

**MOUNT LAUREL TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

REPORT OF AUDIT

**WITH
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2021 and 2020**

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
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MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Roster of Officials
As of June 30, 2021

MEMBERS

Cheryl Coco-Capri
Christopher Smith
Elwood Knight
John Francescone
Carol Murphy

POSITION

Chairwoman
Vice Chairman
Secretary
Member
Member

OTHER OFFICIALS

Pamela J. Carolan, P.E.
Jonathan Sears
Russell Trice, P.E.
William Long, P.E.
George Morris, Esq.
Bank of New York Mellon Corporate Trust

Executive Director
Finance Director
Operations Engineer
Consulting Engineer
Solicitor
Trustee

**MOUNT LAUREL TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

PART I

FINANCIAL SECTION

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2021 and 2020**

INDEPENDENT AUDITOR'S REPORT

The Chairwoman and Members of
Mount Laurel Township Municipal Utilities Authority
Mount Laurel, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Mount Laurel Township Municipal Utilities Authority, in the County of Burlington, State of New Jersey, a component unit of the Township of Mount Laurel (Authority), as of and for the fiscal years ended June 30, 2021 and 2020 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 Mount Laurel Township Municipal Utilities Authority, in the County of Burlington, State of New Jersey as of June 30, 2021 and 2020, 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 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 schedule of expenditures of state financial assistance, as required by the State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary schedules as listed in the table of contents and schedule of expenditures of state financial assistance 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 and schedule of expenditures of state financial assistance, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

35400

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
October 8, 2021

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

INDEPENDENT AUDITOR'S REPORT

The Chairwoman and Members of
Mount Laurel Township Municipal Utilities Authority
Mount Laurel, 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 Mount Laurel Township Municipal Utilities Authority, in the County of Burlington, State of New Jersey, a component unit of the Township of Mount Laurel, (Authority), as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 8, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
October 8, 2021

Mount Laurel Township Municipal Utilities Authority

Management's Discussion and Analysis (MD&A)

(Unaudited)



FINANCIAL HIGHLIGHTS

Management believes the financial position of the Authority remains strong. According to its bond covenants, the Authority is required to generate revenues that are at least equal to 110% of its annual debt service, after deducting operating expenses. This is referred to as cover. For fiscal year 2021 (FY21, July 2020 – June 2021), the Authority generated a 302% cover. Key financial highlights for FY21 include:

- When compared to fiscal year 2020 (FY20, July 2019 – June 2020), total assets decreased slightly (0.28%) to \$146.8 million. Total liabilities also decreased by about \$3 million, an 8.33% decrease.
- Service charges increased by slightly more than \$ 378,000 (2.00%) compared to FY20. Connection fees dropped by \$749,892 as compared to FY20. Investment income dropped significantly due to the volatility in the investment market due to COVID 19. In total, operating and non-operating revenues outpaced operating and non-operating expenses by \$1,722,675, which was the increase in the Authority's Net Position for FY21.



Mount Laurel MUA ROCKS! discovered by employees during COVID

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor’s Report, required supplementary information, (which includes the management’s discussion and analysis (this section), the schedule of the Authority’s proportionate share of the net pension liability, and the schedule of the Authority’s contributions), the basic financial statements, and supplemental information.

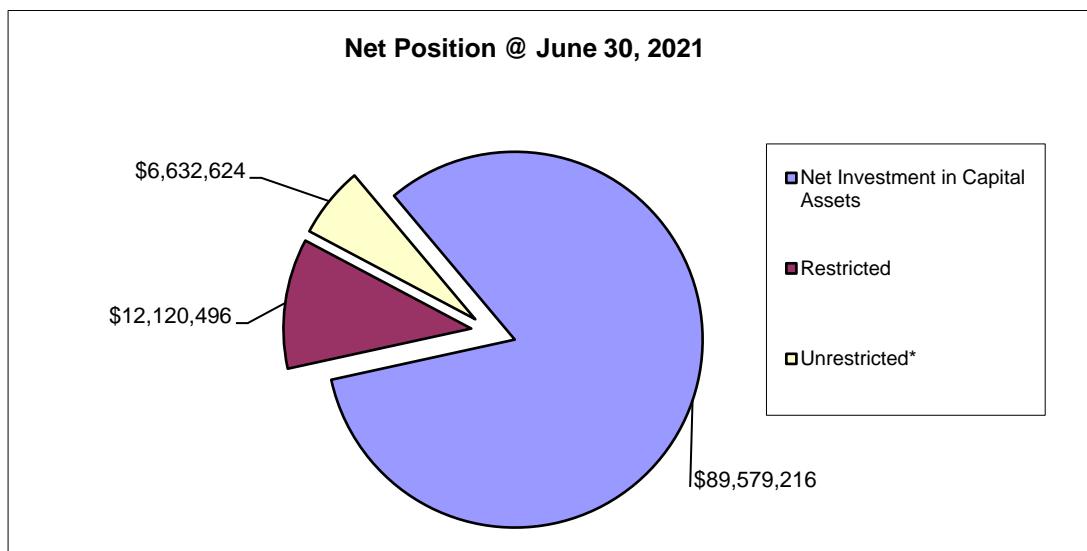
The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The comparative statements of net position include all of the Authority’s assets, deferred outflows of resources, liabilities and deferred inflows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

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

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

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

The Authority’s total assets as of June 30, 2021, were \$146,818,215. Total assets, total deferred outflows of resources, total liabilities, total deferred inflows of resources and total net position are detailed on the following page.



* Unrestricted Net Position is primarily used to pay for the Authority’s capital program not funded by debt issuance. More information concerning the use of these funds can be found later in this MD&A, under the “Operating Income compared to Additions to Capital Assets” graph within the Asset Management, Capital Asset, and Long-Term Debt Activity section.

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

| Mount Laurel MUA Net Position As of June 30, | | | | | |
|--|-----------------------|-----------------------|-----------------------|--------------------------------|-------------------|
| | <u>2021</u> | <u>2020</u> | <u>2019</u> | Change from FY 2020 to FY 2021 | |
| | | | | <u>Amount</u> | <u>Percentage</u> |
| Current Assets | \$ 38,855,148 | \$ 41,067,591 | \$ 32,983,177 | \$ (2,212,444) | -5.39% |
| Capital Assets | 107,963,067 | 106,157,381 | 109,086,196 | 1,805,686 | 1.70% |
| Total Assets | 146,818,215 | 147,224,972 | 142,069,374 | (406,757) | -0.28% |
| Total Deferred Outflows of Resources | 1,624,093 | 2,178,208 | 3,130,211 | (554,115) | -25.44% |
| Current Liabilities | 5,677,277 | 5,631,099 | 5,329,122 | 46,178 | 0.82% |
| Long-Term Liabilities | 27,975,791 | 31,081,391 | 26,497,514 | (3,105,599) | -9.99% |
| Total Liabilities | 33,653,069 | 36,712,490 | 31,826,636 | (3,059,421) | -8.33% |
| Total Deferred Inflows of Resources | 6,456,903 | 6,081,030 | 7,431,908 | 375,873 | 6.18% |
| Net Position | | | | | |
| Net Investment in Capital Assets | 89,579,216 | 88,309,991 | 90,734,535 | 1,269,224 | 1.44% |
| Restricted | 12,120,496 | 10,021,081 | 8,652,870 | 2,099,415 | 20.95% |
| Unrestricted | 6,632,624 | 8,278,587 | 6,553,635 | (1,645,963) | -19.88% |
| Total Net Position | \$ 108,332,335 | \$ 106,609,660 | \$ 105,941,040 | \$ 1,722,675 | 1.62% |

The Authority realized operating income of \$512,881 for the current fiscal year. When offset by a loss from non-operating activities, the Authority's loss before capital contributions was \$127,725. Capital contributions come in the form of infrastructure installed by developers during construction. Once the developer finalizes the project and it is accepted by the Authority, the developer transfers ownership of the new infrastructure to the Authority. These capital contributions become Authority assets, requiring operation, repair and maintenance throughout their lifecycle. During FY21, the Authority received \$1,850,400. in capital contributions. The combined effect from all components of fiscal activity resulted in the Authority's net position increasing by \$1,722,675. The major components of this activity are discussed in the paragraphs on the following pages.



Installation of new sanitary force mains for Manor Apartments and Rancocas Woods neighborhood

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

Mount Laurel MUA
Revenues, Expenses and Net Position
for the Fiscal Years Ended June 30,

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>Amount</u> | <u>Change from FY 2020 to FY 2021</u> |
|---|-----------------------|-----------------------|-----------------------|---------------------|---------------------------------------|
| | | | | | <u>Percentage</u> |
| Utility Service Charges | \$ 19,316,936 | \$ 18,938,682 | \$ 18,499,488 | \$ 378,254 | 2.00% |
| Connection Fees | 999,199 | 1,749,091 | 2,429,188 | (749,892) | -42.87% |
| Other Operating Revenues | 463,831 | 514,093 | 650,823 | (50,263) | -9.78% |
| Total Operating Revenues | 20,779,966 | 21,201,866 | 21,579,499 | (421,901) | -1.99% |
| Operating Expenses | 13,707,345 | 13,798,804 | 13,500,257 | (91,459) | -0.66% |
| Depreciation expense | 6,559,739 | 6,499,625 | 6,375,790 | 60,114 | 0.92% |
| Operating Income | 512,881 | 903,437 | 1,703,451 | (390,556) | -43.23% |
| Non-operating Revenues (Expenses) | | | | | |
| Investment Income | 88,415 | 559,573 | 567,942 | (471,158) | -84.20% |
| Interest on Debt | (313,849) | (353,873) | (307,398) | 40,024 | -11.31% |
| Debt Issue Costs | (11,113) | (49,656) | (81,118) | 38,543.49 | -77.62% |
| Disposal of Capital Assets | (19,140) | (1,478) | 20,527 | (17,662) | 1195.27% |
| Contribution to Mount Laurel Township | (384,918) | (389,382) | (388,002) | 4,464 | -1.15% |
| Income (Loss) before contributions | (127,725) | 668,620 | 1,515,403 | (796,345) | -119.10% |
| Capital Contributions | 1,850,400 | - | 2,730,488 | 1,850,400 | 100.00% |
| Increase in Net Position | 1,722,675 | 668,620 | 4,245,891 | 1,054,055 | 157.65% |
| Net Position - July 1 | 106,609,660 | 105,941,040 | 101,695,149 | 668,620 | 0.63% |
| Change in Net Position | 1,722,675 | 668,620 | 4,245,891 | 1,054,055 | 157.65% |
| Net Position - June 30 | \$ 108,332,335 | \$ 106,609,660 | \$ 105,941,040 | \$ 1,722,675 | 1.62% |

Service charges rose modestly in FY21. The \$378,254 (2.0%) increase was attributable to a combination of a small rate increase beginning with the February 2021 billings and the manner in which water was consumed as a result of the COVID-19 pandemic. These are more fully explained later in this MD&A. Overall, the mix of the Authority's billing base remains well diversified with residential users comprising the vast majority of its customers. There remains a stable and growing segment of the billing base made up of residential, commercial, and public customers, along with a very small industrial presence. The rate structure is stable and included a rate increase adopted in FY19 (effective with the February billings in 2019, 2020 and 2021) which impacted only the Customer Charge portion of the Authority's water rates. This increase was expected to generate approximately \$240,000 (~3%) in additional water utility service charges annually. Prior to this, the Authority operated without any rate increases for six years, the last one being implemented in February 2013.

As a total dollar amount, investment income dropped significantly, down \$471,158. (84.20%) when compared to FY20. Interest income was negatively impacted by the COVID pandemic. Investments that matured during the fiscal year had been reinvested into instruments with minimal returns. The Authority tends to hold investments until they mature, fluctuations in market value have no meaningful impact on the Authority.

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

Connection fee revenues dropped by \$749,892 when compared to the previous fiscal year. Connection fee revenue is an indicator of the overall economy, as property developers typically slow down or accelerate their activities based on how the economy is trending in general. Developers pay connection fees upon submittal of plans to construct and connect residential developments, commercial properties, retail shops, etc. into the Authority's water and/or sewer systems. The Authority treats these payments as deferred inflows of resources until tie in is completed. When this occurs, the Authority releases a notice to Mount Laurel Township that an applicant has satisfied the Authority's requirements to obtain a certificate of occupancy from the Township. The Authority then establishes a new billing account, reduces the deferred resource and recognizes the previously paid connection fee as revenue. Because the Township of Mount Laurel is approaching build out as less land is available for development, this type of revenue will generally decline in the coming fiscal years as only one large parcel of land remains undeveloped. In recognition of that inevitability, the Authority has had a long-term fiscal planning model in place for many years that systematically reduces its dependency on connection fee revenues when projecting total annual revenue needs. This approach has served the Authority well.



Centerton Village Apartments (affordable housing) opened in 2021 (across from Top Golf and Costco)

Mount Laurel continues to be a desirable location for residential and commercial development. The composition of the ratepayer base is well diversified. The residential and public sectors, the most stable when considering the volatility of a billing base, comprise approximately 95% of the Authority's customers. There are dozens of hotels within the Township, providing the second highest number of rooms in New Jersey, behind only Atlantic City. There is no particular emphasis or imbalance in the type of business enterprises within the commercial sector. Industrial users comprise a minuscule portion of the Authority's billing base.

The Authority's fiscal activity yielded a modest increase for the year. Operating revenues totaled an aggregate of \$20.7 million, down approximately \$421,901 (1.99%) from FY20. Year over year, the Authority's operating expenses (including depreciation) decreased slightly \$ 31,345. The more significant changes in revenues and expenses are described in more detail on the following section.

OPERATING REVENUES & EXPENSES

Of course, the COVID-19 pandemic had its impact on the Authority in FY21. During the fiscal year, the Authority split its operational workforce into multiple teams and deployed them in the field during alternating weeks, maintaining our core responsibilities in regard to delivery of services, water quality standards, wastewater collection and processing and systems maintenance. Throughout, all facilities continued to be fully operational, and the Authority remained available 24/7. The Authority's administrative staff worked from the office, but our buildings were closed to the public.



Working in the Authority's Certified Laboratory during COVID

In response to the COVID-19 pandemic, the Authority made the decision to forgive interest charges on outstanding month end balances of its ratepayers. This forgiveness became effective with the outstanding balance at the end of March of 2020. Governor Murphy issued his initial Executive Order related to interest forgiveness in October of 2020 and the order continued through the entire 2021 fiscal year. Forgiveness for this period totaled approximately \$289,489.



Monthly Board of Directors Meeting via Zoom during COVID

OPERATING REVENUES & EXPENSES (CONT'D)

Service charges (user fees) were budgeted at \$18.04 million. The COVID-19 pandemic had an impact on how water was consumed and billed. Due to various periods of reduced occupancy or outright vacancy, water consumption at commercial establishments (office buildings, hotels, retail shops, etc.), schools, and public entities led to consumption-based revenues for these classes of ratepayers falling. Conversely, residential accounts experienced higher than normal consumption and the resulting billings as more people were working from home.



New Dunkin (replacing 2 previously unconnected single-family homes)

Connection fee revenue was budgeted at \$1.62 million in FY21. The overwhelming majority of FY21 connection fee revenue was derived from the residential community of Jefferson Management / Chase Signature Place Apartments and Townhomes. Several more buildings and individually owned properties associated with this community tied into the Authority's water and sewer infrastructure during the year, resulting in \$999,199 of connection fee revenue.



New Taco Bell (at old Beneficial Bank) on Route 38

OPERATING REVENUES & EXPENSES (CONT'D)

The Authority's operating expenses of \$13.71 million (excluding depreciation) in FY21 were approximately \$91,000 less than in FY20. This was largely due to a few significant operational events during the fiscal year, which are described more fully below.

Repairs and maintenance exceeded prior year spending. This was largely due to repairs on the water distribution system. In October 2020, we experienced a series of breaks in conjunction with our annual hydrant flushing program which required us to use more outside contractors instead of our own workforce, which therefore increased our expenses. Our vehicle fleet had some unanticipated spending on our backhoe in the water department. While in the sewer department, we had an increase in fuel usage and cost and repairs specifically related to our 2017 Jetter truck.

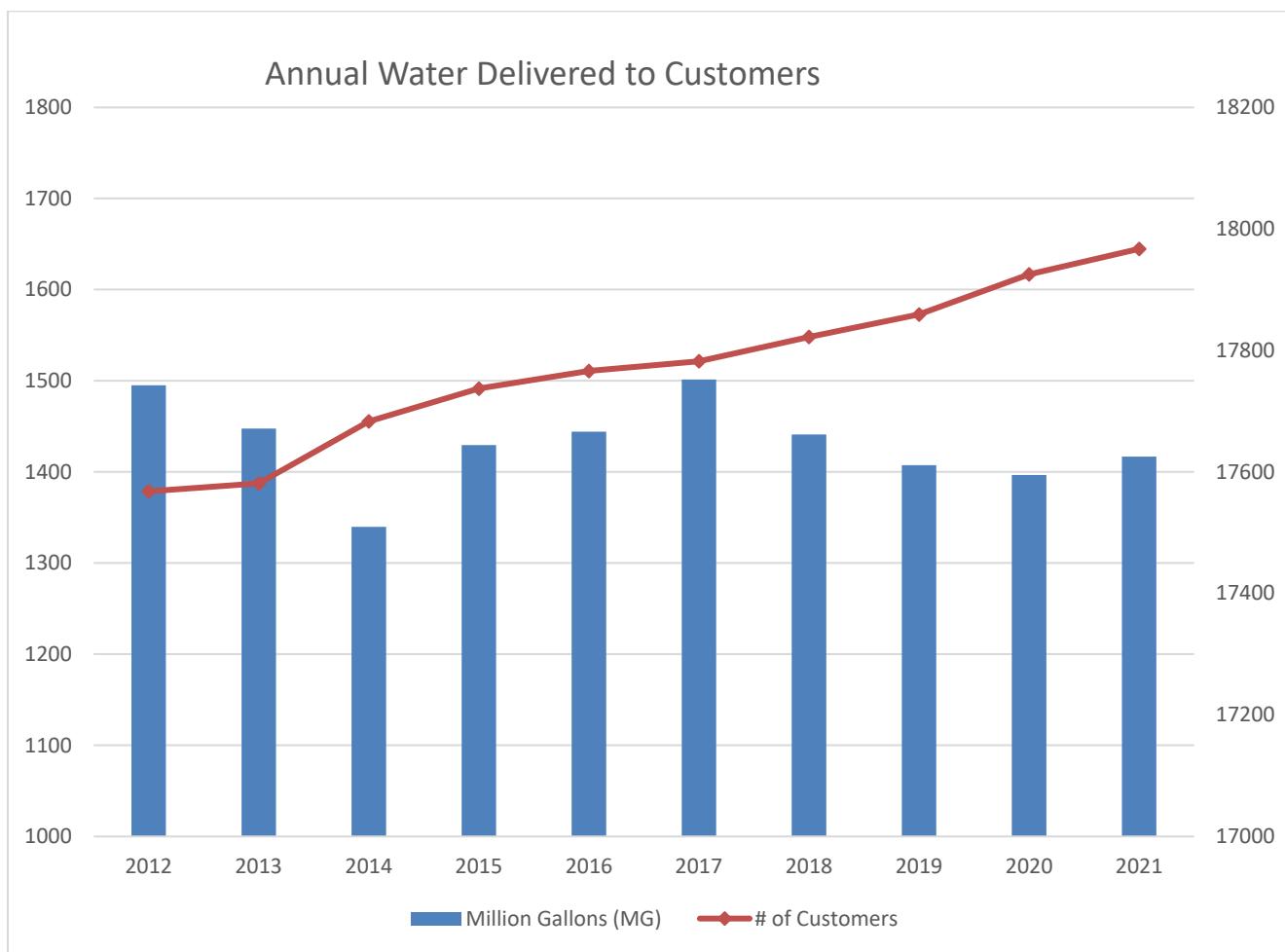


Emergency Water Main Repair in the Ramblewood Development

Salaries were underspent mostly due to positions remaining vacant for portions of the year. Our fringe benefits were less than budgeted due to a combination of our workman's compensation insurance premiums and our medical/dental insurance that the MUA provides. The workman's compensation reduction is due to our experience modification factor going down. While our medical/dental insurance, had a modest increase for our benefits at 1.82%. Under Public Employees' Retirement System (PERS) contribution, the State annually determines what the % of contribution will be. This year they increased that rate from 13.69% to 15.11%. The total bill from the State was \$570,140.00 and we had budgeted \$524,765.

OPERATING REVENUES & EXPENSES (CONT'D)

The total volume of water delivered to customers in FY21 was approximately 5% higher than FY20, which is a normal fluctuation based on past 10-year historic use trends. The New Jersey Department of Environmental Protection (DEP) has restricted the quantity of water that the Authority can withdraw from its wells drilled into the Potomac-Raritan-Magothy Aquifer (PRM). This restriction is due to the DEP's determination that the Authority's wells are located in a conical depression caused by overuse within the PRM known as Water Supply Critical Area #2. In an effort to keep salt water from intruding into this freshwater aquifer, the DEP has restricted the amount of water the Authority is permitted to withdraw to the volume utilized by the Township in 1980. However, because the Township has experienced explosive growth in the ensuing years, the Authority has been forced to purchase more and more of its water from other water purveyors to meet the water demands of our ratepayers. Contractual obligations to purchase this water are in place with New Jersey American Water Company (NJAWC) and Willingboro Municipal Utilities Authority (WMUA).



