	6,000.00	-	6,000.00	3,957.71	2,042.29
<b>Other Expenses</b>	<b>283,400.00</b>	<b>-</b>	<b>283,400.00</b>	<b>215,319.12</b>	<b>68,080.88</b>
<b>Total Administration</b>	<b>659,400.00</b>	<b>-</b>	<b>659,400.00</b>	<b>545,473.05</b>	<b>113,926.95</b>

(Continued)

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and  
 Non-Operating Appropriations Compared to Budget--Budgetary Basis  
 Water Division  
 For the Fiscal Year Ended November 30, 2020

	<u>Original Budget</u>	<u>Transfers/ Modifications</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Appropriations (Cont'd):					
Cost of Providing Service:					
Operations:					
Salaries and Wages	\$ 524,000.00	\$ -	\$ 524,000.00	\$ 523,465.05	\$ 534.95
Fringe Benefits	327,000.00	-	327,000.00	285,163.33	41,836.67
Other Expenses:					
Chemical Costs - Treatment Plant	46,500.00	3,170.00	49,670.00	46,914.72	2,755.28
Utility Costs	124,500.00	-	124,500.00	116,379.96	8,120.04
Lease Agreement	3,500.00	-	3,500.00	2,406.49	1,093.51
Water Distribution Supplies	200,000.00	-	200,000.00	100,583.67	99,416.33
Water Meters	400,000.00	-	400,000.00	230,932.50	169,067.50
Well Parts & Supplies	30,000.00	-	30,000.00	14,319.71	15,680.29
Maintenance - Well / Tank	10,000.00	-	10,000.00	240.00	9,760.00
Janitorial Service	5,000.00	-	5,000.00	0.00	5,000.00
Laboratory Analysis	15,000.00	-	15,000.00	24,649.50	(9,649.50)
Transportation - Gasoline & Diesel	66,500.00	(3,170.00)	63,330.00	32,395.37	30,934.63
Permits and Other Fees	15,000.00	-	15,000.00	9,439.50	5,560.50
Safety	4,000.00	-	4,000.00	1,812.83	2,187.17
Tools	2,000.00	-	2,000.00	639.73	1,360.27
Training and Seminars	5,000.00	-	5,000.00	1,433.51	3,566.49
Uniforms	6,000.00	-	6,000.00	4,629.98	1,370.02
Miscellaneous	2,000.00	-	2,000.00	464.00	1,536.00
Total Other Expenses	935,000.00	-	935,000.00	587,241.47	347,758.53
Total Cost of Providing Service	1,786,000.00	-	1,786,000.00	1,395,869.85	390,130.15
Principal Payments on Debt Service in Lieu of Depreciation	340,644.00	-	340,644.00	389,725.95	(49,081.95)
Total Operating Appropriations	2,786,044.00	-	2,786,044.00	2,331,068.85	454,975.15
Non-Operating Appropriations:					
Interest on Debt	348,688.00	-	348,688.00	362,184.98	(13,496.98)
Renewal & Replacement Reserves	1,626,500.00	-	1,626,500.00	1,626,500.00	-
Municipal Appropriation	80,000.00	-	80,000.00	80,000.00	-
Total Non-Operating Appropriations	2,055,188.00	-	2,055,188.00	2,068,684.98	(13,496.98)
Net Total Appropriations	4,841,232.00	-	4,841,232.00	4,399,753.83	441,478.17
Excess (Deficit) in Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations	\$ (1,037,732.00)	\$ -	\$ (1,037,732.00)	\$ (367,035.48)	\$ 670,696.52

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and  
 Non-Operating Appropriations Compared to Budget--Budgetary Basis  
 Sewer Division  
 For the Fiscal Year Ended November 30, 2020

