

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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YEARS ENDED DECEMBER 31, 2020 AND 2019

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Oliwa & Company

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of The
Eatontown Sewerage Authority
Eatontown, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of The Eatontown Sewerage Authority, (the "Authority"), a component unit of the Borough of Eatontown, New Jersey, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Eatontown Sewerage Authority as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 8 and 30 through 32 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 assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 4, 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 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 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.

Oliwa & Company

Freehold, New Jersey
November 4, 2021

Oliwa & Company

Certified Public Accountants

INDEPENDENT AUDITOR'S 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

To the Members of The
Eatontown Sewerage Authority
Eatontown, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of The Eatontown Sewerage Authority, (the "Authority"), a component unit of the Borough of Eatontown, New Jersey, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 4, 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) to determine the 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted a certain other internal control matter that we have reported to the management of the Authority, in a separate letter dated November 4, 2021.

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 in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Oliwa & Company

Freehold, New Jersey
November 4, 2021

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is engaged only in business-type activities, its basic financial statements are comprised of two components:

- 1) proprietary fund financial statements
- 2) notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

Proprietary fund financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net position presents information on the Authority's assets, liabilities and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is changing.

The statement of revenues, expenses and changes in net position presents information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (For example, goods and services received during the fiscal year for which payment has not been made by the end of the fiscal year). Similarly, revenues and expenses are not reported in this statement for some items that have resulted in cash flows for which the underlying event had not occurred by the end of the fiscal year.

The other required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash receipts and cash payments, and net changes in cash resulting from operations, investing and financing activities, and provides answers to such questions as "where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period?"

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Financial Highlights

<u>Assets</u>	<u>2020</u>	<u>2019</u>	<u>2020 Over (Under) 2019</u>
Current assets	\$5,589,456	\$5,519,129	\$70,327
Capital assets	10,631,147	10,355,910	275,237
Deferred outflows of resources	581,830	193,330	388,500
<i>Total assets and deferred outflows of resources</i>	<u>\$16,802,433</u>	<u>\$16,068,369</u>	<u>\$734,064</u>
<u>Liabilities</u>			
Current liabilities	\$431,952	\$452,391	(\$20,439)
Long term liabilities	4,209,437	4,333,165	(123,728)
Deferred inflows of resources	600,011	377,297	600,011
<i>Total liabilities and deferred inflows of resources</i>	<u>\$5,241,400</u>	<u>\$5,162,853</u>	<u>\$455,844</u>
<u>Net Position</u>			
Capital assets - net	\$8,264,267	\$7,717,477	\$546,790
Restricted	181,765	646,922	(465,157)
Unrestricted	3,115,001	2,541,117	573,884
<i>Total net position</i>	<u>\$11,561,033</u>	<u>\$10,905,516</u>	<u>\$655,517</u>
<u>Revenues</u>			
Sewer service charges	\$3,211,713	\$3,236,069	(\$24,356)
Connection fees	135,090	110,271	24,819
Penalties and other	91,467	85,235	6,232
Interest	23,839	95,000	(71,161)
<i>Total revenues</i>	<u>\$3,462,109</u>	<u>\$3,526,575</u>	<u>(\$64,466)</u>
<u>Expenses/(Benefit)</u>			
Operating-			
Regional sewerage charges	\$1,732,523	\$1,808,910	(\$76,387)
Salaries and wages	365,058	370,689	(5,631)
Depreciation	269,973	254,705	15,268
Insurance	122,629	106,324	16,305
Other operating	119,374	105,221	14,153
Post-employment healthcare	100,538	77,927	22,611
Professional services	40,429	62,691	(22,262)
Maintenance and repairs	34,197	72,836	(38,639)
Payroll taxes	26,804	27,232	(428)
Pension	(41,970)	92,086	(134,056)
	<u>2,769,555</u>	<u>2,978,621</u>	<u>(209,066)</u>
Non-operating			
Interest	37,037	25,144	11,893
Bond issuance costs	-	38,282	(38,282)
	<u>37,037</u>	<u>63,426</u>	<u>(26,389)</u>
 <i>Total expenses</i>	 <u>\$2,806,592</u>	 <u>\$3,042,047</u>	 <u>(\$197,173)</u>

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Capital Assets

The following provides a summary analysis of capital assets at December 31, 2020 and 2019:

	2020	2019	2020 Over (Under) 2019
Capital assets	\$16,318,236	\$15,773,026	\$545,210
Less, accumulated depreciation	(5,687,089)	(5,417,116)	(269,973)
Net capital assets	<u>\$10,631,147</u>	<u>\$10,355,910</u>	<u>\$275,237</u>

Please refer to the notes to the financial statements for additional information relative to the Authority's capital assets.