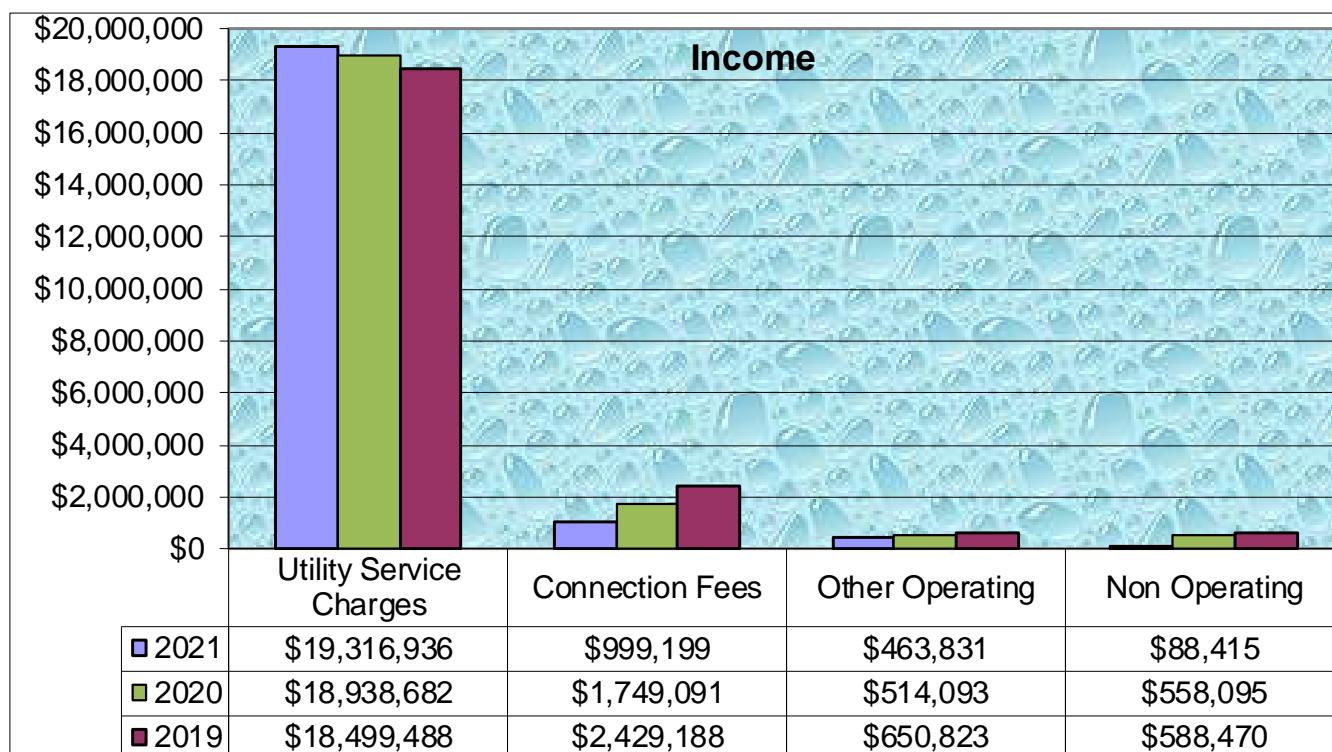
Regarding the NJAWC agreement, the Authority is required to annually notify NJAWC of the gallonage it is committing to purchase from them during the off-peak "nomination" period (October – April). When budgeting for FY21, the Authority was expecting to nominate 550 million gallons for the upcoming October 2021 through April 2022 nomination period. However, as actual usage and our projections of system demands became clearer, and more information was available regarding construction timing for new connections, the Authority determined it would only need to nominate 450 million gallons. The water demand from the Authority's ratepayers is a key factor in determining the nomination amount each year. As a result, the adopted budget was amended down by nearly \$300,000.

OPERATING REVENUES & EXPENSES (CONT'D)

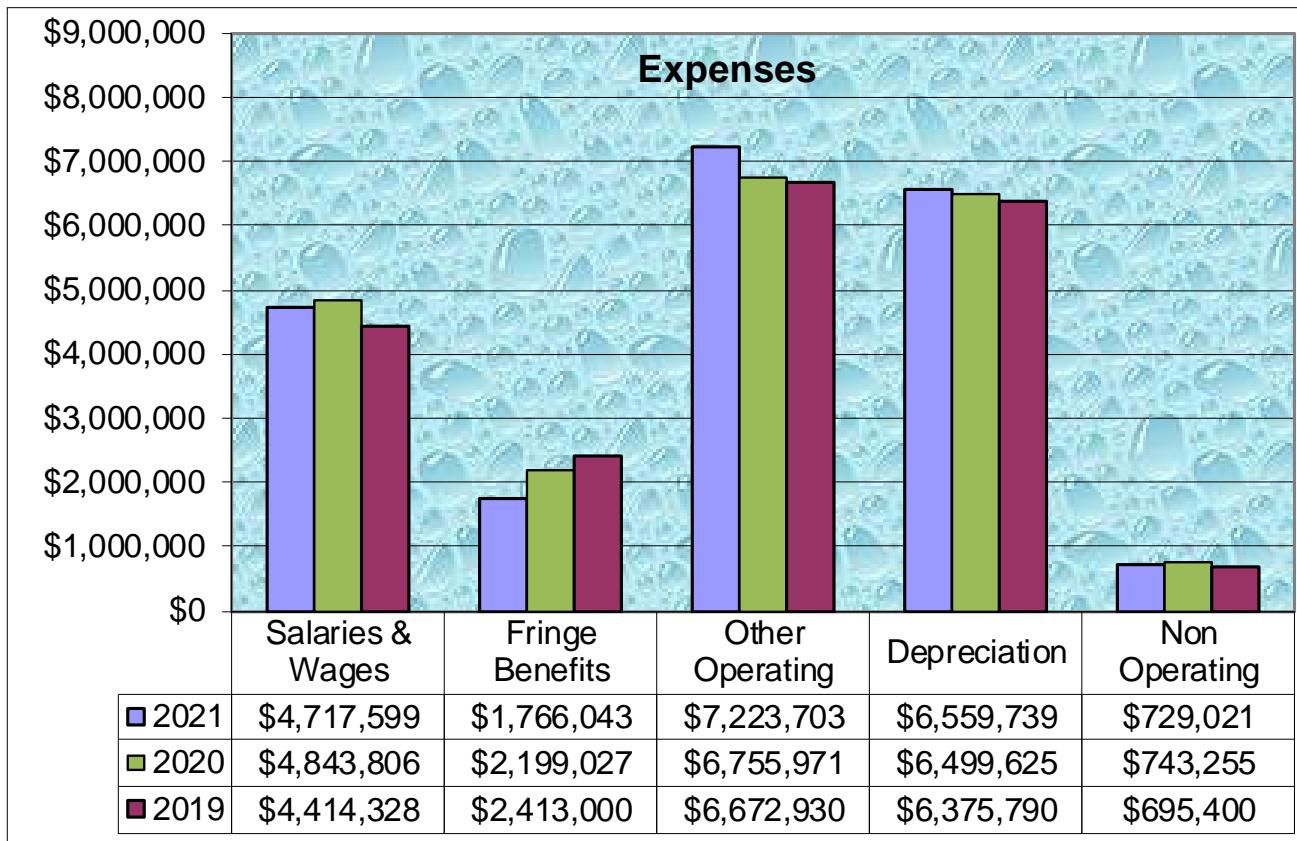
In FY20, we successfully re-negotiated our third-party Bulk Purchase/Sale contract between the Authority, Willingboro Municipal Utilities Authority (WMUA) and Evesham Municipal Utilities Authority (EMUA). It now includes an annual cap on rate WMUA increases. The agreement still provides for the gross annual availability of 730 million gallons, allocated to the Authority and EMUA at 75% / 25% respectively. The new agreement also includes provisions for future reductions in the allocated percentage delivered to EMUA as the Authority's water supply needs increase. Lastly, the new agreement includes a wheeling fee payable to the Authority by EMUA which is based upon the volume of water purchased which totaled \$37,840 in FY 2021. Purchase from WMUA in FY 2021 was 200 million gallons lower resulting in a \$600,000 reduction to the adopted budget, as actual use indicated another low customer use year.

The Authority contributed \$384,918 to Mount Laurel Township; the twelfth straight fiscal year a contribution has been made. This amount was determined in accordance with N.J.S.A. 40A:5A-12.1. With this contribution, the Authority has now given a total of \$5,413,627 to the Township.

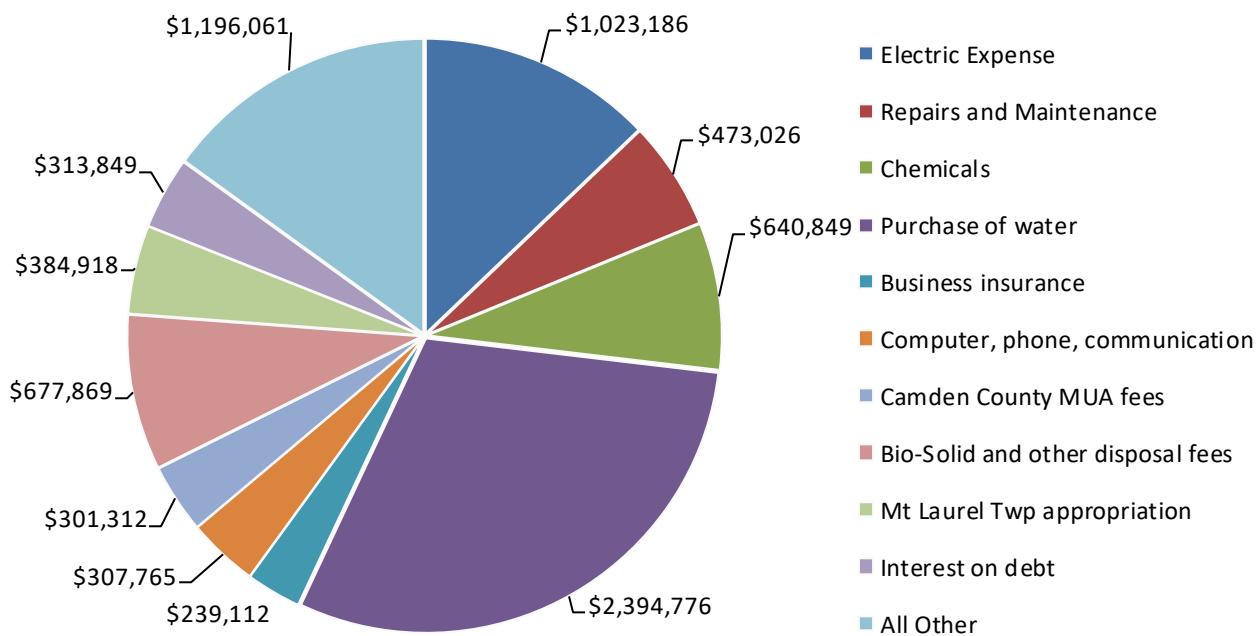
Graphical representations showing revenues and expenses for the three fiscal years of 2021, 2020 and 2019 follow.



OPERATING REVENUES & EXPENSES (CONT'D)

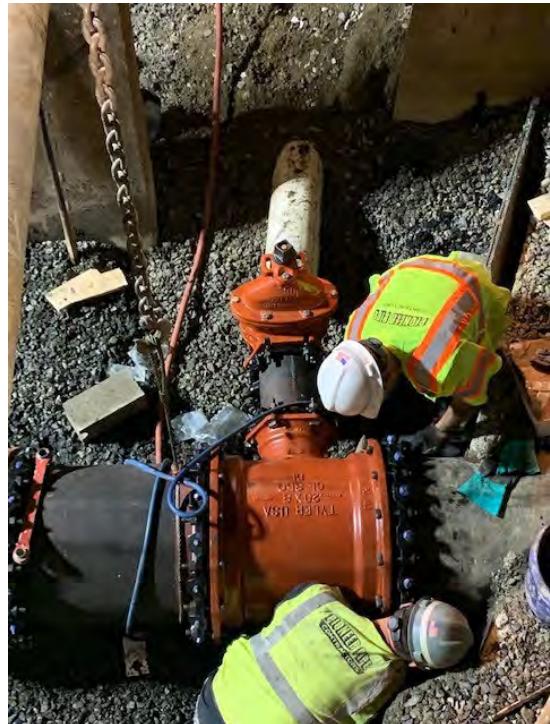


Other Operating and Non-Operating Expenses (\$7,952,724 total)



ASSET MANAGEMENT, CAPITAL ASSET, AND LONG-TERM DEBT ACTIVITY

In 2015, the United States Environmental Protection Agency (USEPA) issued its sixth “Drinking Water Infrastructure Needs Survey and Assessment” report to Congress. This report estimated that water systems in New Jersey would require an investment of nearly \$8.6 billion within the next 20 years in order to continue providing safe drinking water to the public. In addition, the 2020 American Society of Civil Engineers (ASCE) Infrastructure’s report, “The Economic Benefits of Investing in Water Infrastructure”, estimated that “nationally the investment in maintaining water & wastewater infrastructure fell \$81 billion dollars short of the capital need”. This report also mentioned the economic impact that our current COVID health crisis could have and states “In the coming months and years, public officials at every level of government will consider policies and investments to jump start economic recovery. Investment in the nation’s aging water infrastructure can start a new era of job creation and economic growth while protecting public health and improving the quality of life for families across the United States.” It has been previously estimated that New Jersey’s drinking water and wastewater infrastructures would need \$26.1 billion of improvements over the upcoming 20 years.



Renewal work on the Library FM connection to the Primary FM at the intersection of Union Mill Rd and Mount Laurel Rd

These are significant dollars by any measure and point out the fact that water and wastewater infrastructure is extremely expensive to build and maintain. Particularly worth noting is the fact that many of the capital assets owned by an Authority are very often underground or otherwise out of view from the vast majority of the public. Underground piping, pumping stations, valves, water and sewer mains, interconnections, control panels, computers, and many other appurtenances and components continue to do their jobs around the clock, without being seen. Above ground, many capital asset facilities are placed in unobtrusive settings, such as fenced areas concealed with natural plantings, remote locations, business, or industrial parks, etc.

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

USEPA has provided this definition regarding asset management: “Asset Management is maintaining a desired level of service for what you want your assets to provide at the lowest life cycle cost.” Some key features of an Asset Management Program (AMP) include identifying the assets critical to providing a desired level of service, estimating their life cycle and costs to maintain, replace or rehabilitate them, assessing the likelihood and consequence of their failure and considering redundant systems that are (or must be put) in place in the event an asset does fail.



Renewal work on the Briggs Force Main

Because the Authority has invested approximately \$264 million in its infrastructure and keeping in mind the staggering estimated amounts mentioned above, the Authority has incorporated asset management concepts into its operation and the development of its AMP. Key employees of the Authority have participated on the American Water Works Association (AWWA) New Jersey section’s Infrastructure Management Committee beginning in 2010 and on the New Jersey Department of Environmental Protection’s (NJDEP) Asset Management Industry Working Group since 2014 in developing asset management procedures for use at water and wastewater facilities in New Jersey. NJDEP issued its Asset Management Technical Guidance document which was developed to follow USEPA’s original guidance. The Authority has implemented all tenets of Asset Management within its operation and management.

The Water Quality Accountability Act (WQAA) was signed by Gov. Christie in July 2017 with an effective date of October 19, 2017. This regulatory act, as a supplement to the Safe Drinking Water Act, applies to approximately 300 public water systems in New Jersey. The WQAA has multiple requirements including Cybersecurity Plan implementation, hydrant and valve maintenance timing, and the requirement for water purveyors to create and implement an asset management plan designed to inspect, maintain, repair and renew its infrastructure consistent with standards established by the American Water Works Association. The Authority has reviewed its policies including cybersecurity, modified some operating procedures in its O&M plans, and amended its goals to comply with the WQAA.

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

During FY21, the Authority recorded approximately \$6.5 million in capital assets. By including retainage and other pre/post fiscal year adjustments, the capital additions were as follows:

| <u>Asset</u> | <u>Amount Disbursed in FY21</u> |
|--|---------------------------------|
| Hartford Rd Wastewater Treatment Facility (HRWPCF) Rehabilitation | |
| *Roof Replacement & Lightning Protection | \$361,964 |
| *Convert Old Warehouse Building to Vehicle Storage | \$15,930 |
| *Replacement of Safety Disconnect Aerator | \$13,681 |
| *New Plant Lab | \$12,517 |
| *Rehab Filter Press Control Panel Compatible with SCADA | \$909 |



Roof Replacement on the RAS/WAS Building

| | |
|---|-------------|
| Heat Piping & Tracing Insulation | \$280,666 |
| Rehabilitation of Influent Comminutor B | \$47,070 |
| Replacement of RAS Motors | \$45,148 |
| Rehabilitation of UV3000 Ballast, Lamps, & Sleeves | \$24,829 |
| Rehabilitation of Grit Snail System | \$16,540 |
| Rehabilitation of 50hp Orbital Gear Drive | \$16,190 |
| Repair/Replace/Rehab Orbital Motors | \$15,890 |
| Replacement Roof Top HVAC Vehicle Storage Building | \$15,349 |
| Repair/Replace/Rehab Blower Motors | \$15,078 |
| Replacement Actuator for UV3000 | \$13,680 |
| Rehabilitation of UV4000 Ballast, Lamps, & Sleeves | \$11,741 |
| Replacement of Barscreen Rails | \$7,320 |
| Replacement Gas Detector Girt Building | \$6,936 |
| Rehabilitation of Utility Water Booster Pumps | \$6,621 |
| Replace Oxygen Uptake Rate Meter & UPS Backup Equipment | \$2,459 |
| Replacement Storage Shed | \$1,808 |
| Replacement Trash Pump & Adapters | \$1,584 |
| Replacement Ejector Pump for Pond | \$1,315 |
| Replacement Fan in Press Building | \$1,019 |
| **Tank Repairs | \$1,617,877 |
| **Lighting Replacement | \$81,495 |
| **Evaluation of Dewatered Sludge Conveying Alternatives and BFP | \$29,874 |
| **Clarifier Painting Primaries # 1 & 2 | \$35,819 |
| **Hydro Turbine Feasibility Study – Outfall Line | \$23,903 |
| **Orbital Aerator Repairs Plus Inspection | \$10,950 |

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

| <u>Asset</u> | <u>Amount Disbursed in FY21</u> |
|--|---------------------------------|
| Sanitary Sewer Pump Station Rehabilitation | |
| Rebuild Motors/Pumps/Impellers (Timbercrest, Tricia Meadows, Hooten, Hovtech, Orchard, Briggs, Larchmont, Wieland) | \$77,422 |
| Replacement 60hp Pump/Motor Ramblewood PS | \$34,480 |
| Replace Valves at PS (Tricia Meadows, Millstream, & Timbercrest) | \$38,015 |
| Replace AC Unit Birchfield PS | \$7,071 |
| Replace Roof Birchfield PS | \$5,460 |
| Replace Ladder Birchfield PS | \$7,344 |
| Replace Transducers for Various PS | \$4,142 |
| Site Work (Ethel Lawrence, Millstream, Briggs, Larchmont, Hooten) | \$4,025 |
| Replace of Yard Hydrants | \$1,397 |
| ** Upgrade Devonshire PS | \$657,146 |
| **Site Improvements of PS (Timbercrest, East Park, & Ethel Lawrence) | \$129,354 |
| **PLC PS Monitoring Alarm System | \$81,401 |
| ** Upgrade Atrium PS & Hooten PS | \$7,938 |



Insertion Valve on Sanitary Piping

Sanitary Sewer Force Main Repairs and Replacements:

| | |
|---|-----------|
| *Primary Force Main Connection & Repairs Library & Briggs PS | \$750,405 |
| **Primary Force Main Replacement Union Mill Farms | \$41,273 |
| ** Sewer Master Plan, Phase 1 | \$35,163 |
| ** Secondary Force Main Air Release Valve Repair/Replacement | \$27,000 |
| **Replacement Air Relief Valve Tricia Meadows & Library Force Mains | \$5,998 |

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

| <u>Asset</u> | <u>Amount Disbursed in FY21</u> |
|---|---------------------------------|
| Elbo Lane Water Treatment Plant | |
| Clarifier Painting Internal Components | \$222,149 |
| Guardrail Modification & Slide Gate Replacement | \$19,950 |
| Security Upgrade/Replacement | \$17,415 |
| Replacement Portable Fall Protection Davits | \$13,376 |
| SCADA Audit for Water System | \$6,980 |
| Replacement Valves for Filters | \$3,600 |
| Replacement Fuel Pump | \$3,020 |
| Replacement Ice Machine | \$2,900 |

Water Main Replacements:

| | |
|-----------------------------|-----------|
| *Saint David Drive Phase 2 | \$260,565 |
| * Indigo Drive Phase 3 | \$224,653 |
| Fire Hydrant Replacements | \$40,263 |
| Hydrant Rings | \$3,044 |
| ** East Saint Andrews Drive | \$22,000 |