	<u>Original Budget</u>	<u>Transfers/ Modifications</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Operating Revenues:</b>					
Service Charges	\$ 4,933,000.00	\$ -	\$ 4,933,000.00	\$ 4,980,043.72	\$ 47,043.72
Connection Fees	4,800.00	-	4,800.00	30,700.00	25,900.00
Other Operating Revenues	49,000.00	-	49,000.00	38,291.61	(10,708.39)
<b>Total Operating Revenues</b>	<b>4,986,800.00</b>	<b>-</b>	<b>4,986,800.00</b>	<b>5,049,035.33</b>	<b>62,235.33</b>
<b>Non-Operating Revenues:</b>					
Investment Income	37,500.00	-	37,500.00	26,569.58	(10,930.42)
<b>Total Anticipated Revenues</b>	<b>5,024,300.00</b>	<b>-</b>	<b>5,024,300.00</b>	<b>5,075,604.91</b>	<b>51,304.91</b>
<b>Operating Appropriations:</b>					
<b>Administration:</b>					
Salaries and Wages	229,000.00	-	229,000.00	214,370.04	14,629.96
Fringe Benefits	152,000.00	-	152,000.00	115,778.12	36,221.88
<b>Other Expenses:</b>					
Professional Services	133,000.00	-	133,000.00	83,245.16	49,754.84
Insurance	78,000.00	-	78,000.00	76,731.30	1,268.70
Equipment Rental	6,000.00	-	6,000.00	2,655.29	3,344.71
Other Employee Expenses	1,800.00	-	1,800.00		1,800.00
Dues and Memberships	5,000.00	-	5,000.00	2,385.00	2,615.00
Conferences & Seminars	4,500.00	-	4,500.00	472.00	4,028.00
Office Expense	4,800.00	-	4,800.00	2,976.18	1,823.82
Public Advertising	6,500.00	-	6,500.00	1,137.62	5,362.38
Printing	7,500.00	-	7,500.00	4,007.94	3,492.06
Postage	20,000.00	-	20,000.00	311.70	19,688.30
Computer Maintenance & Upgrade	12,000.00	-	12,000.00	12,812.00	(812.00)
Software Licenses and Internet / Website	9,000.00	-	9,000.00	13,022.33	(4,022.33)
Miscellaneous	6,000.00	-	6,000.00	4,127.95	1,872.05
<b>Total Other Expenses</b>	<b>294,100.00</b>	<b>-</b>	<b>294,100.00</b>	<b>203,884.47</b>	<b>90,215.53</b>
<b>Total Administration</b>	<b>675,100.00</b>	<b>-</b>	<b>675,100.00</b>	<b>534,032.63</b>	<b>141,067.37</b>

(Continued)

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and  
 Non-Operating Appropriations Compared to Budget--Budgetary Basis  
 Sewer Division  
 For the Fiscal Year Ended November 30, 2020

	<u>Original Budget</u>	<u>Transfers/ Modifications</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Appropriations (Cont'd):					
Cost of Providing Service:					
Operations:					
Salaries and Wages	\$ 709,000.00	\$ -	\$ 709,000.00	\$ 711,972.78	\$ (2,972.78)
Fringe Benefits	430,000.00	-	430,000.00	383,982.46	46,017.54
Other Expenses:					
Cape May County MUA Agreement	600,000.00	-	600,000.00	483,056.00	116,944.00
Chemical Costs - Treatment Plant	175,000.00	-	175,000.00	157,996.01	17,003.99
Buildings and Grounds	37,000.00	-	37,000.00	17,731.35	19,268.65
Utility Costs	287,000.00	-	287,000.00	228,935.74	58,064.26
Collection Materials & Supplies	130,029.00	(42,500.00)	87,529.00	46,343.32	41,185.68
Sludge Handling and Disposal	310,000.00	-	310,000.00	279,251.41	30,748.59
Laboratory Analysis	25,000.00	-	25,000.00	23,129.25	1,870.75
Laboratory Operations	10,000.00	-	10,000.00	6,667.52	3,332.48
Materials and Supplies	125,000.00	30,000.00	155,000.00	85,903.19	69,096.81
Permits and Other Fees	50,000.00	-	50,000.00	60,659.84	(10,659.84)
Safety	20,000.00	-	20,000.00	4,512.83	15,487.17
Tools	12,000.00	12,500.00	24,500.00	14,845.39	9,654.61
Fuel and Transportation	86,500.00	-	86,500.00	59,370.18	27,129.82
Training and Seminars	5,000.00	-	5,000.00	1,939.69	3,060.31
Uniforms	6,000.00	-	6,000.00	4,895.09	1,104.91
Miscellaneous	2,000.00	-	2,000.00	522.00	1,478.00
Total Other Expenses	1,880,529.00	-	1,880,529.00	1,475,758.81	404,770.19
Total Cost of Providing Service	3,019,529.00	-	3,019,529.00	2,571,714.05	447,814.95
Principal Payments on Debt Service in Lieu of Depreciation	61,050.00	-	61,050.00	61,050.00	-
Total Operating Appropriations	3,755,679.00	-	3,755,679.00	3,166,796.68	588,882.32
Non-Operating Appropriations:					
Interest on Debt	32,621.00	-	32,621.00	35,009.35	(2,388.35)
Renewal & Replacement Reserves	1,420,000.00	-	1,420,000.00	1,420,000.00	-
Municipal Appropriation	80,000.00	-	80,000.00	80,000.00	-
Total Non-Operating Appropriations	1,532,621.00	-	1,532,621.00	1,535,009.35	(2,388.35)
Net Total Appropriations	5,288,300.00	-	5,288,300.00	4,701,806.03	586,493.97
Excess (Deficit) in Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations	\$ (264,000.00)	\$ -	\$ (264,000.00)	\$ 373,798.88	\$ 637,798.88