Long-Term Debt

The following provides a summary analysis of long-term debt at December 31, 2020 and 2019:

	2020	2019	2020 (Under) Over 2019
New Jersey Environmental Infrastructure Trust Fund loan payable	\$1,260,020	\$1,428,851	(\$168,831)
New Jersey Environmental Infrastructure Trust loan payable	588,000	640,000	(52,000)
Bonds payable	425,000	465,000	(40,000)
Total long-term debt	<u>\$2,273,020</u>	<u>\$2,068,851</u>	<u>(\$260,831)</u>

Please refer to the notes to the financial statements for additional information relative to the Authority's long-term debt.

Financial Analysis

The Authority realized net income in 2020 and 2019 of \$655,517 and \$484,528 respectively. Although the Authority's 2020 gross revenues were lower than prior year levels, the Authority realized a net income in 2020 due to overall decreases in expenses from 2019 levels.

Major Increase and Decreases in Expenses

The major expense increase in 2020 was for post-employment healthcare (increased by \$22,631 from 2019).

The major expense decreases in 2020 were for pension (decreased by \$134,056 from 2019) and regional sewerage charges (decreased by \$76,387 from 2019).

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Budgetary Highlights

The Authority budgeted \$125,000 in unrestricted net position to balance the 2020 budget. The actual result was an excess in revenues of \$653,937 as follows:

Unrestricted net position anticipated	(\$125,000)
Add:	
Expenses under budget	787,545
Revenues under budget	<u>(8,608)</u>
Excess in revenues	<u><u>\$653,937</u></u>

The excess in revenues is primarily attributable to expenses realized under budgeted amounts.

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Assets:		
Unrestricted current assets-		
Cash and cash equivalents	\$5,184,925	\$4,673,201
Customer accounts receivable, net	141,244	131,015
Customer interest receivable, net	<u>5,788</u>	<u>7,641</u>
Total unrestricted current assets	<u>5,331,957</u>	<u>4,811,857</u>
Restricted current assets-		
Cash and cash equivalents	<u>257,499</u>	<u>707,272</u>
Total current assets	<u>5,589,456</u>	<u>5,519,129</u>
Noncurrent assets-		
Construction in progress	64,062	424,466
Property, plant, and equipment, net	<u>10,567,085</u>	<u>9,931,444</u>
Total noncurrent assets	<u>10,631,147</u>	<u>10,355,910</u>
Total assets	<u>16,220,603</u>	<u>15,875,039</u>
Deferred outflows of resources-		
Pension and other post-employment benefits	<u>581,830</u>	<u>193,330</u>

(Continued)

See accompanying notes to financial statements

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Liabilities:		
Current liabilities payable from unrestricted current assets-		
Accounts payable and accrued expenses	\$69,198	\$110,470
Prepaid revenue	22,189	20,740
Total current liabilities payable from unrestricted current assets	<u>91,387</u>	<u>131,210</u>
Current liabilities payable from restricted current assets-		
Loans payable	224,831	220,831
Bonds payable	40,000	40,000
Accrued interest payable	11,571	10,667
Developer deposits	64,163	49,683
Total current liabilities payable from restricted current assets	<u>340,565</u>	<u>321,181</u>
Total current liabilities	<u>431,952</u>	<u>452,391</u>
Noncurrent liabilities-		
Compensated Absences	61,358	55,080
Other post-employment benefits	1,517,596	967,313
Net pension liability	528,434	933,170
Bonds payable, net of unamortized premium	468,102	517,336
Loans payable, net of unamortized premium	1,633,947	1,860,266
Total noncurrent liabilities	<u>4,209,437</u>	<u>4,333,165</u>
Total liabilities	<u>4,641,389</u>	<u>4,785,556</u>
Deferred inflows of resources-		
Pension	600,011	377,297
Net Position:		
Net investment in capital assets	8,264,267	7,717,477
Restricted	181,765	646,922
Unrestricted	3,115,001	2,541,117
Total Net Position	<u><u>\$11,561,033</u></u>	<u><u>\$10,905,516</u></u>