Wells and Booster Stations

| | |
|---|-----------|
| * Upgrade Emergency Eyewash/Showers MUA Facilities | \$164,048 |
| Well #6 Redevelopment | \$104,673 |
| VFD Replacements (Well #3, #4, #6, & Willingboro BS) | \$29,763 |
| Commerce Tank Repairs & Replace Ladders, Hatches & Safety Rails | \$22,995 |
| Ark Rd Booster Station Replace Hatch | \$9,950 |
| Site Improvements (Ark Rd Booster Station) | \$4,500 |
| ** Doors and Windows Upgrade Various Locations | \$177,626 |
| ** Church Street Storage Tank Rehab & Paint | \$66,550 |
| **Well #7/ASR Redevelopment | \$7,183 |



Testing an Emergency Shower

Water Meter Reading

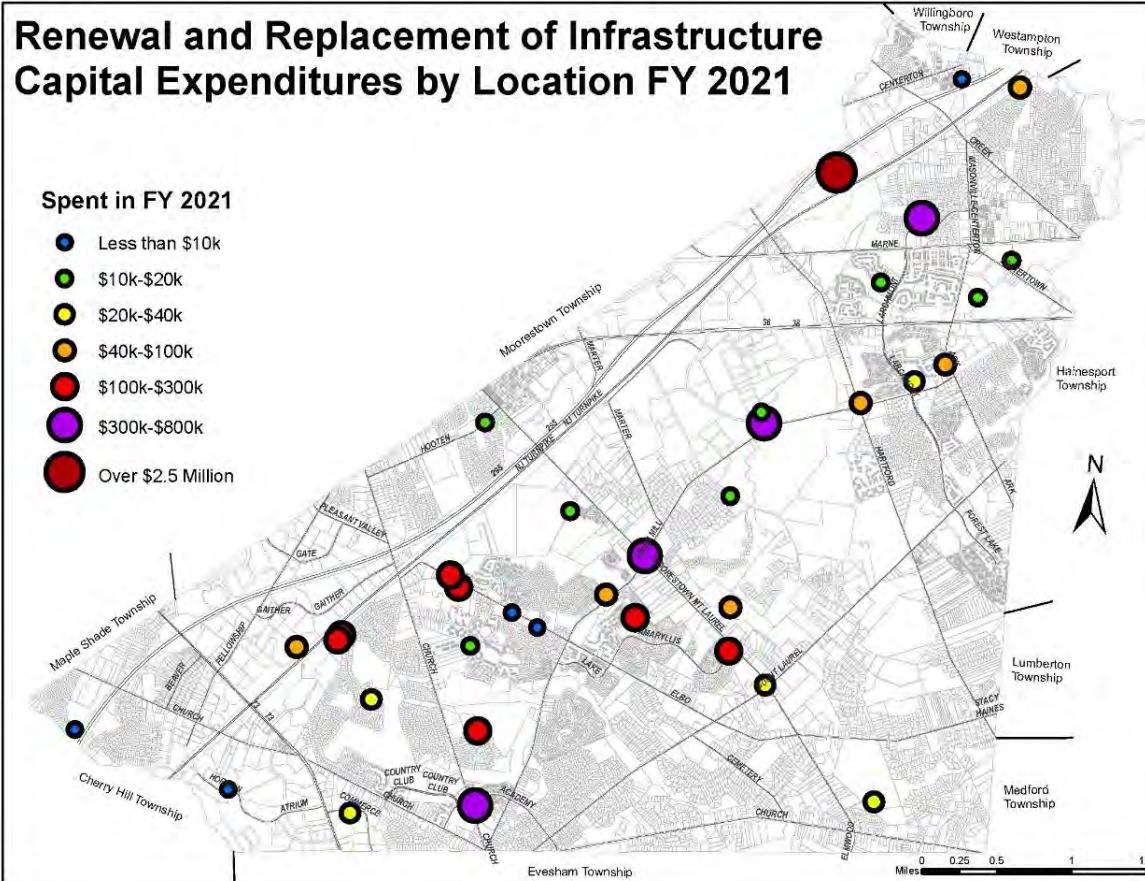
| | |
|----------------------------|-----------|
| **Meter Change Out Program | \$127,592 |
|----------------------------|-----------|

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

| <u>Asset</u> | <u>Amount Disbursed in FY21</u> |
|--|---------------------------------|
| Vehicle Replacements | |
| Vehicle 71 | \$59,378 |
| Vehicle 65 | \$30,850 |
| Vehicle 76 | \$15,410 |
| Vehicle 43 Replace Camera Transporter Wheels | \$2,082 |
| Vehicle 62 Replace Gas Detector | \$900 |
| Miscellaneous | |
| Replace Conference Room Chairs | \$7,273 |
| Replace Microscope for Main Lab | \$6,815 |
| Replace Pipe Locator Equipment | \$6,391 |
| Replace Postage Machine | \$4,663 |
| Computer Network, Upgrade Hardware & Software | \$3,052 |
| UPS Power Back-up Equipment | \$2,302 |
| Replace Combihammer & Accessories | \$1,774 |
| New HD Smart Monitors | \$1,594 |
| Replace Weather Station for Solar Facility | \$1,225 |
| **Replace Computer Software, Development/Programming | \$106,833 |

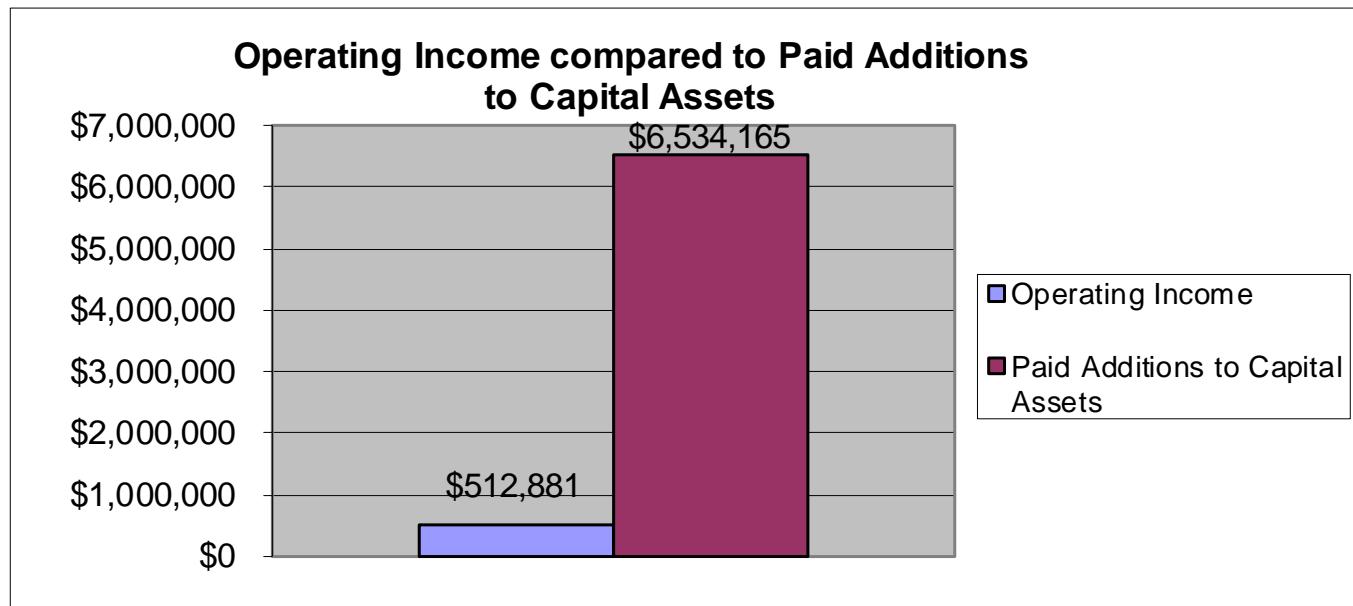
* Multi-Year Project Completed this Fiscal Year

** Project Continuing into Subsequent Year(s)



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

The chart below demonstrates the Authority's ongoing and unwavering commitment to keeping its systems and infrastructures current and well maintained. To provide a more expanded time frame, the Authority has made \$55.58 million of paid additions to its assets over the fourteen fiscal years of 2008 through 2021. \$44.08 million of these paid additions were provided by available cash reserves which were planned for and accumulated over many fiscal years for the specific purpose of paying for capital projects on a "pay as you go" basis. The source of these funds is the "Unrestricted" portion of the Authority's Net Position (see earlier chart).



During the same fourteen fiscal year period, the Authority's aggregate Operating Income has totaled \$12.93 million. This is a clear demonstration of the Authority's commitment to reinvest its operational results back into infrastructure and capital improvements. In addition, the Authority has issued \$19.3 million in debt over the past thirteen fiscal years, of which \$18.7 million was or will be used for capital asset additions for certain capital projects. The Authority continually plans capital projects in both short- and long-range terms, including the assessment of whether to commit "Unrestricted" funds or to issue debt to finance those projects. It should be noted that the State of New Jersey allows for the adding back of net pension liability when determining unrestricted funds available for capital purposes.

Our five-year capital plan calls for the expenditure of \$36,134,550 with \$10,382,300 budgeted for the upcoming fiscal year. The Authority plans to fund these amounts in the following manner:

| | Five-Year Plan | Upcoming Fiscal Year |
|---|-----------------------|-----------------------------|
| Projects funded from Unrestricted Net Position (including reserves for renewal and replacement) | \$ 27,905,900 | \$ 6,450,150 |
| Debt Authorization | \$ 8,228,650 | \$ 3,932,150 |

The Authority has not experienced any change in its excellent credit rating, nor does it anticipate any. Although the Authority does not operate under any debt limitations, it is required to receive approval by Mount Laurel Township resolution prior to issuing any new debt.

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

In February 2019, the Authority closed on a bond issue in the principal amount of \$3,400,000. Proceeds from this issue reimbursed monies previously expended by the Authority to replace a large section of our primary sewer force main along Hartford Road. Interest rates on this bond issue range between 3% and 5%, with the final principal payment scheduled for February 2049. It should be noted that the Authority received an excellent AA credit rating from Standard and Poor's while completing this financing. More significantly, and in spite of protections enjoyed through a Service Agreement provided by Mount Laurel Township, Standard and Poor's informed the Authority this rating was earned on the Authority's own merits due to strong operational and financial management practices.

In March 2010, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust totaling \$1,282,000 for pipe lining and manhole rehabilitation. \$962,000 of this loan is at a zero percent interest rate. The remaining \$320,000 was borrowed at interest rates ranging from 3% to 5%. Principal payments will cease in 2029.



In December 2009, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust totaling \$2,244,600 for the completion of a solar energy array that generates power for a sewer pumping station and a groundwater well. \$1,109,600 of this loan is at a zero percent interest rate. The remaining \$1,135,000 was borrowed at interest rates ranging from 2% to 5%. This project also included a Federal American Recovery and Reinvestment Act (ARRA) grant of \$2,219,200. The ARRA grant does not require repayment and was forgiven at closing. Principal payments will cease in 2029.

In December 2008, the Authority closed on the supplemental loans referenced immediately above. The two loans included one bearing market rate interest, in the amount of \$33,544. This loan was paid off immediately. The second, in the amount of \$1,677,183, is an interest free loan. Principal payments will cease in 2028.

In November 2007, the Authority completed a supplemental financing to the above November 2005 loan. This was primarily due to contractor bids being received for the new Elbo Lane Treatment Plant that were higher than anticipated after the 2005 loan amount was determined. This financing was in the amount of \$3,500,000. The financing was again arranged through the New Jersey Environmental Infrastructure Trust loan program. This program has an advantageous structure which allows participants to borrow one portion of the funds at current market interest rates, and the other portion at a zero percent interest rate. The Authority's financing resulted in \$2,635,000 borrowed at rates between 3.4% and 5%, and \$865,000 borrowed interest free. Additional supplemental loans were authorized that, when combined with the 2007 supplemental loan, created loans of roughly equal size, one bearing market interest rates and the other being interest free.

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

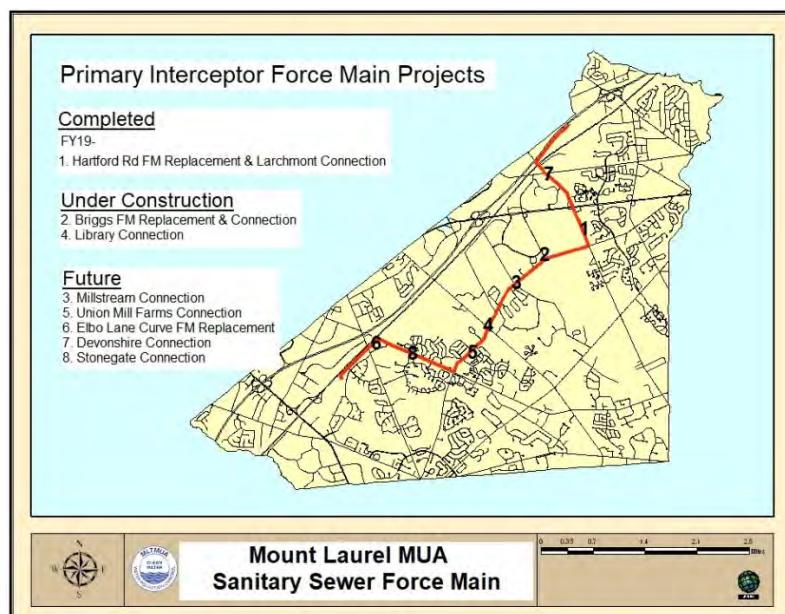
In November 2005, the Authority finalized long term financing in the amount of \$23,772,200 on two major capital projects. The financing was arranged through the New Jersey Environmental Infrastructure Trust (NJEIT) loan program. This program has an advantageous structure which allows participants to borrow one portion of the funds at current market interest rates, and the other portion at a zero percent interest rate. The Authority's financing resulted in \$12,295,000 borrowed at rates between 4% and 5%, and \$11,477,200 borrowed interest free. The two capital projects associated with this borrowing were the Aquifer Storage and Recovery (ASR) project and the new Elbo Lane Water Treatment Plant.

In May 2003, the Authority refunded debt. In doing this, the Authority replaced the outstanding principal balances of its 1992 and 1994 bond issues with the 2003 bond issue. All bonds under the new issue will mature no later than the bonds on the refunded issues. By taking advantage of a very favorable interest rate market, the Authority was able to reduce its debt service by approximately \$1,070,000 over the life of the new bonds, while only increasing its outstanding bond debt by \$40,000.

LOOKING FORWARD

The Authority continues to pursue and investigate alternative sources of water to meet user demand. Currently, the Authority must purchase from outside water purveyors in order to make up the difference between its user demand and its permitted withdrawal from its supply wells. The Authority believes the development of less expensive alternatives is possible. Several have been identified. If the Authority receives approval from the appropriate regulatory agencies and develops these alternatives, particularly the building of a surface water treatment plant, the operating expense for the purchase of water from outside purveyors can be significantly reduced. Capital expenditures for a new plant would be significant.

As part of the Authority's Asset Management Program, we have continually rehabilitated parts of our sanitary force main system. We have been analyzing and implementing options to replace or rehabilitate sections of this approximately 35- to 50-year-old system due to sections of it prematurely reaching the end of their useful life. We continually reprioritize our primary, secondary and tertiary force main projects utilizing probability and consequence of failure along with coordinating with Mount Laurel, Burlington County and NJDOT road programs. The map depicts projects located on the primary force main only.



LOOKING FORWARD (CONT'D)

The Authority included replacement of part of the Hartford Road force main in our capital budget after the board approved \$7 million for these replacement projects. Results from additional corrosion control studies indicated that Phase 1 of the Hartford Road project was a top priority. The \$3.2M project spanned multiple fiscal years; the new piping was placed in service in January 2018, but the project was not fully completed until December 2018. Our Engineer is currently working on the design of several primary and secondary force main projects. Although this work is moving forward, we cannot rule out that additional leaks may occur before replacements take place.

The Authority intended to use the NJ Infrastructure Bank's (I-Bank) emergency financing program for Hartford Road Phase 1; however, I-Bank program requirements, such as requiring installation of the replacement pipe in the same trench as the existing pipe, precluded participation. Therefore, the Authority used the "Unrestricted" portion of its Net Position for funding. A February 2019 bond issue served to reimburse those funds to the Authority. The Authority plans to issue debt via the I-Bank for the Elbo Lane force main replacement project, as well as other capital projects associated with force mains, its Hartford Road Water Pollution Control Facility and pump stations. In August 2019, the Authority closed on a \$7.2 million note through the I-Bank which will be drawn against to reimburse the Authority for monies expended on these and other specified projects. Ultimately, a long-term bond issue will occur to retire the note.

The Hartford Road Water Pollution Control Facility, which was substantially upgraded and expanded in 1996, has a planned renewal of components of its main process units to ensure continued successful operations. Part of this work, the replacement of the primary mechanism of a clarifier, was completed in FY16 due to premature failure. The remaining process unit work has been included in our capital plan for work in the next 5 years. As discussed above, much of this work is being funded through the I-Bank.



This financial report is designed to provide Mount Laurel'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 any questions about this report or need additional financial information, contact the Finance Director, Mount Laurel Township Municipal Utilities Authority, 1201 South Church Street, Mount Laurel, NJ 08054 or visit our website at www.mltaua.com.

BASIC FINANCIAL STATEMENTS

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Comparative Statements of Net Position

As of June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Current Assets: | | |
| Unrestricted Assets: | | |
| Cash and Cash Equivalents | \$ 17,509,334.44 | \$ 15,999,767.99 |
| Investments | 5,648,901.69 | 5,842,678.57 |
| Consumer Accounts Receivable, Net of Allowance for Doubtful Accounts of \$3,786.67 in 2021 and 2020 | 3,923,588.65 | 3,832,836.72 |
| Accrued Investment Income Receivable | 23,843.57 | 30,355.82 |
| Intergovernmental Accounts Receivable | 67,622.88 | 87,014.69 |
| NJIB Interim Loan Receivable | 3,710,062.00 | 7,164,190.00 |
| Inventory | 245,697.19 | 223,706.70 |
| Other Accounts Receivable | 263,081.82 | 229,116.28 |
| Prepaid Expenses | 125,262.92 | 166,888.42 |
| Total Unrestricted Assets | <u>31,517,395.16</u> | <u>33,576,555.19</u> |
| Restricted Assets: | | |
| Cash and Cash Equivalents | 7,256,665.48 | 7,365,824.04 |
| Investments | 52,535.48 | 70,401.07 |
| Accrued Investment Income Receivable | 21,366.05 | 39,697.65 |
| Notes Receivable, Less Allowance for Doubtful Accounts of \$47,570.78 in 2021 and \$40,190.91 in 2020 | 7,185.38 | 15,113.13 |
| Total Restricted Assets | <u>7,337,752.39</u> | <u>7,491,035.89</u> |
| Total Current Assets | <u>38,855,147.55</u> | <u>41,067,591.08</u> |
| Noncurrent Assets: | | |
| Capital Assets: | | |
| Completed (Net of Accumulated Depreciation) | 103,072,625.34 | 103,056,749.54 |
| Construction in Progress | 4,890,441.85 | 3,100,631.34 |
| Total Capital Assets | <u>107,963,067.19</u> | <u>106,157,380.88</u> |
| Total Assets | <u>146,818,214.74</u> | <u>147,224,971.96</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Loss on Defeasance of Loans Related to Pensions | 22,084.66 | 27,605.83 |
| | <u>1,602,008.00</u> | <u>2,150,602.00</u> |
| Total Deferred Outflows of Resources | <u>1,624,092.66</u> | <u>2,178,207.83</u> |

(Continued)

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Comparative Statements of Net Position

As of June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| LIABILITIES | | |
| Current Liabilities Payable from Unrestricted Assets: | | |
| Accounts Payable | | |
| Related to Pensions | \$ 646,969.00 | \$ 568,466.00 |
| Other | 1,344,650.32 | 1,316,073.14 |
| Prepaid Rents | 160,119.39 | 159,430.53 |
| Current Portion of Compensated Absences | 114,798.07 | 128,633.40 |
| Developer's Deposits | 788,159.85 | 906,589.16 |
| | <hr/> | <hr/> |
| Total Current Liabilities Payable from Unrestricted Assets | 3,054,696.63 | 3,079,192.23 |
| Current Liabilities Payable from Restricted Assets: | | |
| Accounts Payable | 551,562.15 | 489,252.33 |
| Retainage | 57,991.78 | 22,866.33 |
| Bonds--Current Portion | 70,000.00 | 65,000.00 |
| NJIB Loans--Current Portion | 1,791,094.47 | 1,805,777.67 |
| Accrued Interest Payable | 151,932.39 | 169,010.83 |
| | <hr/> | <hr/> |
| Total Current Liabilities Payable from Restricted Assets | 2,622,580.79 | 2,551,907.16 |
| Long-term Liabilities: | | |
| Net Pension Liability | 8,474,045.00 | 9,648,513.00 |
| Bonds Payable | 3,360,209.60 | 3,436,199.07 |
| Compensated Absences | 459,192.30 | 514,533.60 |
| NJIB Loans Payable | 15,682,344.51 | 17,482,144.95 |
| | <hr/> | <hr/> |
| Total Long-Term Liabilities | 27,975,791.41 | 31,081,390.62 |
| Total Liabilities | <hr/> | <hr/> |
| | 33,653,068.83 | 36,712,490.01 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Gain on Defeasance of Loans | 202,006.02 | 252,507.52 |
| Deferred Revenue | 2,324,592.10 | 2,176,086.24 |
| Related to Pensions | 3,930,305.00 | 3,652,436.00 |
| | <hr/> | <hr/> |
| Total Deferred Inflows of Resources | 6,456,903.12 | 6,081,029.76 |
| NET POSITION | | |
| Net Investment in Capital Assets | 89,579,215.52 | 88,309,991.49 |
| Restricted: | | |
| Bond Resolution Covenants | 12,057,703.00 | 9,962,255.36 |
| State Unemployment Compensation | 62,792.78 | 58,825.86 |
| Unrestricted | 6,632,624.15 | 8,278,587.31 |
| | <hr/> | <hr/> |
| Total Net Position | \$ 108,332,335.45 | \$ 106,609,660.02 |