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and  
 Non-Operating Appropriations Compared to Budget--Budgetary Basis  
 For the Fiscal Year Ended November 30, 2020

**Reconciliation of Excess (Deficit) Anticipated Revenues  
 Over Operating, Principal Payments and Non-Operating  
 Appropriations to Operating Income**

	<u>Water Division</u>	<u>Sewer Division</u>	<u>Total</u>
Excess (Deficit) in Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations	\$ (367,035.48)	\$ 373,798.88	\$ 6,763.40
Add:			
Water Tower Leases	(196,804.37)		(196,804.37)
Investment Income	(26,569.58)	(26,569.58)	(53,139.16)
Debt Service Principal Payments	389,725.95	61,050.00	450,775.95
Interest on Debt	362,184.98	35,009.35	397,194.33
Renewal and Replacement Reserves	1,626,500.00	1,420,000.00	3,046,500.00
Contribution to Lower Township Per N.J.S.A. 40A:5A-1	<u>80,000.00</u>	<u>80,000.00</u>	<u>160,000.00</u>
	<u>1,868,001.50</u>	<u>1,943,288.65</u>	<u>3,811,290.15</u>
Less:			
Depreciation			1,511,744.17
Difference of GAAP Pension Expense vs. Budgetary Basis			4,455.00
Difference of GAAP OPEB Expense vs. Budgetary Basis			<u>2,242.25</u>
			<u>1,518,441.42</u>
Operating Income (Exhibit B)			<u><u>\$ 2,292,848.73</u></u>

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**

Schedule of Revenue Bonds Payable  
For the Fiscal Year Ended November 30, 2020

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance Dec. 1, 2019</u>	<u>Paid or Amortized</u>	<u>Balance Nov. 30, 2020</u>
			<u>Date</u>	<u>Amount</u>				
Revenue Refunding Bonds, Series 2012	05/30/12	\$ 3,725,000.00	12/01/20	\$ 165,000.00	2.625%			
			12/01/21	175,000.00	2.875%			
			12/01/22	180,000.00	3.250%			
			12/01/23	185,000.00	3.250%			
			12/01/24	190,000.00	3.250%			
			12/01/25	195,000.00	3.250%			
			12/01/26	205,000.00	3.250%			
			12/01/27	210,000.00	3.250%			
			12/01/28	215,000.00	3.375%			
			12/01/29	220,000.00	3.375%			
			12/01/30	230,000.00	3.375%			
			12/01/31	240,000.00	3.375%			
			12/01/32	250,000.00	3.375%			
				<u>2,660,000.00</u>		\$ 2,825,000.00	\$ 165,000.00	\$ 2,660,000.00
Premium on Bonds						<u>3,572.93</u>	<u>445.63</u>	<u>3,127.30</u>
						<u>\$ 2,828,572.93</u>	<u>\$ 165,445.63</u>	<u>\$ 2,663,127.30</u>

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of USDA Loans  
 For the Fiscal Year Ended November 30, 2020