See accompanying notes to financial statements

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Charges for services	\$3,211,713	\$3,236,069
Other operating revenues	<u>226,557</u>	<u>195,506</u>
Total operating revenues	<u>3,438,270</u>	<u>3,431,575</u>
Operating expenses:		
Regional sewerage charges	1,732,523	1,808,910
Salaries and wages	365,058	370,689
Depreciation	269,973	254,705
Insurance	122,629	106,324
Post-employment healthcare	100,538	77,927
Maintenance and repairs	34,197	72,836
Professional services	40,429	62,691
Electricity	31,760	33,603
Payroll taxes	26,804	27,232
Training, education, consultants and software	21,540	21,597
Office and telephone	17,880	19,592
Plant supplies	15,026	5,864
Fuel and natural gas	13,488	11,640
Other	12,140	9,035
Trustee and administrative fees and costs	7,540	3,890
Pension	<u>(41,970)</u>	<u>92,086</u>
Total operating expenses	<u>2,769,555</u>	<u>2,978,621</u>
Operating income	<u>668,715</u>	<u>452,954</u>
Non-operating (expenses) revenues:		
Interest income	23,839	95,000
Interest expense	(37,037)	(25,144)
Bond issuance costs	-	(38,282)
Net non-operating (expenses) revenues	<u>(13,198)</u>	<u>31,574</u>
Change in net position	655,517	484,528
Net position - beginning	<u>10,905,516</u>	<u>10,420,988</u>
Net position - ending	<u><u>\$11,561,033</u></u>	<u><u>\$10,905,516</u></u>

See accompanying notes to financial statements

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from customers	\$3,431,343	\$3,445,479
Cash payments for goods and services	(2,189,757)	(2,235,340)
Cash payments to employees	<u>(365,058)</u>	<u>(408,419)</u>
Net cash provided by operating activities	<u>876,528</u>	<u>801,720</u>
Cash flows from investing activities:		
Interest income	<u>23,839</u>	<u>95,000</u>
Cash flows from capital and related financing activities:		
Principal paid on loan maturities	(220,831)	(220,831)
Principal paid on bond maturities	(40,000)	-
Interest paid on loan	(25,401)	(27,498)
Interest paid on bonds	(21,454)	-
Developer deposits	14,480	(4,334)
Purchase of capital assets	(499,966)	(7,026)
Construction in progress payments	(45,244)	(415,070)
Bond and premium proceeds	-	557,339
Bond issuance costs	-	(38,282)
Net cash used by financing activities	<u>(838,416)</u>	<u>(155,702)</u>
Net increase in cash and cash equivalents	61,951	741,018
Cash and cash equivalents at beginning of year	<u>5,380,473</u>	<u>4,639,455</u>
Cash and cash equivalents at end of year	<u><u>\$5,442,424</u></u>	<u><u>\$5,380,473</u></u>
Reconciliation to statement of net position:		
Unrestricted	\$5,184,925	\$4,673,201
Restricted	<u>257,499</u>	<u>707,272</u>
	<u><u>\$5,442,424</u></u>	<u><u>\$5,380,473</u></u>

See accompanying notes to financial statements

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$668,715	\$452,954
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	269,973	254,705
(Increase) decrease in deferred outflows - pension and OBEP deferrals	(388,500)	73,502
Increase in deferred inflows - pension deferrals	222,714	7,760
Changes in assets and liabilities:		
(Increase) decrease in customer accounts receivable	(10,229)	9,809
Decrease (increase) in customer interest receivable	1,853	(499)
Increase in prepaid revenue	1,449	4,594
(Decrease) increase in accounts payable and accrued expenses	(41,272)	27,995
Decrease in net pension liability	(404,736)	(40,480)
Increase in other post-employment benefits	550,283	40,016
Increase (decrease) in compensated absences	6,278	(28,636)
Net cash provided by operating activities	<u>\$876,528</u>	<u>\$801,720</u>
 Supplemental disclosure of cash flow information:		
 Non-cash capital and related financing activities:		
Amortization of bond and loan premiums	<u>\$10,722</u>	<u>\$1,488</u>

See accompanying notes to financial statements

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

1. NATURE OF ORGANIZATION

The Eatontown Sewerage Authority (the "Authority") is a public body corporate and politic of the State of New Jersey and was created by an ordinance of the Borough of Eatontown adopted February 9, 1955 pursuant to the Sewerage Authorities Law of the State of New Jersey. The Authority was created for the purpose of acquiring, constructing, maintaining, improving and operating facilities for collecting, and disposing of sewage or other wastes.