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

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Comparative Statements of Revenues, Expenses and Changes in Net Position
 For the Fiscal Years Ended June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Operating Revenues: | | |
| Utility Service Charges | \$ 19,316,935.95 | \$ 18,938,681.73 |
| Connection Fees | 999,199.12 | 1,749,090.97 |
| Other Operating Revenues | 463,830.56 | 514,093.48 |
| | <hr/> | <hr/> |
| | 20,779,965.63 | 21,201,866.18 |
| Operating Expenses: | | |
| Administration: | | |
| Salaries and Wages | 1,003,731.07 | 968,933.56 |
| Fringe Benefits | 349,433.04 | 557,902.69 |
| Other Expenses | 842,398.02 | 839,970.35 |
| Cost of Providing Services: | | |
| Salaries and Wages | 3,713,867.70 | 3,874,872.69 |
| Fringe Benefits | 1,416,610.12 | 1,641,124.67 |
| Other Expenses | 6,381,305.44 | 5,916,000.25 |
| Depreciation | 6,559,739.17 | 6,499,625.16 |
| | <hr/> | <hr/> |
| | 20,267,084.56 | 20,298,429.37 |
| Operating Income | 512,881.07 | 903,436.81 |
| Non-operating Revenue (Expenses): | | |
| Investment Income | 88,414.69 | 559,572.55 |
| Interest on Debt | (313,849.44) | (353,873.08) |
| Debt Issue Costs | (11,113.00) | (49,656.49) |
| Loss on Disposal of Capital Assets | (19,140.09) | (1,477.69) |
| Contribution to Mount Laurel Township Per N.J.S.A. 40A:5A-1 | (384,918.00) | (389,382.00) |
| | <hr/> | <hr/> |
| Net Income (Loss) Before Capital Contributions | (127,724.77) | 668,620.10 |
| Capital Contributions | 1,850,400.20 | - |
| Change in Net Position | 1,722,675.43 | 668,620.10 |
| Net Position - Beginning | <hr/> | <hr/> |
| | 106,609,660.02 | 105,941,039.92 |
| Net Position - Ending | <hr/> | <hr/> |
| | \$ 108,332,335.45 | \$ 106,609,660.02 |

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

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Comparative Statements of Cash Flows
 For the Fiscal Years Ended June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|-------------------------|-------------------------|
| Cash Flows from Operating Activities: | | |
| Receipts from Customers and Users | \$ 20,374,577.86 | \$ 18,997,646.78 |
| Payments to Suppliers | (7,175,491.27) | (6,530,343.03) |
| Payments to Employees | (6,822,320.56) | (6,773,184.75) |
| Other Operating Receipts | 338,755.27 | 573,343.43 |
| Net Cash Provided by Operating Activities | <u>6,715,521.30</u> | <u>6,267,462.43</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Notes Receivable on Line Extensions | <u>8,135.01</u> | |
| Net Cash Provided by Noncapital Financing Activities | <u>-</u> | <u>8,135.01</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Retainage | (22,866.33) | (35,736.43) |
| Principal Paid on Loans | (1,805,777.67) | (1,764,519.17) |
| Principal Paid on Bonds | (65,000.00) | (70,000.00) |
| Receipts from NJIB Interim Loan Receivable | 3,454,128.00 | 35,810.00 |
| Acquisitions of Capital Assets | (6,413,863.77) | (3,667,875.42) |
| Debt Issue Costs | (11,113.00) | (49,656.49) |
| Contribution to Mount Laurel Township Per N.J.S.A. 40A:5A-1 | (384,918.00) | (389,382.00) |
| Interest on Debt | (390,603.65) | (423,438.70) |
| Net Cash Used in Capital and Related Financing Activities | <u>(5,640,014.42)</u> | <u>(6,364,798.21)</u> |
| Cash Flows from Investing Activities: | | |
| Investment Income Received | 113,258.54 | 563,289.76 |
| Short Term Gains (Loss) | 92,246.59 | (152,272.83) |
| Proceeds from Sale of Investments | 1,569,179.19 | 2,967,136.62 |
| Purchases of Investments | (1,449,783.31) | (2,982,462.70) |
| Net Cash Provided by Investing Activities | <u>324,901.01</u> | <u>395,690.85</u> |
| Net Increase in Cash and Cash Equivalents | <u>1,400,407.89</u> | <u>306,490.08</u> |
| Cash and Cash Equivalents, July 1 | <u>23,365,592.03</u> | <u>23,059,101.95</u> |
| Cash and Cash Equivalents, June 30 | <u>\$ 24,765,999.92</u> | <u>\$ 23,365,592.03</u> |

(Continued)

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Comparative Statements of Cash Flows
 For the Fiscal Years Ended June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|------------------------|------------------------|
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | |
| Operating Income | \$ 512,881.07 | \$ 903,436.81 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | |
| Depreciation Expense | 6,559,739.17 | 6,499,625.16 |
| Pension Liability Expense - GASB 68 | (269,502.00) | 111,463.00 |
| Changes in Assets and Liabilities: | | |
| Change in Consumer Accounts Receivable | (90,751.93) | (401,785.50) |
| Change in Intergovernmental Accounts Receivable | 19,391.81 | (25,143.69) |
| Change in Inventory | (21,990.49) | (22,263.05) |
| Change in Other Accounts Receivable | (26,037.79) | 27,704.31 |
| Change in Prepaid Expenses | 41,625.50 | (36,499.14) |
| Change in Unrestricted Accounts Payable | 28,577.18 | 284,389.76 |
| Change in Prepaid Rents | 688.86 | 284.60 |
| Change in Deferred Revenue | 148,505.86 | (1,288,625.02) |
| Change in Developers' Deposits | (118,429.31) | 56,689.33 |
| Change in Compensated Absences | (69,176.63) | 158,185.86 |
| Total Adjustments | <u>6,202,640.23</u> | <u>5,364,025.62</u> |
| Net Cash Provided by Operating Activities | <u>\$ 6,715,521.30</u> | <u>\$ 6,267,462.43</u> |

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

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Notes to Financial Statements

For The Fiscal Years Ended June 30, 2021 and 2020

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Mount Laurel Township 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 Mount Laurel Township Municipal Utilities Authority is a public body corporate and politic of the State of New Jersey and was created by an ordinance adopted December 6, 1965 by the Township Committee of the Township of Mount Laurel in the County of Burlington, New Jersey (the "Township") under the Municipal Utilities Authority Law, R.S. 4:14B-1 et seq., of the State of New Jersey. The comparative financial statements include the operations for which the Authority exercises oversight responsibility.

The Authority provides water distribution and sewerage collection services to substantially all the area constituting the Township. The Authority commenced operations in 1970 and since then has acquired existing water distribution and sewage collection system owned by private concerns and has undertaken various construction projects to upgrade and expand the system.

The Authority consists of five members, who are appointed by resolution of the Township Committee for five-year terms. The daily operations of the Authority are managed by the Executive Director.

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 government-wide financial statements to emphasize that it is legally separate from the government.

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

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

Based upon the application of these criteria, the Authority has no component units and is a component unit of the Township of Mount Laurel.

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 expenses.

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 no later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense, debt premiums and deferred gain / loss on defeasance 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 Comparative Statements of Revenues, Expenses and Changes in Net Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. The Authority did not adopt an amending budget resolution during the fiscal year.

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

Cash, Cash Equivalents and Investments

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

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

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

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

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

Inventory consists principally of chemicals for the treatment of water, sewerage and sludge and is valued at cost.

Prepaid Expenses

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

Capital Assets

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Capital Assets purchased prior to June 30, 1993 are stated at estimated cost. Assets purchased since are stated at actual cost. Assets contributed by developer's are valued at estimated fair market value as of the date of contribution.

Costs incurred for construction projects are recorded as construction in progress. In the year that the project is completed, these costs are transferred to capital assets. Interest costs incurred during construction are not capitalized into the cost of the asset.

Expenditures are capitalized when they meet the following requirements:

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

Depreciation

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

| | <u>Years</u> |
|--|--------------|
| Buildings | 40 |
| Utility Plant and Other Infrastructure | 40 |
| Furniture | 5 - 15 |
| Computer and Office Equipment | 5 - 15 |
| Telecommunication Equipment | 5 - 15 |
| Machinery & Equipment | 5 - 15 |
| Vehicles | 7 |

Depreciation is taken starting the month after the asset is placed in service.

Debt Premiums

Debt 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 as a component of interest expense. Debt premiums are presented as an adjustment of the face amount on the bonds and loans.

Deferred Outflows and Deferred Inflows of Resources

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

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 refunding of debt, connection fee funds received prior to providing water and sewer services, defined benefit pension plans and gain on refunding of debt.

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 are recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue.

Pensions

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

Net Position

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

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

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

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

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

The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Income Taxes

The Authority operates as defined by the Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from facility charges (i.e., water and sewerage usage revenues) and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and on investments in debt securities.

Operating expenses include expenses associated with the operation, maintenance and repair of the water and sewer operations and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt, contribution to Township and debt issuance costs.

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. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The adoption of this Statement had no impact on the Authority's financial statements.

Statement No. 90, *Major Equity Interests*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The adoption of this Statement had no impact on the Authority's financial statement.

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

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

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement originally would have become effective for the Authority in the fiscal year ending June 30, 2021, but as a result of GASB Statement 95 will become effective in the fiscal year ending June 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 June 30, 2021, but as a result of GASB Statement 95 will become effective in the fiscal year ending June 30, 2022. 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 June 30, 2022, but as a result of GASB Statement 95 will become effective in the fiscal year ending June 30, 2023. Management has not yet determined the impact of this Statement on the financial statements.

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

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 June 30, 2022, but as a result of GASB Statement 95 will become effective in the fiscal year ending June 30, 2023.
3. The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities originally would have become effective for the Authority in the fiscal year ending June 30, 2022, but as a result of GASB Statement 95 will become effective in the fiscal year ending June 30, 2023.
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 June 30, 2022, but as a result of GASB Statement 95 will become effective in the fiscal year ending June 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. 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 June 30, 2021. GASB Statement 95 changed the effective date for paragraphs 13 and 14 to the fiscal year ending June 30, 2022. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The Statement will become effective for the Authority in the fiscal year ending June 30, 2023. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The Statement will become effective for the Authority in the fiscal year ending June 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 June 30, 2022. Management does not expect this Statement will have an impact on the financial statements.

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

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

Utility System Revenue Bonds

The Authority is subject to the provisions and the terms of the Utility System Revenue Bond Resolution, dated July 21, 1992, as amended. As required by the Resolution, certain cash accounts and investments of the Authority are maintained by an independent trustee, accounted for in various accounts and segregated for specific use and for the security of the bondholders. The purpose of the trust accounts are summarized below:

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

Debt Service Account - Periodic transfers from the revenue account are deposited to pay principal maturities and interest on the Authority's Bonds and the New Jersey Infrastructure Bank (NJIB) Loans. The balance on June 30, 2021 meets the requirements of the Bond Resolution as amended by the Authority.

Debt Service Reserve Account – This account, if necessary, will make up any deficiencies in the Debt Service Account. The total required balance for the debt service reserve as of June 30, 2021 is \$1,807,835.85. The Authority purchased surety coverage for the NJEIT Loans, Series 2005, 2007, 2008 and 2013 in the amount of the largest remaining annual debt service requirement of each series. The 2009A, 2009B and 2010 NJEIT Loans and the 2019 Bonds were issued as subordinate debt and do not require a reserve balance. After deducting the Authority's surety bonds, there is no required cash balance.

Renewal and Replacement Account – The Trustee must maintain a minimum balance in this account of \$8,210,000.00 or such other sum as the consulting engineer shall certify to be sufficient to provide for major repairs, renewals or replacements. As of the date of this report, the cash balance in the Renewal and Replacement Account is \$5,447,129.29, which does not meet the engineer's certified balance as of June 30, 2021. However, the balance in the General account meets the remaining balance.

General Account - In the event all other accounts have been maintained to their maximum extent, then transfers are made to the General Account. The Trustee, at the request of the Authority, may use the General Account to pay the cost of capital additions, to purchase or redeem bonds of any series, to pay the cost of extraordinary repairs, renewals and replacements of the utility system, to repay subordinated loans, to make payment to the Township of amounts due under the service contract (see Note 2 – Debt Service Agreements), or for any other lawful purpose, as described in the Utility System Revenue Bond Resolution.

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

Line Extension Account - Within the General Account, the Authority maintains the Line Extension Account. Moneys in the Line Extension Account are to be used solely to promote the health and safety of the Township by paying, or advancing payment of extending water and sewer lines to existing users in certain developed areas of the Township all in accordance with policies and procedures developed, or to be developed, by the Authority. In addition, amounts on deposit may be transferred to the General Account to be used in accordance with the provisions therein. Any moneys received from the users in repayment of the costs of these line extensions are to be deposited in this account.

Debt Service Coverage

The computation of sufficiency of revenues for the fiscal years ended June 30, 2021 and 2020 as defined by the Utility System Revenue Bond Resolution Section 713(b) is as follows:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|----------------------------|----------------------------|
| Operating Revenues: | | |
| Utility Service Charges | \$ 19,316,935.95 | \$ 18,938,681.73 |
| Connection Fees | 999,199.12 | 1,749,090.97 |
| Investment and Miscellaneous Income | <u>552,245.25</u> | <u>1,073,666.03</u> |
| Total Revenues | <u>20,868,380.32</u> | <u>21,761,438.73</u> |
| Operating Expenses: | | |
| Cost of Providing Services | 11,511,783.26 | 11,431,997.61 |
| Administrative | 2,195,562.13 | 2,366,806.60 |
| Contribution to Mount Laurel Township | <u>384,918.00</u> | <u>389,382.00</u> |
| Total Operating Expenses | <u>14,092,263.39</u> | <u>14,188,186.21</u> |
| Excess of Revenues | 6,776,116.93 | 7,573,252.52 |
| 110% of Current Fiscal Year's | | |
| Annual Debt Service Requirement | <u>2,468,733.17</u> | <u>2,472,874.82</u> |
| Sufficiency of Revenues | <u>\$ 4,307,383.76</u> | <u>\$ 5,100,377.70</u> |

Subordinated Bond Resolution

The Authority is further subject to the provisions and restrictions of the Subordinated Bond Resolution adopted July 16, 2009. Section 512 of the Subordinated Bond Resolution creates a direct and special obligation on the Authority where the full faith and credit of the Authority is pledged to the payment of principal and interest on the Subordinated Bonds authorized under the Subordinated Bond Resolution. However, the obligation of the Authority to apply revenues or other funds to the payment of principal and interest on the Subordinated Bonds is subject to prior obligation of the Authority to apply such revenues or other funds to the payment of operating expenses. The pledge of revenues and other such funds is subordinate to the provisions of the Senior Bond Resolution and the lien and pledge created by the Senior Bond Resolution. The 2009A, 2009B, 2010 NJEIT loans and the 2019 Bonds are subject to the subordinated bond resolution.

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

In conjunction with the aforementioned Utility System Revenue Bond Resolution, the Authority has entered into a service agreement with the Township. The Township has agreed to advance to the Authority sufficient monies to eliminate any deficiency in the Authority's revenues required for its operation and administrative expenses, including certain debt service requirements, and to meet certain coverage requirements. Any monies advanced in accordance with this agreement would be refunded at such time as the Authority deems appropriate. (See Note 7)

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

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

As of June 30, 2021 and 2020, the Authority's bank balances were insured or exposed to custodial credit risk as follows:

| | June 30, | |
|--------------------------------|-----------------------------|-----------------------------|
| | <u>2021</u> | <u>2020</u> |
| Insured by FDIC | \$ 888,394.73 | \$ 672,300.46 |
| Insured by GUDPA | 22,653,236.08 | 21,511,326.73 |
| Uninsured and Uncollateralized | <u>648,244.13</u> | <u>677,034.58</u> |
| Total | <u>\$ 24,189,874.94</u> | <u>\$ 22,860,661.77</u> |

New Jersey Cash Management Fund - During the fiscal year, the Authority participated in the New Jersey Cash Management Fund. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. At June 30, 2021 and 2020, the Authority's deposits with the New Jersey Cash Management Fund were \$488,061.41 and \$487,765.16, respectively.

Investments

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

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

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority has several certificates of deposits (CD's) that have FDIC insurance. The Authority has FDIC insured investments of \$1,502,876.50 and \$2,603,866.60 as of June 30, 2021 and 2020, respectively. Additionally, the Authority has several certificates of deposits (CD's) that are covered under GUDPA insurance. The Authority has GUDPA insured investments of \$443,520.02 and \$621,870.86 as of June 30, 2021 and 2020, respectively. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority has no investment policy to limit its exposure to custodial credit risk. The Authority's investments, totaling \$3,755,040.65 as of June 30, 2021 and \$2,687,342.18 as of June 30, 2020, consist of Government National Mortgage Association Bonds and Notes (GNMA), Federal National Mortgage Association Bonds and Notes (FNMA), Federal Home Loan Bank Bonds and Notes (FHLB), solar renewable energy credits (SREC) and municipal and state bonds. All investments are held in the name of the Authority.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority's investment policies place no limit on the amount the Authority may invest in any one issuer. More than 5.0% of the Authority's investments are held in municipal and state bonds (37.85%), Bank CD's (34.14%) US Treasury Bills (25.43%). The Authority's investment policies place no limit on the amount the Authority may invest in any one issuer. All of the Authority's investments are either in CD's, SREC's, FNMA's, FHLB's, GNMA's, US Treasury Bills or state and municipal bonds.