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance Dec. 1, 2019</u>	<u>Paid</u>	<u>Balance Nov. 30, 2020</u>
			<u>Date</u>	<u>Amount</u>				
USDA Loan - 2010	01/15/10	\$ 1,875,000.00	02/25/21	\$ 14,693.00	4.000%			
			08/25/21	14,986.00	4.000%			
			02/25/22	15,286.00	4.000%			
			08/25/22	15,592.00	4.000%			
			02/25/23	15,904.00	4.000%			
			08/25/23	16,222.00	4.000%			
			02/25/24	16,546.00	4.000%			
			08/25/24	16,877.00	4.000%			
			02/25/25	17,215.00	4.000%			
			08/25/25	17,559.00	4.000%			
			02/25/26	17,910.00	4.000%			
			08/25/26	18,268.00	4.000%			
			02/25/27	18,634.00	4.000%			
			08/25/27	19,006.00	4.000%			
			02/25/28	19,386.00	4.000%			
			08/25/28	19,774.00	4.000%			
			02/25/29	20,170.00	4.000%			
			08/25/29	20,573.00	4.000%			
			02/25/30	20,985.00	4.000%			
			08/25/30	21,404.00	4.000%			
			02/25/31	21,832.00	4.000%			
			08/25/31	22,269.00	4.000%			
			02/25/32	22,714.00	4.000%			
			08/25/32	23,169.00	4.000%			
			02/25/33	23,632.00	4.000%			
			08/25/33	24,105.00	4.000%			
			02/25/34	24,587.00	4.000%			
			08/25/34	25,078.00	4.000%			
			02/25/35	25,580.00	4.000%			
			08/25/35	26,092.00	4.000%			
			02/25/36	26,613.00	4.000%			
			08/25/36	27,146.00	4.000%			
			02/25/37	27,689.00	4.000%			
			08/25/37	28,242.00	4.000%			
			02/25/38	28,807.00	4.000%			
			08/25/38	29,383.00	4.000%			
			02/25/39	29,971.00	4.000%			
			08/25/39	30,571.00	4.000%			
			02/25/40	31,182.00	4.000%			
			08/25/40	31,806.00	4.000%			
			02/25/41	32,442.00	4.000%			
			08/25/41	33,091.00	4.000%			
			02/25/42	33,752.00	4.000%			
			08/25/42	34,427.00	4.000%			

(Continued)

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of USDA Loans  
 For the Fiscal Year Ended November 30, 2020

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance Dec. 1, 2019</u>	<u>Paid</u>	<u>Balance Nov. 30, 2020</u>			
			<u>Date</u>	<u>Amount</u>							
USDA Loan - 2010 (Continued)	01/15/10	\$ 1,875,000.00	02/25/43	\$ 35,116.00	4.000%						
			08/25/43	35,818.00	4.000%						
			02/25/44	36,535.00	4.000%						
			08/25/44	37,265.00	4.000%						
			02/25/45	38,011.00	4.000%						
			08/25/45	38,771.00	4.000%						
			02/25/46	39,546.00	4.000%						
			08/25/46	40,337.00	4.000%						
			02/25/47	41,144.00	4.000%						
			08/25/47	41,967.00	4.000%						
			02/25/48	42,806.00	4.000%						
			08/25/48	43,662.00	4.000%						
			02/25/49	44,535.00	4.000%						
			08/26/49	45,426.00	4.000%						
			02/25/50	42,952.00	4.000%						
							1,625,061.00		\$ 1,653,587.00	\$ 28,526.00	\$ 1,625,061.00
			USDA Loan - 2013	09/19/13	8,167,000.00	03/19/21	75,708.49	2.125%			
09/19/21	76,512.90	2.125%									
03/19/22	77,325.85	2.125%									
09/19/22	78,147.43	2.125%									
03/19/23	78,977.75	2.125%									
09/19/23	79,816.89	2.125%									
03/19/24	80,664.94	2.125%									
09/19/24	81,522.01	2.125%									
03/19/25	82,388.18	2.125%									
09/19/25	83,263.55	2.125%									
03/19/26	84,148.23	2.125%									
09/19/26	85,042.30	2.125%									
03/19/27	85,945.88	2.125%									
09/19/27	86,859.06	2.125%									
03/19/28	87,781.93	2.125%									
09/19/28	88,714.61	2.125%									
03/19/29	89,657.21	2.125%									
09/19/29	90,609.81	2.125%									
03/19/30	91,572.54	2.125%									
09/19/30	92,545.50	2.125%									
03/19/31	93,528.80	2.125%									
09/19/31	94,522.54	2.125%									
03/19/32	95,526.84	2.125%									
09/19/32	96,541.82	2.125%									
03/19/33	97,567.57	2.125%									
09/19/33	98,604.23	2.125%									