The Authority provides sanitary sewer service for the Borough of Eatontown and two small areas in the adjacent municipalities of Tinton Falls and Ocean Township. The Authority's sewage is conveyed to and discharged into the system of the Two Rivers Water Reclamation Authority which owns and operates a regional treatment plant facility.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF FINANCIAL STATEMENTS

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed in pronouncements of the Governmental Accounting Standards Board ("GASB") applicable to proprietary funds of state and local governments.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows the Authority considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

BUDGET LAW AND ACCOUNTING

The Authority submits its annual operating and capital budget to the State of New Jersey, Department of Community Affairs, Division of Local Government Services for review and certification. The annual budget may be amended by resolution of the Authority. The budgetary basis of accounting is utilized to determine if the Authority has sufficient cash to operate and pay debt service.

REVENUE RECOGNITION

The Authority recognizes revenue on the accrual basis as earned.

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost. Depreciation of fixed assets is determined on a straight-line basis over various economic lives.

RESTRICTED ACCOUNTS

Certain proceeds of the Authority's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

NET POSITION PRESENTATION

The financial statements utilize a net position presentation. Net positions are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Net investment in capital assets, are capital assets, net of related debt of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds issued to buy, construct, or improve those assets.

Restricted net position result when creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation impose constraints placed on net position use.

Unrestricted net position represents net position of the Authority that does not meet the definition of the two preceding categories.

LONG-TERM OBLIGATIONS

Bonds and loans payable are reported at face value, net of applicable premiums. The current portion of bonds and loans payable represents principal payments to be made in the next year.

BOND AND LOAN PREMIUMS

Bond and loan premiums are presented as adjustments to the face amount of bonds and loans payable and are amortized into interest expense.

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to future periods. The Authority reported deferred outflows of resources related to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to future periods. The Authority reported deferred inflows of resources related to pensions.

3. CAPITAL ASSETS

The Authority records assets based on historical costs and calculates depreciation on capital assets in accordance with GASB Statement No. 34. The Authority capitalizes all assets with a life expectancy of two years or more.

Capital asset activity of the Authority for 2020 and 2019 was as follows:

	Balance December 31, 2019	Additions	Transfers	Balance December 31, 2020
Construction in Progress	\$424,466	\$70,125	(\$430,529)	\$64,062
Property, plant, and equipment	15,348,560	475,085	430,529	16,254,174
	<u>15,773,026</u>	<u>545,210</u>	<u>-</u>	<u>16,318,236</u>
Less, accumulated depreciation	(5,417,116)	(269,973)	-	(5,687,089)
Capital assets, net	<u>\$10,355,910</u>	<u>\$275,237</u>	<u>-</u>	<u>\$10,631,147</u>

	Balance December 31, 2018	Additions	Transfers	Balance December 31, 2019
Construction in Progress	\$9,396	\$415,070	-	\$424,466
Property, plant, and equipment	15,341,534	7,026	-	15,348,560
	<u>15,350,930</u>	<u>422,096</u>	<u>-</u>	<u>15,773,026</u>
Less, accumulated depreciation	(5,162,411)	(254,705)	-	(5,417,116)
Capital assets, net	<u>\$10,188,519</u>	<u>\$167,391</u>	<u>-</u>	<u>\$10,355,910</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2020 AND 2019

4. CASH AND CASH EQUIVALENTS

New Jersey Authorities 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 the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey Authorities. The Authority is protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”) a supplemental insurance program set forth by the New Jersey Legislature to protect deposits of Authority’s. The program is administered by the Commissioner of the New Jersey Department of Banking and Insurance.

Cash includes change funds, cash in banks, savings and money market accounts or highly liquid securities with a maturity date of three months or less at the time of purchase which may be withdrawn at any time without prior notice or penalty. Cash equivalents are defined as short-term, highly liquid securities that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only securities with original maturities of three months or less meet this definition. The statement of cash flows includes all cash and cash equivalents.