As of June 30, 2021 and 2020, the Authority had the following investments and maturities:

| Investment | Credit Rating | Maturity | Hierarchy Level* | Fair Value | |
|------------------------------------|---------------|------------|------------------|------------------------|------------------------|
| | | | | June 30, 2021 | June 30, 2020 |
| Capital One Bank USA NA CD | NR | 10/7/2020 | Level 1 | \$ 241,401.60 | |
| Morgan Stanley Bank NA CD | NR | 2/8/2021 | Level 1 | | 101,532.00 |
| Comenity Bank CD | NR | 7/12/2021 | Level 1 | \$ 200,124.00 | 203,234.00 |
| Discover Bank CD | NR | 12/6/2021 | Level 1 | 152,119.50 | 156,618.00 |
| Comenity Bank CD | NR | 3/29/2022 | Level 1 | 49,876.00 | 46,766.00 |
| Sallie Mae Bank CD | NR | 4/4/2022 | Level 1 | 101,986.00 | 104,315.00 |
| Wells Fargo Bank NA CD | NR | 12/15/2022 | Level 1 | | 250,000.00 |
| Goldman Sachs Bank USA CD | NR | 12/12/2023 | Level 1 | 250,000.00 | 250,000.00 |
| KS State Bank CD | NR | 1/31/2024 | Level 1 | 248,771.00 | 250,000.00 |
| Capital One Bank USA NA CD | NR | 8/7/2024 | Level 1 | 250,000.00 | 250,000.00 |
| Merrick Bank CD | NR | 12/18/2024 | Level 1 | 250,000.00 | 250,000.00 |
| JP Morgan Chase Bank NA CD | NR | 12/30/2024 | Level 1 | | 250,000.00 |
| Parkside Financial Bank & Trust CD | NR | 3/27/2025 | Level 1 | | 250,000.00 |
| FDIC Insured Investments | | | | \$ 1,502,876.50 | \$ 2,603,866.60 |

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

Concentration of Credit Risk (Cont'd) - As of June 30, 2021 and 2020, the Authority had the following investments and maturities:

| <u>Investment</u> | <u>Credit Rating</u> | <u>Maturities</u> | <u>Fair Value Hierarchy</u> | <u>Fair Value</u> | |
|--|----------------------|-------------------|-----------------------------|------------------------|------------------------|
| | | | | <u>Level*</u> | <u>June 30, 2021</u> |
| Comenity Bank CD | NR | 3/29/2022 | Level 1 | \$ 152,902.00 | \$ 159,008.00 |
| Goldman Sachs Bank USA CD | NR | 11/22/2022 | Level 1 | 243,450.52 | 248,097.36 |
| Wells Fargo Bank NA CD | NR | 12/15/2022 | Level 1 | | 150,791.35 |
| Goldman Sachs Bank USA CD | NR | 12/12/2023 | Level 1 | 20,115.00 | 27,150.00 |
| KS State Bank CD | NR | 1/31/2024 | Level 1 | | 2,951.65 |
| Capital One Bank USA NA CD | NR | 8/7/2024 | Level 1 | 14,842.50 | 17,955.00 |
| Merrick Bank CD | NR | 12/18/2024 | Level 1 | 12,210.00 | 13,645.00 |
| JP Morgan Chase Bank NA CD | NR | 12/30/2024 | Level 1 | | 2,057.50 |
| Parkside Financial Bank & Trust CD | NR | 3/27/2025 | Level 1 | | 215.00 |
| GUDPA Insured Investments | | | | <u>\$ 443,520.02</u> | <u>\$ 621,870.86</u> |
| Connecticut St SPL Tax | AA3 | 11/1/2020 | Level 1 | | \$ 10,102.20 |
| New York NJ City | AA1 | 11/1/2020 | Level 1 | | 101,126.00 |
| Virginia CLLG Bldg Authority | AA1 | 2/1/2021 | Level 1 | | 30,427.20 |
| New York St Urban Development | AA1 | 3/15/2021 | Level 1 | | 154,449.00 |
| US Treasury Bill | N/A | 7/1/2021 | Level 1 | \$ 800,000.00 | |
| Virgina St. Res. Authority | AA | 11/1/2021 | Level 1 | 45,321.30 | 45,643.95 |
| New York NJ City | AAA | 2/1/2022 | Level 1 | 238,640.15 | 244,531.60 |
| US Treasury Bill | N/A | 4/21/2022 | Level 1 | 649,707.50 | |
| NJ Higher Education Assistance Authority | | | | | |
| Student Loan Revenue Bond | AA3 | 12/1/2022 | Level 1 | 40,762.00 | 47,279.25 |
| Eureka Mo Cft Partn Rev | AA- | 1/1/2023 | Level 1 | 75,756.00 | |
| Eureka CTF Partners | AA- | 1/1/2023 | Level 1 | | 76,455.75 |
| Federal National Mortgage Association | AA+ | 4/25/2023 | Level 1 | 3,991.59 | 7,393.01 |
| New York City Taxable GO Bonds | AA | 10/1/2024 | Level 1 | 412,456.20 | 409,835.40 |
| Government National Mortgage Association | AAA | 8/15/2025 | Level 1 | 178.20 | 221.45 |
| NJ Higher Education Assistance Authority | | | | | |
| Student Loan Revenue Bond | AA3 | 12/1/2025 | Level 1 | 51,026.00 | 57,981.55 |
| Glens Falls NJ City School District GO Bonds | AA3 | 6/15/2026 | Level 1 | 241,603.50 | 240,626.00 |
| Valley Center School District NY GO Bonds | AA | 6/15/2026 | Level 1 | 147,341.60 | 147,541.80 |
| Dorchester County School LTD | AA- | 10/1/2026 | Level 1 | 359,155.60 | 358,230.80 |
| Government National Mortgage Association | AAA | 4/15/2027 | Level 1 | 418.37 | 475.70 |
| Massachusetts St Dev Fin | AA | 7/1/2027 | Level 1 | 546,008.15 | 558,283.50 |
| Government National Mortgage Association | AAA | 7/20/2033 | Level 1 | 4,922.99 | 6,596.82 |
| Government National Mortgage Association | AAA | 9/20/2033 | Level 1 | 3,814.60 | 4,877.58 |
| Government National Mortgage Association | AAA | 12/20/2033 | Level 1 | 3,420.12 | 4,490.43 |
| Government National Mortgage Association | AAA | 1/20/2034 | Level 1 | 2,037.59 | 2,630.89 |
| Government National Mortgage Association | AAA | 5/15/2034 | Level 1 | 6,584.80 | 7,851.32 |
| Government National Mortgage Association | AAA | 5/20/2034 | Level 1 | 9,194.60 | 11,732.37 |
| Government National Mortgage Association | AAA | 3/20/2035 | Level 1 | 39,329.79 | 52,382.61 |
| Solar Renewable Energy Credits | NR | Demand | Level 1 | 73,370.00 | 106,176.00 |
| Uninsured Investments | | | | <u>\$ 3,755,040.65</u> | <u>\$ 2,687,342.18</u> |
| Total Investments | | | | <u>\$ 5,701,437.17</u> | <u>\$ 5,913,079.64</u> |

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

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

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

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

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

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

Notes Receivable

The Authority records the loans made to homeowners from the Line Extension account as Notes Receivable. The loans are extended for periods ranging from 5 to 30 years and bear interest rates from 5% to 8.95%. The balance due to the Authority as of June 30, 2021 was \$54,756.16 and \$55,304.04 as of June 30, 2020. Several accounts have declared bankruptcy subsequent to securing the loans. The balance is shown net of an allowance for doubtful notes receivable in the amount of \$47,570.78 for June 30, 2021 and \$40,190.91 as of June 30, 2020.

Service Fees

The following is a three-year comparison of water and sewer user charges billed to and collections from customers during the fiscal years shown:

| Fiscal Year | | Beginning | | Total | Percentage of |
|-------------|-----------------|------------------|------------------|-------------|---------------|
| Ended | June 30, | Balance | Billings | Collections | Collections |
| 2021 | \$ 1,068,217.39 | \$ 19,316,935.95 | \$ 19,226,184.02 | | 94.31% |
| 2020 | 938,226.89 | 19,062,330.78 | 18,660,545.28 | | 93.30% |
| 2019 | 947,213.53 | 18,645,519.41 | 18,779,033.05 | | 95.85% |

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

The Authority receives capital contributions from developers that consist of sewer and water infrastructure installed at the developer's expense and turned over to the Authority upon completion of construction. During the fiscal year ending June 30, 2021, the Authority received \$886,174.60 for the Water Department and \$964,225.60 for the Sewer Department. During the fiscal year ending June 30, 2020, the Authority did not receive any capital contributions.

Capital Assets

During the fiscal year ended June 30, 2021, the following changes in capital assets occurred:

| | <u>Balance July 1, 2020</u> | <u>Transfers & Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2021</u> |
|--|---------------------------------|--------------------------------------|------------------|----------------------------------|
| Capital Assets not being Depreciated | | | | |
| Land | \$ 91,805.43 | | | \$ 91,805.43 |
| Construction in Progress | 3,100,631.34 | \$ 1,807,713.01 | \$ 17,902.50 | 4,890,441.85 |
| Total Capital Assets not being Depreciated | | | | |
| | 3,192,436.77 | 1,807,713.01 | 17,902.50 | 4,982,247.28 |
| Capital Assets being Depreciated | | | | |
| Buildings | 14,835,499.55 | 1,288,239.56 | | 16,123,739.11 |
| Utility Plant and Other Infrastructure | 211,066,504.40 | 3,882,366.11 | | 214,948,870.51 |
| Furniture | 309,124.25 | 7,272.89 | 12,050.00 | 304,347.14 |
| Computer and Office Equipment | 928,975.64 | 6,135.80 | 9,921.53 | 925,189.91 |
| Telecommunication Equipment | 157,821.86 | | 1,470.86 | 156,351.00 |
| Machinery and Equipment | 7,210,129.05 | 1,286,381.34 | 35,123.81 | 8,461,386.58 |
| Vehicles | 3,081,864.71 | 106,456.86 | 114,700.10 | 3,073,621.47 |
| Total Capital Assets being Depreciated | | | | |
| | 237,589,919.46 | 6,576,852.56 | 173,266.30 | 243,993,505.72 |
| Total Capital Assets | 240,782,356.23 | 8,384,565.57 | 191,168.80 | 248,975,753.00 |
| Less: Accumulated Depreciation | 134,624,975.35 | 6,559,739.17 | 172,028.71 | 141,012,685.81 |
| Capital Assets, Net | \$ 106,157,380.88 | \$ 1,824,826.40 | \$ 19,140.09 | \$ 107,963,067.19 |

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

During the fiscal year ended June 30, 2020, the following changes in capital assets occurred:

| | <u>Balance July 1, 2019</u> | <u>Transfers & Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2020</u> |
|--|---------------------------------|--------------------------------------|------------------|----------------------------------|
| Capital Assets not being Depreciated | | | | |
| Land | \$ 91,805.43 | | | \$ 91,805.43 |
| Construction in Progress | 1,989,941.73 | \$ 1,110,689.61 | | 3,100,631.34 |
| Total Capital Assets not being Depreciated | | | | |
| | 2,081,747.16 | 1,110,689.61 | \$ - | 3,192,436.77 |
| Capital Assets being Depreciated | | | | |
| Buildings | 14,551,778.00 | 283,721.55 | | 14,835,499.55 |
| Utility Plant and Other Infrastructure | 210,248,606.96 | 817,897.44 | | 211,066,504.40 |
| Furniture | 309,147.04 | | 22.79 | 309,124.25 |
| Computer and Office Equipment | 853,515.15 | 141,928.89 | 66,468.40 | 928,975.64 |
| Telecommunication Equipment | 157,821.86 | | | 157,821.86 |
| Machinery and Equipment | 6,374,062.04 | 836,067.01 | | 7,210,129.05 |
| Vehicles | 2,699,881.83 | 381,982.88 | | 3,081,864.71 |
| Total Capital Assets being Depreciated | | | | |
| | 235,194,812.88 | 2,461,597.77 | 66,491.19 | 237,589,919.46 |
| Total Capital Assets | 237,276,560.04 | 3,572,287.38 | 66,491.19 | 240,782,356.23 |
| Less: Accumulated Depreciation | 128,190,363.68 | 6,499,625.16 | 65,013.49 | 134,624,975.35 |
| Capital Assets, Net | \$ 109,086,196.36 | \$ (2,927,337.78) | \$ 1,477.70 | \$ 106,157,380.88 |

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

The Authority used unspent loan proceeds to defease \$345,000.00 of future loan principal payments to the New Jersey Environmental Infrastructure Trust (NJEIT) to which the Authority is a pooled loan participant. The defeasances resulted in a loss of \$66,254.00. This loss, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to interest expense over the remaining life of the loans using the straight line method.

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

During the fiscal year ended June 30, 2021 and 2020, the following changes occurred in long-term obligations:

| | <u>Balance</u> <u>July 1, 2020</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2021</u> | <u>Due Within</u> <u>One Year</u> |
|------------------------------------|---------------------------------------|-------------------------|--------------------------|--|--------------------------------------|
| Interim Loans | \$ 7,200,000.00 | | | \$ 7,200,000.00 | |
| Loans Payable | 12,041,490.80 | | \$(1,805,777.67) | 10,235,713.13 | \$ 1,791,094.47 |
| Loan Premiums | 46,431.82 | | (8,705.97) | 37,725.85 | |
| Total NJIB Loans Payable | 19,287,922.62 | \$ - | (1,814,483.64) | 17,473,438.98 | 1,791,094.47 |
| Bonds Payable | 3,330,000.00 | | (65,000.00) | 3,265,000.00 | 70,000.00 |
| Bond Premiums | 171,199.07 | | (5,989.47) | 165,209.60 | |
| Total Bonds Payable | 3,501,199.07 | - | (70,989.47) | 3,430,209.60 | 70,000.00 |
| Other Liabilities | | | | | |
| Net Pension Liability | 9,648,513.00 | 4,906,439.00 | (6,080,907.00) | 8,474,045.00 | |
| Compensated Absences | 643,167.00 | 462,629.60 | (531,806.23) | 573,990.37 | 114,798.07 |
| Total Other Liabilities | 10,291,680.00 | 5,369,068.60 | (6,612,713.23) | 9,048,035.37 | 114,798.07 |
| Total Long Term Liabilities | \$ 33,080,801.69 | \$ 5,369,068.60 | \$ (8,498,186.34) | \$ 29,951,683.95 | \$ 1,975,892.54 |
| | <u>Balance</u> <u>July 1, 2019</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2020</u> | <u>Due Within</u> <u>One Year</u> |
| Interim Loans | | \$ 7,200,000.00 | | \$ 7,200,000.00 | |
| Loans Payable | \$ 13,806,009.97 | | \$(1,764,519.17) | 12,041,490.80 | \$ 1,805,777.67 |
| Loan Premiums | 55,137.79 | | (8,705.97) | 46,431.82 | |
| Total NJIB Loans Payable | 13,861,147.76 | 7,200,000.00 | (1,773,225.14) | 19,287,922.62 | 1,805,777.67 |
| Bonds Payable | 3,400,000.00 | | (70,000.00) | 3,330,000.00 | 65,000.00 |
| Bond Premiums | 177,188.54 | | (5,989.47) | 171,199.07 | |
| Total Bonds Payable | 3,577,188.54 | - | (75,989.47) | 3,501,199.07 | 65,000.00 |
| Other Liabilities | | | | | |
| Net Pension Liability | 10,505,712.00 | 5,878,651.00 | (6,735,850.00) | 9,648,513.00 | |
| Compensated Absences | 484,981.14 | 710,011.61 | (551,825.75) | 643,167.00 | 128,633.40 |
| Total Other Liabilities | 10,990,693.14 | 6,588,662.61 | (7,287,675.75) | 10,291,680.00 | 128,633.40 |
| Total Long Term Liabilities | \$ 28,429,029.44 | \$ 13,788,662.61 | \$ (9,136,890.36) | \$ 33,080,801.69 | \$ 1,999,411.07 |

Compensated Absences

Authority employees may accumulate unused sick days with no restrictions. Employees are compensated for accumulated sick leave upon retirement or resignation at the lesser of accumulated days up to 30 days or 30% of accumulated time. A maximum of ten 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 current hourly rate. The accrued liability for accumulated sick leave and vacation time at June 30, 2021 is estimated at \$573,990.37 and at June 30, 2020 is estimated at \$643,167.00.

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.

Pension Plans

A substantial number of the Authority's employees participate in the Public Employees' Retirement System ("PERS") which is administered by the New Jersey Division of Pensions and Benefits. In addition, Authority employees may participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This Plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each Plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements, required supplementary information and detailed information about the PERS plans' fiduciary net position which can be obtained by writing to or at the following website:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295

Trenton, New Jersey 08625-0295

<https://www.state.nj.us/treasury/pensions/financial-reports.shtml>

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

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

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

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

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

Contributions

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

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 year ended June 30, 2021 and 2020 was 16.00% and 14.13% of the Authority's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2020, the Authority's contractually required contribution to the pension plan for the fiscal year ended June 30, 2021 was \$568,466.00, and was paid by April 1, 2021. Based on the PERS measurement date of June 30, 2019, the Authority's contractually required contribution to the pension plan for the fiscal year ended June 30, 2020 was \$520,863.00, and was paid by April 1, 2020.

Employee contributions to the Plan for the fiscal year ended June 30, 2021 and 2020 were \$307,549.13 and \$305,053.75, respectively.

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

For the fiscal year ended June 30, 2021 and 2020, there were no employees participating in DCRP.

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

Pension Liability - As of June 30, 2021, the Authority's proportionate share of the PERS net pension liability was \$8,474,045.00. 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 .0519644615%, which was a decrease of .0015834041% from its proportion measured as of June 30, 2019.

As of June 30, 2020, the Authority's proportionate share of the PERS net pension liability was \$9,648,513.00. 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 .0535478656%, which was an increase of .0001909424% 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 (Cont'd)****Public Employees' Retirement System (Cont'd)**

Pension Expense - For the fiscal year ended June 30, 2021 and 2020, the Authority recognized its proportionate share of the PERS pension (benefit) expense of \$306,252.00 and \$638,476.00, 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 June 30, 2021 and 2020, the Authority had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
|--|--------------------------------------|-------------------------------------|
| | Measurement Date | Measurement Date |
| | June 30, 2020 | June 30, 2019 |
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between Expected and Actual Experience | \$ 154,298.00 | \$ 29,968.00 |
| Changes of Assumptions | 274,908.00 | 3,548,163.00 |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 289,650.00 | - |
| Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions | 236,183.00 | 352,174.00 |
| Authority Contributions Subsequent to the Measurement Date | 646,969.00 | 568,466.00 |
| | \$ 1,602,008.00 | \$ 3,930,305.00 |
| | \$ 2,150,602.00 | \$ 3,652,436.00 |

Deferred outflows of resources in the amounts of \$646,969.00 and \$568,466.00 will be included as a reduction of the net pension liability during the fiscal years ending June 30, 2022 and 2021, respectively. These amounts are based on an estimated April 1, 2022 and April 1, 2021 contractually required contribution, prorated from the pension plan's measurement date of June 30, 2020 and 2019 to the Authority's fiscal year end of June 30, 2021 and 2020.

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

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between Expected and Actual Experience | | |
| Year of Pension Plan Deferral: | | |
| June 30, 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, 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)****Public Employees' Retirement System (Cont'd)**

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

| Fiscal Year Ending <u>June 30,</u> | |
|---|--------------------------|
| 2021 | \$ (1,054,007.00) |
| 2022 | (992,550.00) |
| 2023 | (577,828.00) |
| 2024 | (291,377.00) |
| 2025 | <u>(59,504.00)</u> |
| | <u>\$ (2,975,266.00)</u> |

Actuarial Assumptions

The net pension liability was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 and 2018. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2021 and 2020. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

In accordance with State statute, the long-term expected rate of return on Plan investments (7.00% at June 30, 2020 and 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2020 and 2019 are summarized in the table on the following page.

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

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

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

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

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

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

| | 1% Decrease <u>(6.00%)</u> | Current Discount Rate <u>(7.00%)</u> | 1% Increase <u>(8.00%)</u> |
|---|----------------------------------|--|----------------------------------|
| Authority's Proportionate Share of the Net Pension Liability | <u>\$ 11,816,613.00</u> | <u>\$ 8,474,045.00</u> | <u>\$ 7,280,345.00</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:

| | 1% Decrease <u>(5.28%)</u> | Current Discount Rate <u>(6.28%)</u> | 1% Increase <u>(7.28%)</u> |
|---|----------------------------------|--|----------------------------------|
| Authority's Proportionate Share of the Net Pension Liability | <u>\$ 13,256,995.00</u> | <u>\$ 9,648,513.00</u> | <u>\$ 8,266,698.00</u> |

Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plan Fiduciary Net Position****Public Employees' Retirement System (Cont'd)**

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.

Revenue Bonds Payable

The Subordinated System Revenue Bonds, Series 2019 are direct obligations of the Authority. The Bonds are secured by a pledge on the Revenues derived by the Authority from the operation of its water supply and distribution facilities and its sewerage treatment facilities. The Bonds are further secured by the service agreement between the Authority and the Township (See Note 7).

The Series 2019 Bonds were issued to fund various capital improvements to the Authority's system and pay certain costs related to the issuance of the 2019 Bonds. The Bonds were issued originally for \$3,400,000.00 and carried interest rates ranging from 3.0% to 5.0%. The final maturity of the Series 2019 Bonds is February 1, 2049.

The following schedule reflects the Debt Requirements until 2049.

| | | Fiscal Year | | | |
|--|-----------|-------------------------------|------------------------|------------------------|--------------|
| | | <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| | 2022 | \$ 70,000.00 | \$ 137,400.00 | \$ 207,400.00 | |
| | 2023 | 70,000.00 | 135,300.00 | 205,300.00 | |
| | 2024 | 75,000.00 | 133,200.00 | 208,200.00 | |
| | 2025 | 75,000.00 | 130,950.00 | 205,950.00 | |
| | 2026 | 75,000.00 | 128,700.00 | 203,700.00 | |
| | 2027-2031 | 425,000.00 | 599,450.00 | 1,024,450.00 | |
| | 2032-2036 | 520,000.00 | 507,250.00 | 1,027,250.00 | |
| | 2037-2041 | 625,000.00 | 395,250.00 | 1,020,250.00 | |
| | 2042-2046 | 770,000.00 | 254,950.00 | 1,024,950.00 | |
| | 2047-2049 | 560,000.00 | 56,750.00 | 616,750.00 | |
| | | <u>3,265,000.00</u> | <u>\$ 2,479,200.00</u> | <u>\$ 5,744,200.00</u> | |
| | | (70,000.00) | Current Maturities | | |
| | | <u>165,209.60</u> | Premium | | |
| | | <u><u>\$ 3,360,209.60</u></u> | Long-Term Portion | | |

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

On March 3, 2010, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust (NJEIT) totaling \$1,282,000.00 for the replacement of pipe linings and manhole rehabilitations. Part of the loan award for \$962,000.00 is interest free. The \$320,000.00 portion carries interest rates ranging from 3.00% to 5.00%. Principal payments are payable semiannually with the final payment due in 2029.

On December 2, 2009, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust (NJEIT) totaling \$2,244,600.00 for the completion of a solar power array that generates power for a sewer pumping station and a groundwater well. This project also included a Federal ARRA grant of \$2,219,200.00. The ARRA funds do not require repayment and were recorded as a capital contribution in the financial statements. Part of the loan award for \$1,109,600.00 is interest free. The \$1,135,000.00 portion carries interest rates ranging from 2.00% to 5.00%. Principal payments are payable semiannually with the final payment due in 2029.