(Continued)

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of USDA Loans  
 For the Fiscal Year Ended November 30, 2020

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance Dec. 1, 2019</u>	<u>Paid</u>	<u>Balance Nov. 30, 2020</u>
			<u>Date</u>	<u>Amount</u>				
USDA Loan - 2013 (Continued)	09/19/13	\$ 8,167,000.00	03/19/34	\$ 99,651.90	2.125%			
			09/19/34	100,710.70	2.125%			
			03/19/35	101,780.75	2.125%			
			09/19/35	102,862.17	2.125%			
			03/19/36	103,955.08	2.125%			
			09/19/36	105,059.60	2.125%			
			03/19/37	106,175.86	2.125%			
			09/19/37	107,303.98	2.125%			
			03/19/38	108,444.09	2.125%			
			09/19/38	109,596.30	2.125%			
			03/19/39	110,760.76	2.125%			
			09/19/39	111,937.60	2.125%			
			03/19/40	113,126.93	2.125%			
			09/19/40	114,328.91	2.125%			
			03/19/41	115,543.65	2.125%			
			09/19/41	116,771.30	2.125%			
			03/19/42	118,012.00	2.125%			
			09/19/42	119,265.88	2.125%			
			03/19/43	120,533.08	2.125%			
			09/19/43	121,813.74	2.125%			
			03/19/44	123,108.01	2.125%			
			09/19/44	124,416.03	2.125%			
			03/19/45	125,737.96	2.125%			
			09/19/45	127,073.92	2.125%			
			03/19/46	128,424.08	2.125%			
			09/19/46	129,788.59	2.125%			
			03/19/47	131,167.59	2.125%			
			09/19/47	132,561.25	2.125%			
			03/19/48	133,969.71	2.125%			
			09/19/48	135,393.14	2.125%			
			03/19/49	136,831.69	2.125%			
			09/19/49	138,285.53	2.125%			
			03/19/50	139,754.81	2.125%			
09/19/50	141,239.71	2.125%						
03/19/51	142,740.38	2.125%						
09/19/51	144,256.99	2.125%						
03/19/52	145,789.72	2.125%						
09/19/52	147,338.74	2.125%						
03/19/53	148,904.21	2.125%						
09/19/53	149,052.10	2.125%						
				7,186,965.30		\$ 7,336,002.82	\$ 149,037.52	\$ 7,186,965.30

(Continued)

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of USDA Loans  
 For the Fiscal Year Ended November 30, 2020

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance Dec. 1, 2019</u>	<u>Paid</u>	<u>Balance Nov. 30, 2020</u>
			<u>Date</u>	<u>Amount</u>				
USDA Loan - 2017	10/13/17	\$ 3,526,000.00	04/13/21	\$ 30,036.86	2.125%			
			10/13/21	30,356.00	2.125%			
			04/13/22	30,678.54	2.125%			
			10/13/22	31,004.50	2.125%			
			04/13/23	31,333.92	2.125%			
			10/13/23	31,666.84	2.125%			
			04/13/24	32,003.30	2.125%			
			10/13/24	32,343.34	2.125%			
			04/13/25	32,686.98	2.125%			
			10/13/25	33,034.28	2.125%			
			04/13/26	33,385.27	2.125%			
			10/13/26	33,739.99	2.125%			
			04/13/27	34,098.48	2.125%			
			10/13/27	34,460.78	2.125%			
			04/13/28	34,826.92	2.125%			
			10/13/28	35,196.96	2.125%			
			04/13/29	35,570.92	2.125%			
			10/13/29	35,948.87	2.125%			
			04/13/30	36,330.82	2.125%			
			10/13/30	36,716.84	2.125%			
			04/13/31	37,106.95	2.125%			
			10/13/31	37,501.22	2.125%			
			04/13/32	37,899.67	2.125%			
			10/13/32	38,302.35	2.125%			
			04/13/33	38,709.31	2.125%			
			10/13/33	39,120.60	2.125%			
			04/13/34	39,536.25	2.125%			
			10/13/34	39,956.33	2.125%			
			04/13/35	40,380.86	2.125%			
			10/13/35	40,809.91	2.125%			
			04/13/36	41,243.52	2.125%			
			10/13/36	41,681.73	2.125%			
			04/13/37	42,124.60	2.125%			
			10/13/37	42,572.17	2.125%			
			04/13/38	43,024.50	2.125%			
			10/13/38	43,481.63	2.125%			
			04/13/39	43,943.63	2.125%			
			10/13/39	44,410.53	2.125%			
			04/13/40	44,882.39	2.125%			
			10/13/40	45,359.27	2.125%			
			04/13/41	45,841.21	2.125%			
			10/13/41	46,328.27	2.125%			
04/13/42	46,820.51	2.125%						
10/13/42	47,317.98	2.125%						