GUDPA requires public depositories to maintain collateral for deposit of public funds that exceed insurance limits. GUDPA requires that the market value of the collateral must equal five percent of the average daily balance of public funds; or if the public funds deposited exceed seventy five percent of the capital funds of the depository, the depository must provide collateral having a market value equal to one hundred percent of the amount exceeding seventy five percent. All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority’s formal policy regarding custodial credit risk is to deposit all of its funds in public depositories protected from loss under the provisions of GUDPA. Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. As of December 31, 2020 and 2019, the Authority’s bank balances were exposed to custodial credit risk as follows:

	December 31, 2020	December 31, 2019
GUDPA Insured and Collateralized with Securities Held by Pledging Financial Institutions	<u>\$4,178,562</u>	<u>\$4,138,666</u>

In addition, as of December 31, 2020 and 2019, the Authority had \$758,158 and \$754,132, respectively, on deposit in the New Jersey Cash Management Fund (the “Fund”). The operations of this Fund are governed by the provisions of the State Investment Council Regulations for the purpose of determining authorized investments.

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2020 AND 2019

5. COMPONENT UNIT STATUS OF THE AUTHORITY

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Since the governing body of the Borough appoints the members of the Authority, and the Authority can provide a financial benefit to or burden on the Borough, the Borough is considered financially accountable for the Authority.

6. LONG-TERM DEBT

On March 10, 2010, the Authority entered into an agreement with the New Jersey Environmental Infrastructure Trust Financing Program to finance improvements to the Authority's collection system and pump stations. The Authority issued \$3,060,880 of Fund Loan Bonds at 0.00% interest and \$1,080,000 of Trust Loan Bonds at interest rates ranging from 3.00% to 5.00%.

At December 31, 2020 loans payable are summarized as follows:

Loans	Issued Amount	Interest Rate (%)	Matures	Amount Outstanding
New Jersey Environmental Infrastructure Trust Fund Loan	\$3,060,880	0.00	2021-2028	\$1,260,020
New Jersey Environmental Infrastructure Trust Loan	1,080,000	3.00-5.00	2021-2029	588,000
Add, unamortized premium				10,758
Total loans payable				1,858,778
Less, loans payable - current				(224,831)
Long-term loans payable				<u>\$1,633,947</u>

The following table summarizes debt service requirements for outstanding loans at December 31, 2020:

Year	Principal	Interest	Total
2021	\$224,831	\$23,520	\$248,351
2022	225,831	21,280	247,111
2023	230,831	19,000	249,831
2024	230,831	16,520	247,351
2025	234,831	14,040	248,871
2026	234,831	11,400	246,231
2027	240,831	8,760	249,591
2028	149,203	5,880	155,083
2029	76,000	3,040	79,040
	<u>\$1,848,020</u>	<u>\$123,440</u>	<u>\$1,971,460</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2020 AND 2019

6. LONG-TERM DEBT (CONTINUED)

In December 2019, the Authority issued bonds in the amount of \$465,000 with the Monmouth County Improvement Authority. The interest rates range from 4.00% to 5.00%.

At December 31, 2020 bonds payable are summarized as follows:

Bonds	Issued Amount	Interest Rate (%)	Matures	Amount Outstanding
Monmouth County Improvement Authority Bonds				
	\$465,000	4.00%-5.00%	2021-2029	\$425,000
Add, unamortized premium				<u>83,102</u>
Total bonds payable				508,102
Less, bonds payable - current				<u>(40,000)</u>
Long-term bonds payable				<u><u>\$468,102</u></u>

The following table summarizes debt service requirements for outstanding bonds at December 31, 2020:

Year	Principal	Interest	Total
2021	\$40,000	\$21,250	\$61,250
2022	40,000	19,250	59,250
2023	45,000	17,250	62,250
2024	45,000	15,000	60,000
2025	45,000	12,750	57,750
2026	50,000	10,500	60,500
2027	50,000	8,000	58,000
2028	55,000	5,500	60,500
2029	55,000	2,750	57,750
	<u>\$425,000</u>	<u>\$112,250</u>	<u>\$537,250</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2020 AND 2019

6. LONG-TERM DEBT (CONTINUED)

Changes in Outstanding Long-Term Debt

Long-Term Debt transactions for the year ended December 31, 2020 and 2019 are summarized as follows:

	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Amounts due within one year
New Jersey Environmental Infrastructure Trust Fund loan payable	\$1,428,851		\$168,831	\$1,260,020	\$168,831
New Jersey Environmental Infrastructure Trust loan payable	640,000		52,000	588,000	56,000
Unamortized loan premium	12,246		1,488	10,758	-
Bonds payable	465,000		40,000	425,000	40,000
Unamortized bond premium	92,336		9,234	83,102	-
	<u>\$2,638,433</u>	<u>-</u>	<u>\$271,553</u>	<u>\$2,366,880</u>	<u>\$264,831</u>
	December 31, 2018	Additions/ Adjustments	Reductions	December 31, 2019	Amounts due within one year
New Jersey Environmental Infrastructure Trust Fund loan payable	\$1,597,680	\$2	\$168,831	\$1,428,851	\$168,831
New Jersey Environmental Infrastructure Trust loan payable	692,000		52,000	640,000	52,000
Unamortized premium	13,734		1,488	12,246	-
Bonds payable		465,000		465,000	40,000
Unamortized bond premium		92,336		92,336	-
	<u>\$2,303,414</u>	<u>\$557,338</u>	<u>\$222,319</u>	<u>\$2,638,433</u>	<u>\$260,831</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2020 AND 2019

7. PENSION PLAN

Description of System

The Authority contributes to the Public Employees' Retirement System ("PERS"), a cost-sharing multiple employer defined benefit pension plans administered by the Division of Pensions and Benefits in the Department of the Treasury, State of New Jersey. The plan provides retirement, death, disability benefits and medical benefits to certain qualifying members and beneficiaries. PERS was established on January 1, 1955 under the provisions of N.J.S.A. 43:15A. PERS issues publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits.

Defined Contribution Retirement Program

The Defined Contribution Retirement Program ("DCRP") is a cost-sharing multiple employer defined contribution pension fund which was established in 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. DCRP provides eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employee contributions to DCRP are five and one-half percent (5.50%) of base wages. Member contributions are matched by a three percent (3.00%) employer contribution. The Authority's contributions for December 31, 2020 and 2019 were \$804 and \$825, respectively.

Funding Policy

PERS employee contributions were 7.50% of base wages. The Division of Pensions actuarially determines employer's contributions annually.

Public Employees' Retirement System (PERS)

At June 30, 2020, the State reported a net pension liability of \$528,434 for the Authority's proportionate share of the total net pension liability. The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to 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. At June 30, 2020, the Authority's proportion was 0.0032404602 percent, which was a decrease of 0.0019384972 percent from its proportion measured as of June 30, 2019.

At June 30, 2020 and 2019, the State recognized an actuarially determined pension benefit and expense of \$42,773 and \$91,261, respectively, for the Authority's proportionate share of the total pension expense. The Authority's actual pension contributions by the Authority for December 31, 2020 and 2019 were \$50,479 and \$50,376, respectively.

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2020 AND 2019

7. PENSION PLAN (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

At June 30, 2020 and 2019, the State reported deferred inflows of resources and deferred outflows of resources related to PERS from the following sources:

	2020		2019	
	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$1,869	\$9,622	\$4,122	\$16,749
Changes of assumptions	221,260	17,143	323,900	93,180
Net difference between projected and actual earnings on pension plan investments		18,062	14,730	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	376,882	44,704	34,545	83,401
	<u>\$600,011</u>	<u>\$89,531</u>	<u>\$377,297</u>	<u>\$193,330</u>

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

Year Ending June 30,	Amount
2021	(\$189,843)
2022	(173,079)
2023	(98,910)
2024	(39,998)
2025	(8,650)
	<u>(\$510,480)</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2020 AND 2019

7. PENSION PLAN (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. These actuarial valuations used the following actuarial assumptions:

	<u>June 30, 2020</u>	<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%
Thereafter	3.00% - 7.00%	3.00% - 7.00%
Investment Rate of Return	7.00%	7.00%

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.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2020 AND 2019

7. PENSION PLAN (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Long-Term Rate of Return

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

Asset Class	June 30, 2020		June 30, 2019	
	Long-Term		Long-Term	
	Target Allocation	Expected Real Rate of Return	Target Allocation	Expected Real Rate of Return
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				
Market Equity	13.50%	8.57%	12.50%	9.00%
Emerging Market Equity	5.50%	10.23%	6.50%	11.37%
Private Equity	13.00%	11.42%	12.00%	10.85%
	<u>100.00%</u>		<u>100.00%</u>	

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2020 AND 2019

7. PENSION PLAN (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% and 6.28% as of June 30, 2020 and 2019, respectively. 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 and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate.

The following presents the collective net pension liability of the participating employers as of June 30, 2020 and 2019, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	June 30, 2020		
	1% Decrease	At Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Authority's proportionate share of the pension liability	\$665,211	\$528,434	\$412,376
	June 30, 2019		
	1% Decrease	At Current Discount Rate	1% Increase
	5.28%	6.28%	7.28%
Authority's proportionate share of the pension liability	\$1,178,745	\$933,170	\$726,238

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System.

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2020 AND 2019

8. POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description

The Authority has an agent multiple-employer defined benefit healthcare plan (the "Plan") with Central Jersey Health Insurance Fund (the "Fund"). The Authority provides medical and prescription benefits to retirees and their spouses that meet certain eligibility requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board (GASB) Statement 75.

Summary of Benefits

The Plan provides retirees and their dependents medical and prescription benefits provided that they meet the eligibility requirements.

Employees Covered by Benefit Terms

Inactive employees and beneficiaries currently receiving benefits	3
Active employees	6
	<hr/>
	9

Contributions

The contribution requirements of the Authority and Plan members are established and may be amended by the Authority's governing body. Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postemployment medical and prescription coverage who have less than 20 years credible service on June 28, 2011 will be required to pay a percentage of the cost of their health insurance coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible, will be determined based on the retiree's annual retirement benefit and level of insurance coverage.

Net Other Postemployment Benefits (OPEB) Liability

The Authority's total OPEB liability of \$1,517,596 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The OPEB liability in the December 31, 2020 actuarial valuation was determined using the following economic actuarial assumptions, an inflation rate of 2.50%, salary increases of 2.50% and various healthcare cost trend rates of 5.60% decreasing to an ultimate rate of 5.00% in 2026. Mortality rates were based on the RP 2000 Combined Healthy Male Mortality Rates set forward one year and adjusted for generational improvement. The actual assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2020 to December 31, 2020.

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2020 AND 2019

8. POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Discount Rate

The discount rate under GASB 75 should be the single rate that reflects (a) the long-term expected rate of return on plan investments that are expected to be used to finance the benefit payments, to the extent that the plan's fiduciary net position is projected to be significant to make projected benefit payments and the assets are expected to be invested using a strategy to achieve that return and (b) a yield or index rate for 20 year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or an equivalent quality of another scale) to the extent that the conditions in (a) are not met. The discount rate of 2.12% was used for determining the total OPEB liability at December 31, 2020 and was based on the Bond Buyer 20 Index.

Changes in the Total OPEB Liability

Balance January 1, 2020	\$967,313
Changes for the year:	
Service Cost	28,719
Interest Cost	26,756
Difference between Expected and Actual Experience	386,287
Changes in Assumptions	147,605
Benefits Paid	(39,084)
Balance December 31, 2020	<u><u>\$1,517,596</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2020 and the preceding two years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2020	\$97,068	40.26%	\$1,517,596
12/31/2019	74,687	46.38%	967,313
12/31/2018	74,687	12.44%	927,297

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2020 AND 2019

8. POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	December 31, 2020		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	1.12%	2.12%	3.12%
Net OPEB Liability	\$1,612,076	\$1,517,596	\$1,446,776

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

	December 31, 2020		
	1%	Healthcare	1%
	Decrease	Cost Trend Rate	Increase
Net OPEB Liability	\$1,419,951	\$1,517,596	\$1,637,969

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

For the year ended December 31, 2020, the actuarially determined OPEB expense reflected in the Plan report was \$97,068. At December 31, 2020, the Plan reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	-	\$356,193.00
Changes of assumptions	-	136,106.00
	-	\$492,299.00

NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2020 AND 2019

8. POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

OPEB Expense and Deferred Inflows of Resources and Deferred Outflows of Resources
(continued)

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$41,593.00
2022	41,593.00
2023	41,593.00
2024	41,593.00
2025	41,593.00
Thereafter	<u>284,334.00</u>
	<u><u>\$492,299.00</u></u>

9. COMPENSATED ABSENCES

The Authority permits its employees to accumulate unused sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. The unused sick pay accumulates indefinitely and after fifteen years of service employees will be paid for one-half of their total accumulated unused sick pay, not to exceed 100 days and not to exceed the maximum allowed by the State at the time the employee resigns or retires. The estimated current costs of such unpaid sick pay at December 31, 2020 and 2019 were \$61,358 and \$55,080 respectively.

10. SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions occurring from December 31, 2020 through the date the financial statements were issued, November 4, 2021, for possible disclosure and recognition in the accompanying financial statements.

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN
SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED TO BUDGET (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2020

	<u>ORIGINAL BUDGET</u>	<u>ACTUAL</u>
<u>Revenues</u>		
Sewer service charges	\$3,375,717	\$3,211,713
Connection fees	25,000	135,090
Penalties and other	30,000	74,866
Interest income	40,000	23,839
Application fees	-	16,601
Total revenues	<u>\$3,470,717</u>	<u>\$3,462,109</u>
<u>Expenditures/(Benefit)</u>		
<u>Administration</u>		
Salaries and wages	\$208,000	\$159,834
Legal	20,000	12,144
Payroll taxes	19,240	11,491
Pension	26,347	(19,400)
Accounting	6,000	2,944
Computer consultant and software	22,160	21,540
Auditing	20,000	15,308
Trustee and administrative fees	7,240	7,540
Employee training	7,800	-
Insurance - general	1,500	1,448
Insurance - health	65,728	61,714
Engineer	35,000	10,033
Office supplies and postage	32,500	5,701
Telephone	6,800	6,283
Advertising fees	1,100	1,031
Miscellaneous	8,700	3,059
Employee consultant	2,000	-
Post-employment healthcare	34,508	46,247
	<u>524,623</u>	<u>346,917</u>

See Independent Auditor's Report

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN
SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED TO BUDGET (BUDGETARY BASIS) - CONTINUED
YEAR ENDED DECEMBER 31, 2020

	<u>ORIGINAL BUDGET</u>	<u>ACTUAL</u>
<u>Expenditures/(Benefit) (continued)</u>		
Cost of Providing Services		
Salaries and wages	\$242,000	\$205,224
Payroll taxes	12,760	15,313
Insurance - general	26,500	25,572
Insurance - health	57,001	33,895
Telephone	6,800	5,896
Electricity	38,000	31,760
Fuel	6,500	3,622
Natural gas	10,000	9,866
Plant supplies	5,500	15,026
Water	1,000	312
Miscellaneous	12,800	7,738
Repairs and maintenance	99,000	34,197
Regional sewerage charges	2,175,000	1,732,523
Post-employment healthcare	40,149	54,291
Pension	30,653	(22,570)
	<u>2,763,663</u>	<u>2,152,665</u>
 Total administration and cost of of providing services	 <u>3,288,286</u>	 <u>2,499,582</u>
 Principal payments on debt service in lieu of depreciation	 <u>260,831</u>	 <u>260,831</u>
 Interest payments on debt	 <u>46,600</u>	 <u>47,759</u>
 Total expenditures	 3,595,717	 2,808,172
 (Unrestricted net assets utilized)/ excess revenues	 <u>(125,000)</u>	 <u>653,937</u>
 Net Total Appropriations	 <u><u>\$3,470,717</u></u>	 <u><u>\$3,462,109</u></u>

See Independent Auditor's Report

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN
SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED TO BUDGET (BUDGETARY BASIS) - CONTINUED
YEAR ENDED DECEMBER 31, 2020

Reconciliation to Statement of Revenues, Expenses, and Changes in Net Position

Excess in Revenues	\$653,937
Add back:	
Principal payments on debt service in lieu of depreciation	260,831
Amortization of bond and loan premiums	10,722
Deduct:	
Depreciation	(269,973)
Change in net position	<u>\$655,517</u>
Change in Net Position per Statement of Revenues, Expenses and Changes in Net Position	<u>\$655,517</u>

See Independent Auditor's Report

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2020

None

THE EATONTOWN SEWERAGE AUTHORITY
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2020

This section identifies the status of prior year financial statement findings 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.

There were no prior audit findings.