On December 4, 2008, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust (NJEIT) totaling \$1,710,727.00 for the completion of the new groundwater treatment plant and the purchase and upgrade of new administration facilities. Part of the loan award for \$1,677,183.00 is interest free. The \$33,544.00 portion carried an interest rate of 1.13% and was paid off in full in the year of issuance. Principal payments are payable semiannually with the final payment due in 2028.

On November 8, 2007, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust (NJEIT) totaling \$3,500,000.00 for the completion of the new groundwater treatment plant. Part of the loan award for \$865,000.00 is interest free. The \$2,635,000.00 portion carries interest rates that range from 3.4% to 5%. Principal and interest are payable semiannually with the final payment due in 2027.

On November 10, 2005, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust (NJEIT) totaling \$23,772,246.00 for the construction of a new groundwater treatment plant. These proceeds were also used to refund the interim financing obtained through the NJEIT in fiscal year 2005 as a precursor to the Trust's permanent financing program. Part of the loan award for \$11,477,246.00 is interest free. The \$12,295,000.00 portion carries interest rates that range from 4% to 5%. Principal and interest are payable semiannually with the final payment due in 2025. In 2013, the NJEIT partially refunded their 2005 bonds and as a result, the Authority received a \$606,018.02 principal reduction of their loan.

The Authority also obtained two loans from the NJEIT during fiscal year 2001 totaling \$1,839,000.00 for the expansion and upgrade of its pollution control system. Part of the loan award for \$939,000.00 is interest free. The \$900,000.00 portion carries interest rates that range from 5% to 5.25%. Principal and interest are payable semiannually with the final payment made in 2021.

On August 7, 2019, the Authority closed on an interim loan from the New Jersey Infrastructure Bank in the amount of \$7,200,000.00 at no interest. The maturity date of the loan is the date of the anticipated permanent financing program of NJIB. The loan proceeds held by NJIB are being used to fund the costs of various projects, including the primary and secondary clarifier rehabilitation, conversion of warehouse to vehicle storage facility, belt filter press control panel replacement and the rehabilitation of two off-site sewage-pumping stations.

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

The remaining maturities on these loans are as follows:

| Fiscal Year Ending June 30 | Interest | | Total Principal | Interest | Total |
|-------------------------------|------------------------|------------------------|----------------------|----------------------|------------------------|
| | Free Loan Principal | Loan Principal | | | |
| 2022 | \$ 838,877.15 | \$ 952,217.32 | \$ 1,791,094.47 | \$ 211,979.99 | \$ 2,003,074.46 |
| 2023 | 838,330.09 | 996,969.81 | 1,835,299.90 | 171,658.73 | 2,006,958.63 |
| 2024 | 829,590.02 | 1,036,343.46 | 1,865,933.48 | 130,142.44 | 1,996,075.92 |
| 2025* | 7,984,901.26 | 1,075,388.65 | 9,060,289.91 | 87,257.78 | 9,147,547.69 |
| 2026 | 788,656.79 | 1,098,749.67 | 1,887,406.46 | 42,931.25 | 1,930,337.71 |
| 2027-2030 | 515,688.91 | 480,000.00 | 995,688.91 | 24,575.00 | 1,020,263.91 |
| | <u>\$11,796,044.22</u> | <u>\$ 5,639,668.91</u> | <u>17,435,713.13</u> | <u>\$ 668,545.19</u> | <u>\$18,104,258.32</u> |
| | Current Maturities | (1,791,094.47) | | | |
| | Premium | <u>37,725.85</u> | | | |
| | Long-Term Portion | <u>\$15,682,344.51</u> | | | |

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

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

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

Deferred Gain on Defeasance of Debt

In fiscal year 2013, the State of New Jersey Environmental Infrastructure Trust (NJEIT) Program partially refunded their 2005 bonds. The Authority was a participant in the NJEIT's 2005 pooled loan program and as a result, \$8,325,000.00 of the Authority's 2005 NJEIT trust loan has been refunded. The principal on the Authority's new loan amount was reduced by \$606,018.02 as a result of the defeasance.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$606,018.02. This difference, reported in the accompanying financial statements as a deferred inflow of resources, is being charged to operations over the life of the refunding debt using the straight line method. The advance refunding was undertaken to reduce total debt payments over 10 years by \$1,064,262.56.

Note 7: SERVICE AGREEMENTS**Intergovernmental**

In April 1989, the Authority entered into a five-year renewable agreement with Willingboro Municipal Utilities Authority and Evesham Municipal Utilities Authority. The agreement details the purchase of water by the Authority from Willingboro and the sale of water by the Authority to Evesham. The agreement stipulates that a minimum of 67,500,000 gallons per quarter must be purchased by the Authority from Willingboro, if such water is available, subject to certain daily requirements. Evesham is required to purchase a minimum of 27,000,000 of the quarterly gallons purchased by the Authority from Willingboro, subject to certain daily requirements, if such water is available. Pursuant to the agreement, the Authority has title to all interconnection assets and is responsible for their maintenance, except for any extraordinary repair costs for certain defined areas of the interconnection system that are shared equally with Evesham. The Authority pays Willingboro based upon actual gallons purchased, subject to aforementioned minimum requirements, and bills Evesham based on gallons sold, subject to aforementioned minimum requirements.

Effective October 2, 2019, the Authority entered into a revised bulk water sale agreement with Willingboro MUA and Evesham MUA. The term of the agreement is fifteen years, which may be extended for three five year periods for a total of thirty years. The agreement stipulates that a minimum of two hundred seventy million gallons per year must be purchased by the Authority from Willingboro MUA, if such water is available, subject to certain daily requirements. The Authority pays Willingboro MUA monthly based upon actual gallons purchased, subject to aforementioned minimum requirements.

Also effective October 2, 2019, the Authority entered into a memorandum of understanding with Evesham MUA. The memorandum provides the terms and rate at which the Authority will provide Evesham MUA water under the bulk water sale agreement, as previously discussed.

In 2021, the agreement yielded total water purchases from Willingboro of \$1,410,539.64 of which \$350,286.12 was passed through to Evesham. In 2020, the total water purchased from Willingboro was \$824,136.00 of which \$270,484.50 was passed through to Evesham.

Township of Mount Laurel Service Agreement

A Service Agreement was entered into on July 1, 1992 between the Authority and the Township. Under the Service Agreement, the Township agrees to pay any shortfall in the operation, maintenance, administrative and debt service cost.

The purpose of this agreement is to grant temporary relief to the Authority should it experience difficulty in meeting its obligations. The agreement calls for the Township to be reimbursed for any Annual Charges paid by the Township when the Authority's operations permit. Ultimately, all operation, maintenance, administrative and debt service expense of the Authority are borne by revenues of the system.

Other Service Agreements

In September 2001, the Authority entered into an eleven year (with two, ten year options) renewable agreement with New Jersey American Water Company, Inc. (NJAWC) for the supply, delivery and purchase of water. NJAWC constructed, at its own expense, facilities, including an interconnection system, through which the Authority has access to NJAWC's water supply. The Authority is committed to purchase a minimum of 450,000,000 gallons in fiscal year 2021. NJAWC owns and operates all constructed facilities. The Authority paid \$1,334,522.74 and \$1,349,333.71 to NJAWC in the fiscal years ending June 30, 2021 and 2020, respectively.

The Authority has an agreement with the Camden County Municipal Utility Authority (CCMUA) where the CCMUA agreed to treat sewerage from certain defined areas in Mount Laurel Township at a fixed price. The agreement remains in effect so long as the Authority delivers sewerage into the CCMUA regional sewer system. The Authority paid \$301,312.00 and \$301,302.40 to the CCMUA in the fiscal years ending June 30, 2021 and 2020, respectively.

Note 8: COMMITMENTS**Construction Contracts**

The Authority had several outstanding or planned construction projects as of June 30, 2021. These projects are evidenced by contractual commitments with contractors and include:

| <u>Project</u> | Total <u>Project</u> | Total <u>Expended</u> | Commitment <u>Remaining</u> |
|---|-------------------------|--------------------------|--------------------------------|
| Hartford Road WPCF Tank Repairs | \$ 1,871,117.77 | \$ 1,712,415.26 | \$ 158,702.51 |
| HRWPCF Lighting Replacement Project | 102,040.00 | 70,648.20 | 31,391.80 |
| Door & Window Replacement | 260,598.00 | 113,213.03 | 147,384.97 |
| Devonshire Pump Station Upgrade | 785,369.00 | 600,886.07 | 184,482.93 |
| Heat Tracing & Insulation Project - Hartford WPCF | 267,079.40 | 238,364.81 | 28,714.59 |
| Sewage Pump Station Site Work | 129,933.54 | 106,069.81 | 23,863.73 |
| Total | \$ 3,416,137.71 | \$ 2,841,597.18 | \$ 574,540.53 |

Note 9: DEFERRED COMPENSATION SALARY ACCOUNT

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

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

Note 10: RISK MANAGEMENT

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

Note 11: CONTINGENCIES

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

Note 12: SUBSEQUENT EVENTS

The management of the Authority has evaluated its financial statements for subsequent events through the date that the financial statements were issued. As a result of the spread of the COVID-19 coronavirus in New Jersey, economic uncertainties have arisen which could negatively impact the financial position of the Authority. While the 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

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

| | Measurement Date Ending June 30, | | | |
|---|---|-----------------|-----------------|-----------------|
| | 2020 | 2019 | 2018 | 2017 |
| Authority's Proportion of the Net Pension Liability | 0.0519644615% | 0.0535478656% | 0.0533569232% | 0.0518921123% |
| Authority's Proportionate Share of the Net Pension Liability | \$8,474,045.00 | \$9,648,513.00 | \$10,505,712.00 | \$12,079,654.00 |
| Authority's Covered Payroll (Plan Measurement Period) | \$3,706,396.00 | \$3,737,352.00 | \$3,747,012.00 | \$3,595,992.00 |
| Authority's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | 228.63% | 258.16% | 280.38% | 335.92% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 58.32% | 56.27% | 53.60% | 48.10% |
| | | | | |
| | | | | |
| | 2016 | 2015 | 2014 | 2013 |
| | 0.0529921847% | 0.0502764930% | 0.0484791354% | 0.0483289809% |
| Authority's Proportion of the Net Pension Liability | \$15,694,765.00 | \$11,286,065.00 | \$9,076,620.00 | \$9,236,629.00 |
| Authority's Covered Payroll (Plan Measurement Period) | \$3,617,844.00 | \$3,453,728.00 | \$3,166,720.00 | \$3,322,396.00 |
| Authority's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | 433.82% | 326.78% | 286.63% | 278.01% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 40.14% | 47.93% | 52.08% | 48.72% |

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

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

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

| | Fiscal Year Ended June 30, | | | |
|--|-----------------------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2019 | 2018 |
| Contractually Required Contribution | \$ 646,969.00 | \$ 568,466.00 | \$ 520,863.00 | \$ 530,729.00 |
| Contributions in Relation to the Contractually Required Contribution | <u>(646,969.00)</u> | <u>(568,466.00)</u> | <u>(520,863.00)</u> | <u>(530,729.00)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Authority's Covered Payroll (Fiscal Year) | \$ 4,042,962.00 | \$ 4,023,988.00 | \$ 3,732,999.00 | \$ 3,771,716.00 |
| Contributions as a Percentage of Authority's Covered Payroll | 16.00% | 14.13% | 13.95% | 14.07% |
| | 2017 | 2016 | 2015 | 2014 |
| Contractually Required Contribution | \$ 480,725.00 | \$ 470,775.00 | \$ 432,243.00 | \$ 399,655.00 |
| Contributions in Relation to the Contractually Required Contribution | <u>(480,725.00)</u> | <u>(470,775.00)</u> | <u>(432,243.00)</u> | <u>(399,655.00)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Authority's Covered Payroll (Fiscal Year) | \$ 3,653,110.00 | \$ 3,663,452.00 | \$ 3,565,899.00 | \$ 3,363,458.00 |
| Contributions as a Percentage of Authority's Covered Payroll | 13.16% | 12.85% | 12.12% | 11.88% |

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.

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

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.

SUPPLEMENTARY SCHEDULES

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Combining Schedule of Revenue, Expenses and Changes in Fund Net Position
 For the Fiscal Year Ended June 30, 2021

| | Operating & General | Debt Service Reserve | Debt Service | Renewal and Replacement | Unemployment Compensation | Restricted | Total |
|--|------------------------|-------------------------|---------------------|----------------------------|------------------------------|-----------------------|----------------------|
| Operating Revenues: | | | | | | | |
| Utility Service Charges | \$ 19,316,935.95 | | | | | | \$ 19,316,935.95 |
| Connection Fees | 999,199.12 | | | | | | 999,199.12 |
| Other Operating Revenues | 456,356.70 | | | | | \$ 7,473.86 | 463,830.56 |
| | <u>20,772,491.77</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>7,473.86</u> | <u>20,779,965.63</u> |
| Operating Expenses: | | | | | | | |
| Administration: | | | | | | | |
| Salaries and Wages | 1,003,731.07 | | | | | | 1,003,731.07 |
| Fringe Benefits | 345,926.10 | | | | | 3,506.94 | 349,433.04 |
| Other Expenses | 842,398.02 | | | | | | 842,398.02 |
| Cost of Providing Service: | | | | | | | |
| Salaries and Wages | 3,713,867.70 | | | | | | 3,713,867.70 |
| Fringe Benefits | 1,416,610.12 | | | | | | 1,416,610.12 |
| Other Expenses | 6,381,305.44 | | | | | | 6,381,305.44 |
| Depreciation | 6,559,739.17 | | | | | | 6,559,739.17 |
| | <u>20,263,577.62</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,506.94</u> | <u>20,267,084.56</u> |
| Operating Income | 508,914.15 | - | - | - | - | 3,966.92 | 512,881.07 |
| Non-operating Revenue (Expenses): | | | | | | | |
| Investment Income | 57,604.27 | 16.67 | 29,711.71 | 1,082.04 | | | 88,414.69 |
| Interest on Debt | 59,675.77 | | (373,525.21) | | | | (313,849.44) |
| Bond Issue Costs | (11,113.00) | | | | | | (11,113.00) |
| Loss on Disposal of Capital Assets | (19,140.09) | | | | | | (19,140.09) |
| Contribution to Mt. Laurel Township Per N.J.S.A. 40A:5A-1 | (384,918.00) | | | | | | (384,918.00) |
| Net Income (Loss) Before Transfers or Contributions | 211,023.10 | 16.67 | (343,813.50) | 1,082.04 | 3,966.92 | (127,724.77) | |
| Capital Contributions | 1,850,400.20 | | | | | | 1,850,400.20 |
| Transfers | (2,344,127.68) | (48,603.78) | 343,813.50 | 2,048,917.96 | | | |
| Change in Net Position | (282,704.38) | (48,587.11) | - | 2,050,000.00 | 3,966.92 | 1,722,675.43 | |
| Net Position - Beginning | 100,342,247.05 | 48,587.11 | - | 6,160,000.00 | 58,825.86 | 106,609,660.02 | |
| Net Position - Ending: | | | | | | | |
| Net Investment in Capital Assets | \$ 89,579,215.52 | | | | | | \$ 89,579,215.52 |
| Restricted | 3,847,703.00 | | | | | \$ 8,210,000.00 | \$ 62,792.78 |
| Unrestricted | 6,632,624.15 | | | | | | 12,120,495.78 |
| | | | | | | | 6,632,624.15 |

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Cash Receipts and Disbursements

For the Fiscal Year Ended June 30, 2021

| | Restricted | | | | | |
|---|-----------------------|----------------------|-----------------|-------------------------|---------------------------|------------------|
| | Operating and General | Debt Service Reserve | Debt Service | Renewal and Replacement | Unemployment Compensation | Total |
| Cash, Cash Equivalents and Investments: | | | | | | |
| Balance July 1, 2020 | \$ 21,842,446.56 | \$ 217,269.83 | \$ 1,818,084.43 | \$ 5,400,401.07 | \$ 469.78 | \$ 29,278,671.67 |
| Receipts: | | | | | | |
| Investment Income | 64,116.52 | 16.67 | 47,977.25 | 1,148.10 | | 113,258.54 |
| Consumer Accounts Receivable | 19,066,753.49 | | | | | 19,066,753.49 |
| Prepaid Rents | 160,119.39 | | | | | 160,119.39 |
| Deferred Revenue | 1,147,704.98 | | | | | 1,147,704.98 |
| NJIB Interim Loan Receivable | 3,454,128.00 | | | | | 3,454,128.00 |
| Escrow Deposits | 287,722.63 | | | | | 287,722.63 |
| Other Income | 398,828.50 | | | | 58,356.08 | 457,184.58 |
| Transfers In | | | 2,277,778.60 | 6,417,716.41 | | 8,695,495.01 |
| Total Cash and Investments Available | 46,421,820.07 | 217,286.50 | 4,143,840.28 | 11,819,265.58 | 58,825.86 | 62,661,038.29 |
| Disbursements: | | | | | | |
| Budgetary | 12,941,393.77 | | | | | 12,941,393.77 |
| Prepaid Expenses | 125,262.92 | | | | | 125,262.92 |
| Loan Principal | | | 1,805,777.67 | | | 1,805,777.67 |
| Bond Principal | | | 65,000.00 | | | 65,000.00 |
| Interest on Debt | | | 390,603.65 | | | 390,603.65 |
| Debt Issue Costs | | | 11,113.00 | | | 11,113.00 |
| Capital Assets | | | | 1,231,116.23 | | 1,231,116.23 |
| Construction in Progress | | | | 4,693,495.21 | | 4,693,495.21 |
| Retainage | | | | 22,866.33 | | 22,866.33 |
| Accounts Payable | 1,316,073.14 | | | 489,252.33 | | 1,805,325.47 |
| Escrow Disbursements | 406,151.94 | | | | | 406,151.94 |
| Transfers Out | 8,474,702.17 | 217,285.90 | | | 3,506.94 | 8,695,495.01 |
| Total Disbursements | 23,263,583.94 | 217,285.90 | 2,272,494.32 | 6,436,730.10 | 3,506.94 | 32,193,601.20 |
| Cash, Cash Equivalents and Investments: | | | | | | |
| Balance June 30, 2021 | \$ 23,158,236.13 | \$ 0.60 | \$ 1,871,345.96 | \$ 5,382,535.48 | \$ 55,318.92 | \$ 30,467,437.09 |
| Analysis of Balance June 30, 2021 | | | | | | |
| Cash and Cash Equivalents | \$ 17,509,334.44 | \$ 0.60 | \$ 1,871,345.96 | \$ 5,330,000.00 | \$ 55,318.92 | \$ 24,765,999.92 |
| Investments | 5,648,901.69 | | | 52,535.48 | | 5,701,437.17 |
| | \$ 23,158,236.13 | \$ 0.60 | \$ 1,871,345.96 | \$ 5,382,535.48 | \$ 55,318.92 | \$ 30,467,437.09 |

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Revenues, Expenses and Changes in Net Position by Department
 For the Fiscal Year Ended June 30, 2021

| | Water Department | Sewer Department | Total |
|--|---------------------------|---------------------------|----------------------------|
| Operating Revenues: | | | |
| Service Charges | \$ 9,729,625.37 | \$ 9,587,310.58 | \$ 19,316,935.95 |
| Connection Fees | 456,376.57 | 542,822.55 | 999,199.12 |
| Other Operating Revenues | 318,950.64 | 144,879.92 | 463,830.56 |
| | <hr/> 10,504,952.58 | <hr/> 10,275,013.05 | <hr/> 20,779,965.63 |
| Operating Expenses: | | | |
| Administration: | | | |
| Salaries and Wages | 501,865.54 | 501,865.53 | 1,003,731.07 |
| Fringe Benefits | 174,716.52 | 174,716.52 | 349,433.04 |
| Other Expenses | 404,921.90 | 437,476.12 | 842,398.02 |
| Cost of Service: | | | |
| Salaries and Wages | 1,536,678.48 | 2,177,189.22 | 3,713,867.70 |
| Fringe Benefits | 533,380.95 | 883,229.17 | 1,416,610.12 |
| Other Expenses | 3,572,087.98 | 2,809,217.46 | 6,381,305.44 |
| Depreciation | 3,183,054.42 | 3,376,684.75 | 6,559,739.17 |
| | <hr/> 9,906,705.79 | <hr/> 10,360,378.77 | <hr/> 20,267,084.56 |
| Operating Income (Loss) | 598,246.79 | (85,365.72) | 512,881.07 |
| Non-operating Revenue (Expenses): | | | |
| Investment Income | 41,853.80 | 46,560.89 | 88,414.69 |
| Interest on Debt | (162,066.59) | (151,782.85) | (313,849.44) |
| Bond Issue Costs | | (11,113.00) | (11,113.00) |
| Loss on Disposal of Capital Assets | (19,036.41) | (103.68) | (19,140.09) |
| Contribution to Mount Laurel Township Per N.J.S.A. 40A:5A-1 | | (384,918.00) | (384,918.00) |
| Net Income (Loss) Before Contributions | 458,997.59 | (586,722.36) | (127,724.77) |
| Capital Contributions | <hr/> 886,174.60 | <hr/> 964,225.60 | <hr/> 1,850,400.20 |
| Change in Net Position | 1,345,172.19 | 377,503.24 | 1,722,675.43 |
| Net Position - Beginning | <hr/> 42,942,749.02 | <hr/> 63,666,911.00 | <hr/> 106,609,660.02 |
| Net Position - Ending | <hr/> \$ 44,287,921.21 | <hr/> \$ 64,044,414.24 | <hr/> \$ 108,332,335.45 |
| Net Position: | | | |
| Net Investment in Capital Assets | \$ 40,914,279.13 | \$ 48,664,936.39 | \$ 89,579,215.52 |
| Restricted for | | | |
| Bond Resolution Covenants | 5,363,341.75 | 6,694,361.25 | 12,057,703.00 |
| Unemployment Compensation | 31,396.39 | 31,396.39 | 62,792.78 |
| Unrestricted (Deficit) | (2,021,096.06) | 8,653,720.21 | 6,632,624.15 |
| | <hr/> \$ 44,287,921.21 | <hr/> \$ 64,044,414.24 | <hr/> \$ 108,332,335.45 |