(Continued)

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of USDA Loans  
 For the Fiscal Year Ended November 30, 2020

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance Dec. 1, 2019</u>	<u>Paid</u>	<u>Balance Nov. 30, 2020</u>
			<u>Date</u>	<u>Amount</u>				
USDA Loan - 2017 (Continued)	10/13/17	\$ 3,526,000.00	04/13/43	\$ 47,820.73	2.125%			
			10/13/43	48,328.82	2.125%			
			04/13/44	48,842.32	2.125%			
			10/13/44	49,361.27	2.125%			
			04/13/45	49,885.73	2.125%			
			10/13/45	50,415.77	2.125%			
			04/13/46	50,951.43	2.125%			
			10/13/46	51,492.79	2.125%			
			04/13/47	52,039.90	2.125%			
			10/13/47	52,592.83	2.125%			
			04/13/48	53,151.63	2.125%			
			10/13/48	53,716.36	2.125%			
			04/13/49	54,287.10	2.125%			
			10/13/49	54,863.90	2.125%			
			04/13/50	55,446.83	2.125%			
			10/13/50	56,035.95	2.125%			
			04/13/51	56,631.33	2.125%			
			10/13/51	57,233.04	2.125%			
			04/13/52	57,841.14	2.125%			
			10/13/52	58,455.71	2.125%			
			04/13/53	59,076.80	2.125%			
			10/13/53	59,704.49	2.125%			
			04/13/54	60,338.85	2.125%			
			10/13/54	60,979.95	2.125%			
			04/13/55	61,627.86	2.125%			
			10/13/55	62,282.66	2.125%			
			04/13/56	62,944.41	2.125%			
			10/13/56	63,613.19	2.125%			
			04/13/57	64,289.08	2.125%			
			10/13/57	64,267.71	2.125%			
				3,352,295.38		\$ 3,411,425.07	\$ 59,129.69	\$ 3,352,295.38
						\$ 12,401,014.89	\$ 236,693.21	\$ 12,164,321.68

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of NJIB Loans Payable  
 For the Fiscal Year Ended November 30, 2020

Purpose	Date of Issue	Original Issue	Loan Principal Payments		Interest Rate	Balance Dec. 1, 2019	Increase	Decrease	Balance Nov. 30, 2020
			Date	Amount					
Construction Financing Program (CFP)-18-1 Offsetting Loans Receivable	09/18/18	\$ 3,112,198.00				\$ 2,872,552.42 (368,420.42)	\$ 39,690.58 368,420.42	\$ 2,912,243.00	\$ -
						2,504,132.00	408,111.00	2,912,243.00	-
2020 New Jersey Infrastructure Bank Trust Loan	05/13/20	715,000.00	08/01/21	\$ 15,000.00	5.000%				
			08/01/22	15,000.00	5.000%				
			08/01/23	15,000.00	5.000%				
			08/01/24	15,000.00	5.000%				
			08/01/25	15,000.00	5.000%				
			08/01/26	20,000.00	5.000%				
			08/01/27	20,000.00	5.000%				
			08/01/28	20,000.00	5.000%				
			08/01/29	20,000.00	5.000%				
			08/01/30	20,000.00	5.000%				
			08/01/31	20,000.00	4.000%				
			08/01/32	25,000.00	2.125%				
			08/01/33	25,000.00	2.250%				
			08/01/34	25,000.00	2.375%				
			08/01/35	25,000.00	2.375%				
			08/01/36	25,000.00	2.500%				
			08/01/37	25,000.00	2.500%				
			08/01/38	25,000.00	2.625%				
			08/01/39	25,000.00	2.625%				
			08/01/40	30,000.00	2.625%				
			08/01/41	30,000.00	2.750%				
			08/01/42	30,000.00	3.000%				
			08/01/43	30,000.00	3.000%				
			08/01/44	30,000.00	3.000%				
			08/01/45	30,000.00	3.000%				
			08/01/46	35,000.00	3.000%				
			08/01/47	35,000.00	3.000%				
			08/01/48	35,000.00	3.000%				
			08/01/49	35,000.00	3.000%				
				715,000.00			-	715,000.00	-
2020 New Jersey Infrastructure Bank Fund Loan	05/13/20	2,184,182.00	02/01/21	24,541.37					
			08/01/21	49,082.74					
			02/01/22	24,541.37					
			08/01/22	49,082.74					
			02/01/23	24,541.37					
			08/01/23	49,082.74					
			02/01/24	24,541.37					
			08/01/24	49,082.74					
			02/01/25	24,541.37					
			08/01/25	49,082.74					