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Water Department Operations -- Revenues, Operating Appropriations, Principal Payments and Non-Operating Appropriations Compared to Budget by Department--Budgetary Basis
For the Fiscal Year Ended June 30, 2021

| | <u>Adopted Budget</u> | <u>Actual</u> | Variance Favorable <u>(Unfavorable)</u> |
|--------------------------------------|---------------------------|----------------------|---|
| Operating Revenues: | | | |
| Service Charges | \$ 8,236,500.00 | \$ 8,335,054.25 | \$ 98,554.25 |
| Connection Fees | 729,000.00 | 456,376.57 | (272,623.43) |
| Other Operating Revenues | 1,703,500.00 | 1,646,006.16 | (57,493.84) |
| Total Operating Revenues | 10,669,000.00 | 10,437,436.98 | (231,563.02) |
| Non-Operating Revenues: | | | |
| Investment Income | 197,190.00 | 41,853.80 | (155,336.20) |
| Interest on Delinquents | 82,800.00 | | (82,800.00) |
| Other Non-Operating Revenues | 45,250.00 | 67,515.60 | 22,265.60 |
| Total Non-Operating Revenues | 325,240.00 | 109,369.40 | (215,870.60) |
| Total Anticipated Revenues | 10,994,240.00 | 10,546,806.38 | (447,433.62) |
| Operating Appropriations: | | | |
| Administration: | | | |
| Salaries and Wages: | | | |
| Office Salaries | 455,667.00 | 496,791.44 | (41,124.44) |
| Board Members' Salaries | 5,143.00 | 5,074.10 | 68.90 |
| Total Salaries and Wages | 460,810.00 | 501,865.54 | (41,055.54) |
| Fringe Benefits | 206,958.00 | 197,624.19 | 9,333.81 |
| Other Expenses: | | | |
| Legal Fees | 50,500.00 | 36,613.37 | 13,886.63 |
| Engineer Fees | 44,900.00 | 38,134.35 | 6,765.65 |
| Audit Fees / Financial Services | 28,600.00 | 23,800.00 | 4,800.00 |
| Professional / Consulting Fees | 5,000.00 | | 5,000.00 |
| Printing / Billing Expense | 59,730.00 | 55,723.35 | 4,006.65 |
| Computer Expense | 94,375.00 | 89,655.47 | 4,719.53 |
| Office Supplies | 10,000.00 | 5,612.91 | 4,387.09 |
| Postage Expense | 4,500.00 | 5,302.18 | (802.18) |
| Public Education / Information | 1,250.00 | 206.28 | 1,043.72 |
| Telephone | 26,000.00 | 23,644.74 | 2,355.26 |
| Administrative Ground Maintenance | 38,900.00 | 39,969.02 | (1,069.02) |
| Janitorial, Cleaning and Pest | 8,560.00 | 8,071.67 | 488.33 |
| Dues, Pubs. & Subscriptions | 7,250.00 | 5,341.13 | 1,908.87 |
| Tuition, Seminars and Conferences | 3,750.00 | 367.50 | 3,382.50 |
| Office Equipment | 2,250.00 | 2,194.28 | 55.72 |
| Office Equipment - Maintenance | 2,250.00 | 1,067.72 | 1,182.28 |
| Other Miscellaneous - Administration | 47,500.00 | 22,964.19 | 24,535.81 |
| Newspaper Publication | 2,100.00 | 2,421.29 | (321.29) |
| Trustee Fees | 52,535.00 | 38,999.00 | 13,536.00 |
| Insurance | 4,720.00 | 4,833.45 | (113.45) |
| Total Other Expenses | 494,670.00 | 404,921.90 | 89,748.10 |
| Total Administration | 1,162,438.00 | 1,104,411.63 | 58,026.37 |

(Continued)

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Water Department Operations -- Revenues, Operating Appropriations, Principal Payments and Non-Operating Appropriations Compared to Budget by Department--Budgetary Basis
For the Fiscal Year Ended June 30, 2021

| | <u>Adopted Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|---|---------------------------|-----------------|--|
| Operating Appropriations (Cont'd): | | | |
| Cost of Service: | | | |
| Salaries and Wages | \$ 1,670,049.00 | \$ 1,536,678.48 | \$ 133,370.52 |
| Fringe Benefits | 733,762.00 | 627,706.65 | 106,055.35 |
| Other Expenses: | | | |
| Electric Power | 319,750.00 | 333,725.99 | (13,975.99) |
| Telephone | 19,350.00 | 18,098.79 | 1,251.21 |
| Repairs and Maintenance | 228,150.00 | 279,162.23 | (51,012.23) |
| Fuel for Heating and Generators | 26,900.00 | 20,166.72 | 6,733.28 |
| Chemicals | 172,900.00 | 139,991.28 | 32,908.72 |
| Supplies - Tools & Equipment | 7,150.00 | 6,176.88 | 973.12 |
| Supplies | 7,750.00 | 6,765.69 | 984.31 |
| Vehicles - Fuel and Maintenance | 46,850.00 | 61,072.22 | (14,222.22) |
| State of New Jersey Fees | 56,000.00 | 82,994.91 | (26,994.91) |
| Employee License Renewals | 2,200.00 | 658.47 | 1,541.53 |
| Purchase of Water NJAWC | 1,650,000.00 | 1,334,522.74 | 315,477.26 |
| Purchase of Water WMUA | 1,300,500.00 | 1,060,253.52 | 240,246.48 |
| Lab Expenses | 50,000.00 | 60,901.07 | (10,901.07) |
| Water Meters and Materials | 17,020.00 | 2,593.29 | 14,426.71 |
| Communications Expense | 11,400.00 | 12,059.75 | (659.75) |
| Uniforms Rental and Purchase | 18,750.00 | 20,250.83 | (1,500.83) |
| Membership Dues and Publications | 2,000.00 | 1,270.50 | 729.50 |
| Safety Expense | 16,800.00 | 24,329.04 | (7,529.04) |
| Tuition, Seminars and Conferences | 10,000.00 | 5,532.14 | 4,467.86 |
| Insurance | 89,680.00 | 91,835.43 | (2,155.43) |
| Miscellaneous | 16,500.00 | 9,726.49 | 6,773.51 |
| Total Other Expenses | 4,069,650.00 | 3,572,087.98 | 497,562.02 |
| Total Cost of Service | 6,473,461.00 | 5,736,473.11 | 736,987.89 |
| Principal Payments on Debt Service in Lieu of Depreciation | 1,551,200.00 | 1,551,199.82 | 0.18 |
| Total Operating Appropriations | 9,187,099.00 | 8,392,084.56 | 795,014.44 |
| Non-Operating Appropriations: | | | |
| Interest on Debt | 230,127.00 | 215,752.89 | 14,374.11 |
| Renewal & Replacement Reserve | 1,577,014.00 | | 1,577,014.00 |
| Total Non-Operating Appropriations | 1,807,141.00 | 215,752.89 | 1,591,388.11 |
| Total Appropriations | 10,994,240.00 | 8,607,837.45 | 2,386,402.55 |
| Excess Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations | \$ - | \$ 1,938,968.93 | \$ 1,938,968.93 |

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Sewer Department Operations -- Revenues, Operating Appropriations, Principal Payments and
 Non-Operating Appropriations Compared to Budget by Department--Budgetary Basis
 For the Fiscal Year Ended June 30, 2021

| | <u>Adopted Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|-------------------------------------|---------------------------|----------------------|--|
| Operating Revenues: | | | |
| Service Charges | \$ 9,803,500.00 | \$ 9,587,310.58 | \$ (216,189.42) |
| Connection Fees | 895,000.00 | 542,822.55 | (352,177.45) |
| Other Operating Revenues | 69,500.00 | 74,887.62 | 5,387.62 |
| Total Operating Revenues | 10,768,000.00 | 10,205,020.75 | (562,979.25) |
| Non-Operating Revenues: | | | |
| Investment Income | 197,190.00 | 46,560.89 | (150,629.11) |
| Interest on Delinquents | 81,600.00 | | (81,600.00) |
| Other Non-Operating Revenues | 45,250.00 | 69,992.30 | 24,742.30 |
| Total Non-Operating Revenues | 324,040.00 | 116,553.19 | (207,486.81) |
| Total Anticipated Revenues | 11,092,040.00 | 10,321,573.94 | (770,466.06) |
| Operating Appropriations: | | | |
| Administration: | | | |
| Salaries and Wages: | | | |
| Office Salaries | 455,668.00 | 496,791.43 | (41,123.43) |
| Board Members' Salaries | 5,143.00 | 5,074.10 | 68.90 |
| Total Salaries and Wages | 460,811.00 | 501,865.53 | (41,054.53) |
| Fringe Benefits | 218,475.00 | 197,624.19 | 20,850.81 |
| Other Expenses: | | | |
| Legal Fees | 50,500.00 | 36,613.36 | 13,886.64 |
| Engineer Fees | 44,900.00 | 38,134.34 | 6,765.66 |
| Audit Fees / Financial Services | 28,600.00 | 23,800.00 | 4,800.00 |
| Professional / Consulting Fees | 5,000.00 | | 5,000.00 |
| Printing / Billing Expense | 59,730.00 | 55,723.35 | 4,006.65 |
| Computer Expense | 94,375.00 | 88,717.13 | 5,657.87 |
| Office Supplies | 10,000.00 | 6,613.17 | 3,386.83 |
| Postage Expense | 4,500.00 | 5,302.18 | (802.18) |
| Public Education / Information | 1,250.00 | 206.27 | 1,043.73 |
| Telephone | 26,000.00 | 23,644.74 | 2,355.26 |
| Administrative Ground Maintenance | 64,200.00 | 69,050.25 | (4,850.25) |
| Janitorial, Cleaning and Pest | 9,640.00 | 8,968.92 | 671.08 |
| Dues, Pubs. & Subscriptions | 7,250.00 | 5,341.13 | 1,908.87 |
| Tuition, Seminars and Conferences | 3,750.00 | 367.50 | 3,382.50 |
| Office Equipment | 2,250.00 | 2,189.44 | 60.56 |
| Office Equipment - Maintenance | 2,250.00 | 1,297.71 | 952.29 |
| Miscellaneous - Administration | 47,500.00 | 22,964.18 | 24,535.82 |
| Newspaper Publication | 2,100.00 | 2,421.29 | (321.29) |
| Trustee Fees | 13,965.00 | 38,999.00 | (25,034.00) |
| Insurance | 6,955.00 | 7,122.16 | (167.16) |
| Total Other Expenses | 484,715.00 | 437,476.12 | 47,238.88 |
| Total Administration | 1,164,001.00 | 1,136,965.84 | 27,035.16 |

(Continued)

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Sewer Department Operations -- Revenues, Operating Appropriations, Principal Payments and Non-Operating Appropriations Compared to Budget by Department--Budgetary Basis
For the Fiscal Year Ended June 30, 2021

| | <u>Adopted Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|--|---------------------------|-----------------|--|
| Operating Appropriations (Cont'd): | | | |
| Cost of Service: | | | |
| Salaries and Wages | \$ 2,258,728.00 | \$ 2,177,189.22 | \$ 81,538.78 |
| Fringe Benefits | 1,066,670.00 | 1,012,590.13 | 54,079.87 |
| Other Expenses: | | | |
| Electric Power | 687,250.00 | 689,460.06 | (2,210.06) |
| Telephone | 21,950.00 | 21,674.10 | 275.90 |
| Repairs and Maintenance | 209,600.00 | 193,863.65 | 15,736.35 |
| Fuel for Heating and Generators | 34,000.00 | 23,969.77 | 10,030.23 |
| Chemicals | 520,000.00 | 500,857.70 | 19,142.30 |
| Supplies - Tools & Equipment | 8,150.00 | 10,398.21 | (2,248.21) |
| Supplies | 16,550.00 | 14,452.89 | 2,097.11 |
| Vehicles - Fuel and Maintenance | 57,050.00 | 69,823.27 | (12,773.27) |
| State of New Jersey Fees | 43,400.00 | 19,534.76 | 23,865.24 |
| Employee License Renewals | 2,200.00 | 1,013.47 | 1,186.53 |
| Sewage Treatment - CCMUA | 305,000.00 | 301,312.00 | 3,688.00 |
| Bio-Solids and Other Disposal | 681,300.00 | 677,869.48 | 3,430.52 |
| Lab Expenses | 34,000.00 | 32,042.32 | 1,957.68 |
| Water Meters and Materials | 19,980.00 | 365.25 | 19,614.75 |
| Communications Expense | 25,600.00 | 30,269.82 | (4,669.82) |
| Uniforms Rental and Purchase | 28,000.00 | 29,664.70 | (1,664.70) |
| Membership Dues and Publications | 800.00 | 708.50 | 91.50 |
| Safety Expense | 27,900.00 | 31,974.42 | (4,074.42) |
| Tuition, Seminars and Conferences | 18,000.00 | 15,222.47 | 2,777.53 |
| Insurance | 132,145.00 | 135,321.07 | (3,176.07) |
| Miscellaneous | 16,500.00 | 9,419.55 | 7,080.45 |
| Total Other Expenses | 2,889,375.00 | 2,809,217.46 | 80,157.54 |
| Total Cost of Service | 6,214,773.00 | 5,998,996.81 | 215,776.19 |
| Principal Payments on Debt Service in Lieu of Depreciation | | | |
| | 319,578.00 | 319,577.85 | 0.15 |
| Total Operating Appropriations | 7,698,352.00 | 7,455,540.50 | 242,811.50 |
| Non-Operating Appropriations: | | | |
| Interest on Debt | 160,109.00 | 157,772.32 | 2,336.68 |
| Renewal & Replacement Reserve | 3,233,579.00 | | 3,233,579.00 |
| Contribution to Mt. Laurel Township Per N.J.S.A. 40A:5A-1 | 384,918.00 | 384,918.00 | |
| Total Non-Operating Appropriations | 3,778,606.00 | 542,690.32 | 3,235,915.68 |
| Total Operating, Principal Payments and Non-Operating Appropriations | 11,476,958.00 | 7,998,230.82 | 3,478,727.18 |
| Unreserved Net Position Utilized to Balance Budget | 384,918.00 | - | 384,918.00 |
| Net Total Appropriations | 11,092,040.00 | 7,998,230.82 | 3,093,809.18 |
| Excess Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations | \$ - | \$ 2,323,343.12 | \$ 2,323,343.12 |

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedules of Anticipated Revenues, Operating Appropriations, Principal Payments and
 Non-Operating Appropriations Compared to Budget by Department--Budgetary Basis
 For the Fiscal Year Ended June 30, 2021

Reconciliation to Operating Income

Excess Anticipated Revenues Over Expenses and Other Costs

| | |
|-------------------------------|---------------------|
| Schedule 4 - Water Department | \$ 1,938,968.93 |
| Schedule 5 - Sewer Department | <u>2,323,343.12</u> |
| | \$ 4,262,312.05 |

Add:

| | |
|---|----------------------|
| Debt Service Principal Payments | 1,870,777.67 |
| Interest on Debt | 373,525.21 |
| Contribution to Mt. Laurel Township Per N.J.S.A. 40A:5A-1 | <u>384,918.00</u> |
| | 2,629,220.88 |
| | 6,891,532.93 |
| Less: | |
| Investment Income | 88,414.69 |
| Related to Pensions | (269,502.00) |
| Depreciation | <u>6,559,739.17</u> |
| | 6,378,651.86 |
| Operating Income (Exhibit B) | <u>\$ 512,881.07</u> |

Reconciliation of Actual Expenditures

| | |
|--|-------------------|
| Cash Disbursements | \$ 12,941,393.77 |
| Accounts Payable | 1,344,650.32 |
| Change in Inventory | (21,990.49) |
| Change in Compensated Absences Payable | (69,176.63) |
| Prepaid Expenses Applied | 166,888.42 |
| Bond Principal | 1,870,777.67 |
| Interest on Debt | <u>373,525.21</u> |
| | \$ 16,606,068.27 |

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Consumer Accounts Receivable
 For the Fiscal Year Ended June 30, 2021

| | |
|-------------------------------|------------------------|
| Balance July 1, 2020 | \$ 3,836,623.39 |
| Add: | |
| Service Fees | \$ 17,922,364.83 |
| Fire Hydrant and Line Service | <u>1,394,571.12</u> |
| | <u>19,316,935.95</u> |
| | 23,153,559.34 |
| Less: | |
| Collections | 19,066,753.49 |
| Prepaid Applied | <u>159,430.53</u> |
| | <u>19,226,184.02</u> |
| Balance June 30, 2021 | <u>\$ 3,927,375.32</u> |

Schedule 7

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Prepaid Expenses
 For the Fiscal Year Ended June 30, 2021

| | |
|--|----------------------|
| Balance July 1, 2020 | \$ 166,888.42 |
| Add: | |
| Disbursements Fiscal Year 2020 | <u>125,262.92</u> |
| | 292,151.34 |
| Less: | |
| Charged to Operations Fiscal Year 2020 | <u>166,888.42</u> |
| Balance June 30, 2021 | <u>\$ 125,262.92</u> |

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Accrued Investment Income Receivable
 For the Fiscal Year Ended June 30, 2021

| | <u>Balance</u> <u>July 1, 2020</u> | <u>Investment</u> <u>Income</u> | <u>Received</u> | <u>Balance</u> <u>June 30, 2021</u> |
|---------------------------------|---------------------------------------|------------------------------------|----------------------|--|
| Unrestricted Accounts | | | | |
| Operating and General Accounts | \$ 30,355.82 | \$ 57,604.27 | \$ 64,116.52 | \$ 23,843.57 |
| Restricted Accounts: | | | | |
| Debt Service Reserve Account | | 16.67 | | 16.67 |
| Debt Service Account | 39,435.88 | 29,711.71 | 47,977.25 | 21,170.34 |
| Renewal and Replacement Account | 261.77 | 1,082.04 | 1,148.10 | 195.71 |
| | 39,697.65 | 30,810.42 | 49,142.02 | 21,366.05 |
| Total Investment Income | \$ 70,053.47 | \$ 88,414.69 | \$ 113,258.54 | \$ 45,209.62 |
| | | | | |
| Water Department | \$ 33,318.76 | \$ 41,853.80 | \$ 52,878.94 | \$ 20,976.10 |
| Sewer Department | 36,734.71 | 46,560.89 | 60,379.60 | 24,233.52 |
| | \$ 70,053.47 | \$ 88,414.69 | \$ 113,258.54 | \$ 45,209.62 |

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Analysis of Capital Assets - Completed
 For the Fiscal Year Ended June 30, 2021

| | <u>Balance</u> <u>July 1, 2020</u> | <u>Transfers &</u> <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2021</u> |
|---|---------------------------------------|--|--------------------|--|
| Land | \$ 91,805.43 | | | \$ 91,805.43 |
| Buildings | 14,835,499.55 | \$ 1,288,239.56 | | 16,123,739.11 |
| Utility Plant and Other Infrastructure | 211,066,504.40 | 3,882,366.11 | | 214,948,870.51 |
| Furniture | 309,124.25 | 7,272.89 | \$ 12,050.00 | 304,347.14 |
| Computer and Office Equipment | 928,975.64 | 6,135.80 | 9,921.53 | 925,189.91 |
| Telecommunication Equipment | 157,821.86 | | 1,470.86 | 156,351.00 |
| Machinery and Equipment | 7,210,129.05 | 1,286,381.34 | 35,123.81 | 8,461,386.58 |
| Vehicles | 3,081,864.71 | 106,456.86 | 114,700.10 | 3,073,621.47 |
| | 237,681,724.89 | 6,576,852.56 | 173,266.30 | 244,085,311.15 |
| Less: Accumulated Depreciation | 134,624,975.35 | 6,559,739.17 | 172,028.71 | 141,012,685.81 |
| | <u>\$ 103,056,749.54</u> | <u>\$ 17,113.39</u> | <u>\$ 1,237.59</u> | <u>\$ 103,072,625.34</u> |
| Transferred from Construction in Progress | \$ 3,495,336.13 | | | |
| Capital Contributions | 1,850,400.20 | | | |
| Disbursed | <u>1,231,116.23</u> | | | |
| | <u><u>\$ 6,576,852.56</u></u> | | | |

Schedule 10

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Analysis of Construction in Progress
 For the Fiscal Year Ended June 30, 2021

| | |
|--------------------------|-------------------------------|
| Balance July 1, 2020 | \$ 3,100,631.34 |
| Add: | |
| Disbursed | \$ 4,693,495.21 |
| Retainage | 57,991.78 |
| Accounts Payable | <u>551,562.15</u> |
| | <u><u>5,303,049.14</u></u> |
| | 8,403,680.48 |
| Less: | |
| Transferred to Completed | 3,495,336.13 |
| Disposals | <u>17,902.50</u> |
| | <u><u>3,513,238.63</u></u> |
| Balance June 30, 2021 | <u><u>\$ 4,890,441.85</u></u> |

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Deferred Revenue (Connection Fees)
 For the Fiscal Year Ended June 30, 2021

| | | |
|-----------------------|--|------------------------|
| Balance July 1, 2020 | | \$ 2,176,086.24 |
| Add: | | |
| Receipts | | <u>1,147,704.98</u> |
| | | 3,323,791.22 |
| Less: | | |
| Realized as Revenue | | <u>999,199.12</u> |
| Balance June 30, 2021 | | <u>\$ 2,324,592.10</u> |
| Analysis of Balance | | |
| Water Connection Fees | | \$ 1,062,248.08 |
| Sewer Connection Fees | | <u>1,262,344.02</u> |
| Balance June 30, 2021 | | <u>\$ 2,324,592.10</u> |

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Analysis of Accrued Interest Payable
 For the Fiscal Year Ended June 30, 2021

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---|----------------------|----------------------|----------------------|
| Balance July 1, 2020 | \$ 101,967.85 | \$ 67,042.98 | \$ 169,010.83 |
| Increased by: | | | |
| Accrued | <u>215,752.89</u> | <u>157,772.32</u> | <u>373,525.21</u> |
| | 317,720.74 | 224,815.30 | 542,536.04 |
| Decreased by: | | | |
| Cash Disbursed | <u>230,126.92</u> | <u>160,476.73</u> | <u>390,603.65</u> |
| Balance June 30, 2021 | <u>\$ 87,593.82</u> | <u>\$ 64,338.57</u> | <u>\$ 151,932.39</u> |
| Analysis of Interest Expense: | | | |
| Accrued | \$ 215,752.89 | \$ 157,772.32 | \$ 373,525.21 |
| Amortization of Loan Premium | (8,705.97) | (8,705.97) | |
| Amortization of Bond Premium | | (5,989.47) | (5,989.47) |
| Deferred Gain (Loss) on Defeasance of Loans | <u>(44,980.33)</u> | | <u>(44,980.33)</u> |
| Total Interest Expense | <u>\$ 162,066.59</u> | <u>\$ 151,782.85</u> | <u>\$ 313,849.44</u> |

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of New Jersey Environmental Infrastructure Trust Loans
 For the Fiscal Year Ended June 30, 2021

| <u>Purpose</u> | <u>Date of Issue</u> | <u>Original Issue</u> | <u>Loan Principal Payments Outstanding June 30, 2021</u> | | <u>Interest Rate</u> | <u>Balance July 1, 2020</u> | <u>Paid</u> | <u>Balance June 30, 2021</u> |
|---|----------------------|-----------------------|--|---------------------|----------------------|-----------------------------|--------------|------------------------------|
| | | | <u>Date</u> | <u>Amount</u> | | | | |
| New Jersey Environmental Infrastructure Trust Loan, Series 2000 (Interest Bearing) | 10/15/00 | \$ 900,000.00 | | | | \$ 47,484.99 | \$ 47,484.99 | |
| New Jersey Environmental Infrastructure Trust Loan, Series 2005 (Non-Interest Bearing) | 11/10/05 | 11,477,246.00 | 08/01/21 \$ 551,655.07 02/01/22 48,093.47 08/01/22 562,982.50 02/01/23 36,830.27 08/01/23 573,837.42 02/01/24 25,083.24 08/01/24 584,197.44 02/01/25 12,852.62 08/01/25 600,401.61 | | | 3,598,174.15 | 602,240.51 | \$ 2,995,933.64 |
| | | | | <u>2,995,933.64</u> | | | | |
| New Jersey Environmental Infrastructure Trust Loan, Series 2007 (Non-Interest Bearing) | 11/08/07 | 865,000.00 | 08/01/21 38,933.64 02/01/22 5,153.41 08/01/22 39,172.84 02/01/23 4,302.92 08/01/23 40,448.57 02/01/24 3,534.83 08/01/24 40,743.58 02/01/25 2,697.63 08/01/25 42,032.60 02/01/26 1,812.59 08/01/26 42,210.67 02/01/27 903.64 08/01/27 43,428.11 | | | 348,776.38 | 43,401.35 | 305,375.03 |
| | | | | <u>305,375.03</u> | | | | |

(Continued)

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of New Jersey Environmental Infrastructure Trust Loans
 For the Fiscal Year Ended June 30, 2021

| <u>Purpose</u> | <u>Date of Issue</u> | <u>Original Issue</u> | Loan Principal Payments | | | <u>Interest Rate</u> | <u>Balance July 1, 2020</u> | <u>Paid</u> | <u>Balance June 30, 2021</u> |
|--|----------------------|-----------------------|---------------------------------------|---------------------|--------|----------------------|-----------------------------|---------------|------------------------------|
| | | | <u>Outstanding June 30, 2021 Date</u> | <u>Amount</u> | | | | | |
| New Jersey Environmental Infrastructure Trust Loan, Series 2007 (Interest Bearing) | 11/08/07 | \$ 2,635,000.00 | 08/01/21 | \$ 155,000.00 | 5.000% | | | | |
| | | | 08/01/22 | 160,000.00 | 5.000% | | | | |
| | | | 08/01/23 | 170,000.00 | 4.250% | | | | |
| | | | 08/01/24 | 175,000.00 | 4.500% | | | | |
| | | | 08/01/25 | 185,000.00 | 4.500% | | | | |
| | | | 08/01/26 | 190,000.00 | 4.500% | | | | |
| | | | 08/01/27 | 200,000.00 | 4.250% | | | | |
| | | | | <u>1,235,000.00</u> | | | \$ 1,380,000.00 | \$ 145,000.00 | \$ 1,235,000.00 |
| New Jersey Environmental Infrastructure Trust Loan, Series 2008 (Non-Interest Bearing) | 12/4/08 | 1,677,183.00 | 08/01/21 | 43,005.00 | | | | | |
| | | | 02/01/22 | 43,005.00 | | | | | |
| | | | 08/01/22 | 43,005.00 | | | | | |
| | | | 02/01/23 | 43,005.00 | | | | | |
| | | | 08/01/23 | 43,005.00 | | | | | |
| | | | 02/01/24 | 43,005.00 | | | | | |
| | | | 08/01/24 | 43,005.00 | | | | | |
| | | | 02/01/25 | 43,005.00 | | | | | |
| | | | 08/01/25 | 43,005.00 | | | | | |
| | | | 02/01/26 | 43,005.00 | | | | | |
| | | | 08/01/26 | 43,005.00 | | | | | |
| | | | 02/01/27 | 43,005.00 | | | | | |
| | | | 08/01/27 | 43,005.00 | | | | | |
| | | | 02/01/28 | 43,000.00 | | | | | |
| | | | 08/01/28 | <u>42,998.00</u> | | | | | |
| | | | | <u>645,063.00</u> | | | 731,073.00 | 86,010.00 | 645,063.00 |
| New Jersey Environmental Infrastructure Trust Loan, Series 2009A (Non-Interest Bearing) | 12/2/09 | 1,109,600.00 | 08/01/21 | 38,933.33 | | | | | |
| | | | 02/01/22 | 19,466.66 | | | | | |
| | | | 08/01/22 | 38,933.33 | | | | | |
| | | | 02/01/23 | 19,466.66 | | | | | |
| | | | 08/01/23 | 38,933.33 | | | | | |
| | | | 02/01/24 | 19,466.66 | | | | | |
| | | | 08/01/24 | 38,933.33 | | | | | |
| | | | 02/01/25 | 19,466.66 | | | | | |

(Continued)

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of New Jersey Environmental Infrastructure Trust Loans
 For the Fiscal Year Ended June 30, 2021

| <u>Purpose</u> | <u>Date of Issue</u> | <u>Original Issue</u> | Loan Principal Payments Outstanding June 30, 2021 | | | <u>Interest Rate</u> | <u>Balance July 1, 2020</u> | <u>Paid</u> | <u>Balance June 30, 2021</u> |
|---|----------------------|-----------------------|---|------------------|-------------------|----------------------|-----------------------------|---------------|------------------------------|
| | | | <u>Date</u> | <u>Amount</u> | | | | | |
| New Jersey Environmental Infrastructure Trust Loan, Series 2009A (Non-Interest Bearing) (Cont'd) | 12/2/09 | \$ 1,109,600.00 | 08/01/25 | \$ 38,933.33 | | | | | |
| | | | 02/01/26 | 19,466.66 | | | | | |
| | | | 08/01/26 | 38,933.33 | | | | | |
| | | | 02/01/27 | 19,466.66 | | | | | |
| | | | 08/01/27 | 38,933.33 | | | | | |
| | | | 02/01/28 | 19,466.66 | | | | | |
| | | | 08/01/28 | 38,933.33 | | | | | |
| | | | 02/01/29 | 19,466.66 | | | | | |
| | | | 08/01/29 | <u>38,933.52</u> | | | | | |
| | | | | | <u>506,133.44</u> | | | | |
| | | | | | | \$ 564,533.43 | \$ 58,399.99 | \$ 506,133.44 | |
| New Jersey Environmental Infrastructure Trust Loan, Series 2009B (Interest Bearing) | 12/2/09 | 1,135,000.00 | 08/01/21 | 60,000.00 | 4.000% | | | | |
| | | | 08/01/22 | 65,000.00 | 3.500% | | | | |
| | | | 08/01/23 | 65,000.00 | 4.000% | | | | |
| | | | 08/01/24 | 70,000.00 | 4.000% | | | | |
| | | | 08/01/25 | <u>45,000.00</u> | 3.750% | | | | |
| | | | | | <u>305,000.00</u> | | | | |
| | | | | | | 365,000.00 | 60,000.00 | 305,000.00 | |
| New Jersey Environmental Infrastructure Trust Loan, Series 2010 (Non-Interest Bearing) | 3/10/10 | 962,000.00 | 08/01/21 | 33,754.38 | | | | | |
| | | | 02/01/22 | 16,877.19 | | | | | |
| | | | 08/01/22 | 33,754.38 | | | | | |
| | | | 02/01/23 | 16,877.19 | | | | | |
| | | | 08/01/23 | 33,754.38 | | | | | |
| | | | 02/01/24 | <u>8,521.59</u> | | | | | |
| | | | | | <u>143,539.11</u> | | | | |
| | | | | | | 194,170.68 | 50,631.57 | 143,539.11 | |

(Continued)

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of New Jersey Environmental Infrastructure Trust Loans
 For the Fiscal Year Ended June 30, 2021

| <u>Purpose</u> | <u>Date of Issue</u> | <u>Original Issue</u> | Loan Principal Payments | | | <u>Interest Rate</u> | <u>Balance July 1, 2020</u> | <u>Paid</u> | <u>Balance June 30, 2021</u> |
|--|----------------------|-----------------------|---------------------------------------|---------------------|---------|----------------------|-----------------------------|------------------------|------------------------------|
| | | | <u>Outstanding June 30, 2021 Date</u> | <u>Amount</u> | | | | | |
| New Jersey Environmental Infrastructure Trust Loan, Series 2010 (Interest Bearing) | 3/10/10 | \$ 320,000.00 | 08/01/21 | \$ 15,000.00 | 3.000% | | | | |
| | | | 08/01/22 | 20,000.00 | 4.000% | | | | |
| | | | 08/01/23 | 20,000.00 | 4.000% | | | | |
| | | | 08/01/24 | 20,000.00 | 4.000% | | | | |
| | | | 08/01/25 | 20,000.00 | 4.000% | | | | |
| | | | 08/01/26 | 20,000.00 | 3.500% | | | | |
| | | | 08/01/27 | 20,000.00 | 4.000% | | | | |
| | | | 08/01/28 | 25,000.00 | 4.000% | | | | |
| | | | 08/01/29 | 25,000.00 | 4.000% | | | | |
| | | | | <u>185,000.00</u> | | | \$ 200,000.00 | \$ 15,000.00 | \$ 185,000.00 |
| New Jersey Environmental Infrastructure Trust Loan, Series 2013 (Refunding of Series 2005) (Interest Bearing) (Interest Bearing) | 11/10/13 | 12,295,000.00 | 08/01/21 | 722,217.32 | 4.375% | | | | |
| | | | 08/01/22 | 751,969.81 | 4.375% | | | | |
| | | | 08/01/23 | 781,343.46 | 4.375% | | | | |
| | | | 08/01/24 | 810,388.65 | 4.375% | | | | |
| | | | 08/01/25 | <u>848,749.67</u> | 4.375% | | | | |
| | | | | <u>3,914,668.91</u> | | | 4,612,278.17 | 697,609.26 | 3,914,668.91 |
| NJIB Interim Loan, Series 2019 | 06/30/25 | 7,200,000.00 | 06/30/25 | 7,200,000.00 | Various | | <u>7,200,000.00</u> | | <u>7,200,000.00</u> |
| | | | | | | | 19,241,490.80 | <u>\$ 1,805,777.67</u> | 17,435,713.13 |
| | | | | | | Add: Premium | <u>46,431.82</u> | <u>\$ 8,705.97</u> | <u>37,725.85</u> |
| | | | | | | | <u>\$ 19,287,922.62</u> | | <u>\$ 17,473,438.98</u> |

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 Schedule of Revenue Bonds Payable
 For the Fiscal Year Ended June 30, 2021

| <u>Purpose</u> | <u>Original</u> | | <u>Interest Rate</u> | <u>Maturities</u> | | <u>Balance July 1, 2020</u> | <u>Paid</u> | <u>Balance June 30, 2021</u> |
|---|-----------------|-----------------|----------------------|-------------------|---------------------|-----------------------------|---------------------|------------------------------|
| | <u>Date</u> | <u>Amount</u> | | <u>Date</u> | <u>Amount</u> | | | |
| Series 2019 Sewer Subordinated System Revenue Bonds | 2/1/2019 | \$ 3,330,000.00 | 3.00% | 2/1/2022 | \$ 70,000.00 | | | |
| | | | 3.00% | 2/1/2023 | 70,000.00 | | | |
| | | | 3.00% | 2/1/2024 | 75,000.00 | | | |
| | | | 3.00% | 2/1/2025 | 75,000.00 | | | |
| | | | 3.00% | 2/1/2026 | 75,000.00 | | | |
| | | | 4.00% | 2/1/2027 | 80,000.00 | | | |
| | | | 4.00% | 2/1/2028 | 80,000.00 | | | |
| | | | 4.00% | 2/1/2029 | 85,000.00 | | | |
| | | | 4.00% | 2/1/2030 | 90,000.00 | | | |
| | | | 4.00% | 2/1/2031 | 90,000.00 | | | |
| | | | 4.00% | 2/1/2032 | 95,000.00 | | | |
| | | | 4.00% | 2/1/2033 | 100,000.00 | | | |
| | | | 4.00% | 2/1/2034 | 105,000.00 | | | |
| | | | 4.00% | 2/1/2035 | 110,000.00 | | | |
| | | | 4.00% | 2/1/2036 | 110,000.00 | | | |
| | | | 4.00% | 2/1/2037 | 115,000.00 | | | |
| | | | 4.00% | 2/1/2038 | 120,000.00 | | | |
| | | | 4.00% | 2/1/2039 | 125,000.00 | | | |
| | | | 4.00% | 2/1/2040 | 130,000.00 | | | |
| | | | 4.00% | 2/1/2041 | 135,000.00 | | | |
| | | | 4.00% | 2/1/2042 | 140,000.00 | | | |
| | | | 5.00% | 2/1/2043 | 145,000.00 | | | |
| | | | 5.00% | 2/1/2044 | 155,000.00 | | | |
| | | | 5.00% | 2/1/2045 | 160,000.00 | | | |
| | | | 5.00% | 2/1/2046 | 170,000.00 | | | |
| | | | 5.00% | 2/1/2047 | 180,000.00 | | | |
| | | | 5.00% | 2/1/2048 | 185,000.00 | | | |
| | | | 5.00% | 2/1/2049 | 195,000.00 | | | |
| Premium on Bonds - Amortized | | | | | <u>3,265,000.00</u> | \$ 3,330,000.00 | \$ 65,000.00 | \$ 3,265,000.00 |
| | | | | | | <u>171,199.07</u> | <u>5,989.47</u> | <u>165,209.60</u> |
| | | | | | | <u>\$ 3,501,199.07</u> | <u>\$ 70,989.47</u> | <u>\$ 3,430,209.60</u> |

**MOUNT LAUREL TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

PART II

SINGLE AUDIT SECTION

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2021**

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

INDEPENDENT AUDITOR'S REPORT

The Chairwoman and Members of
Mount Laurel Township Municipal Utilities Authority
Mount Laurel, New Jersey

Report on Compliance for Each Major State Program

We have audited the Mount Laurel Township Municipal Utilities Authority's, in the County of Burlington, State of New Jersey, a component unit of the Township of Mount Laurel, compliance with the types of compliance requirements described in the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on the Authority's major state program for the fiscal year ended June 30, 2021. The Authority's major state program is identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major State Program

In our opinion, the Mount Laurel Township Municipal Utilities Authority, in the County of Burlington, State of New Jersey, a component unit of the Township of Mount Laurel, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the fiscal year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
October 8, 2021

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Expenditures of State Financial Assistance
 For the Fiscal Year Ended June 30, 2021

| <u>State Grantor/ Pass Through Grantor/ Program Title</u> | <u>State GMIS Number</u> | <u>Pass-through Grantors' Number</u> | <u>Program or Award Amount</u> | <u>Grant Period From</u> | <u>To</u> | <u>July 1, 2020 Unreimbursed Expenditures</u> | <u>Project Funds Balance</u> |
|---|----------------------------------|--|--|------------------------------|-----------|---|----------------------------------|
| NJ Department of Environmental Protection Passed through NJ Infrastructure Bank Trust Program | N/A | | \$340943-06 \$7,164,190.00 | 08/07/19 | Open | \$ 1,485,437.35 | \$ 5,678,752.65 |

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

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2021

| Revenue <u>Recognized</u> | Cash <u>Receipts</u> | Passed- Through to <u>Subrecipients</u> | <u>Adjustments</u> | Disbursements or <u>Expenditures</u> | NJ EIT Loan Receivable June 30, 2021 | | (Memo Only) | |
|------------------------------|-------------------------|---|--------------------|--|---|---------------------------------|--|------------------------------------|
| | | | | | Unreimbursed <u>Expenditures</u> | Project Funds <u>Balance</u> | Cash <u>Received</u> <u>2021</u> | Accumulated <u>Expenditures</u> |
| \$ - | \$ 3,454,128.00 | \$ - | \$ - | \$ 2,369,480.45 | \$ 400,789.80 | \$ 3,309,272.20 | \$ 3,454,128.00 | \$ 3,854,917.80 |

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Notes to the Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2021

Note 1: BASIS OF PRESENTATION

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Note 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

Note 4: RELATIONSHIP TO STATE FINANCIAL REPORTS

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

Note 5: MAJOR PROGRAMS

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

**MOUNT LAUREL TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

PART III

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2021**

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

Section 1- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued _____ Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes no

Significant deficiency(ies) identified? _____ yes none reported

Noncompliance material to financial statements noted? _____ yes no

Federal Awards **Not Applicable**

Internal control over major programs:

Material weakness(es) identified? _____ yes _____ no

Significant deficiency(ies) identified? _____ yes _____ none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ yes _____ no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

Dollar threshold used to determine Type A programs _____

Auditee qualified as low-risk auditee? _____ yes _____ no

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

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

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? _____ yes no

Significant deficiency(ies) identified? _____ yes none reported

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

Any audit findings disclosed that are required to be reported in
accordance with New Jersey Circular 15-08-OMB? _____ yes no

Identification of major programs:

GMIS Number(s)

Not Available

Name of State Program

New Jersey Infrastructure Bank Trust

Dollar threshold used to determine Type A programs \$ _____ 750,000.00

Auditee qualified as low-risk auditee? _____ yes no

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2021

Section 2- Schedule of Financial Statement Findings

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

None.

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2021

Section 3- Schedule of Federal Award Findings and Questioned Costs

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

Not Applicable.

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2021

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

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

None.

MOUNT LAUREL TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

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

This section identifies the status of prior year findings related to the financial statements and state financial assistance that are required to be reported in accordance with *Government Auditing Standards* and State of New Jersey Circular 15-08-OMB.

FINANCIAL STATEMENT FINDINGS

None.

FEDERAL AWARDS

Not applicable.

STATE FINANCIAL ASSISTANCE PROGRAMS

None.

35400

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