(Continued)

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of NJIB Loans Payable  
 For the Fiscal Year Ended November 30, 2020

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance Dec. 1, 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance Nov. 30, 2020</u>
			<u>Date</u>	<u>Amount</u>					
2020 New Jersey Infrastructure Bank Fund Loan (Cont'd)	05/13/20	\$ 2,184,182.00	02/01/26	\$ 24,541.37					
			08/01/26	49,082.74					
			02/01/27	24,541.37					
			08/01/27	49,082.74					
			02/01/28	24,541.37					
			08/01/28	49,082.74					
			02/01/29	24,541.37					
			08/01/29	49,082.74					
			02/01/30	24,541.37					
			08/01/30	49,082.74					
			02/01/31	24,541.37					
			08/01/31	49,082.74					
			02/01/32	24,541.37					
			08/01/32	49,082.74					
			02/01/33	24,541.37					
			08/01/33	49,082.74					
			02/01/34	24,541.37					
			08/01/34	49,082.74					
			02/01/35	24,541.37					
			08/01/35	49,082.74					
			02/01/36	24,541.37					
			08/01/36	49,082.74					
			02/01/37	24,541.37					
			08/01/37	49,082.74					
			02/01/38	24,541.37					
			08/01/38	49,082.74					
			02/01/39	24,541.37					
			08/01/39	49,082.74					
			02/01/40	24,541.37					
			08/01/40	49,082.74					
			02/01/41	24,541.37					
			08/01/41	49,082.74					
			02/01/42	24,541.37					
			08/01/42	49,082.74					
			02/01/43	24,541.37					
			08/01/43	49,082.74					
			02/01/44	24,541.37					
			08/01/44	49,082.74					
			02/01/45	24,541.37					
			08/01/45	49,082.74					
			02/01/46	24,541.37					
			08/01/46	49,082.74					
			02/01/47	24,541.37					
			08/01/47	49,082.74					
			02/01/48	24,541.37					
			08/01/48	49,082.74					

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of NJIB Loans Payable  
 For the Fiscal Year Ended November 30, 2020

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance Dec. 1, 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance Nov. 30, 2020</u>
			<u>Date</u>	<u>Amount</u>					
2020 New Jersey Infrastructure Bank Fund Loan (Cont'd)	05/13/20	\$ 2,184,182.00	02/01/49	\$ 24,541.37					
			08/01/49	49,082.81					
				2,135,099.26		\$ -	\$ 2,184,182.00	\$ 49,082.74	\$ 2,135,099.26
Premium on Loans						-	45,220.30	2,494.79	42,725.51
						<u>\$ 2,504,132.00</u>	<u>\$ 3,352,513.30</u>	<u>\$ 2,963,820.53</u>	<u>\$ 2,892,824.77</u>
				Refunding Bonds			\$ 2,912,243.00	\$ 2,912,243.00	
				Cash			440,270.30	51,577.53	
							<u>\$ 3,352,513.30</u>	<u>\$ 2,963,820.53</u>	

**TOWNSHIP OF LOWER  
MUNICIPAL UTILITIES AUTHORITY**

**PART II**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**FOR THE FISCAL YEARS ENDED  
NOVEMBER 30, 2020 AND 2019**

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Findings and Recommendations  
For the Fiscal Year Ended November 30, 2020

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***Schedule of Financial Statement Findings***

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

**None**

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

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

**FINANCIAL STATEMENT FINDINGS**

None.

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**APPRECIATION**

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

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants