EWING-LAWRENCE SEWERAGE AUTHORITY

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

December 31, 2020

EWING-LAWRENCE SEWERAGE AUTHORITY

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December 31, 2020

INDEPENDENT AUDITORS' REPORT

To the Honorable Chairperson and Board Members of
Ewing-Lawrence Sewerage Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Ewing-Lawrence Sewerage Authority (the "Authority"), as of and for the years ended December 31, 2020 and 2019, and the related notes to financial statements, which 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and requirements of audit prescribed by the 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 auditors' 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 Authority'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.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2020 and 2019, and the respective changes in its financial position and its 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 the required supplementary schedules, 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 Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedule of revenues, expenses and changes in net position and schedule of operating revenues and costs funded by operating revenues compared to budget, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information, except for the part marked "unaudited," 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, except for that portion marked "unaudited," the schedule of revenues, expenses and changes in net position and schedule of operating revenues and costs funded by operating revenues compared to budget, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of this 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.

Mercadien, P.C.
Certified Public Accountants

July 7, 2022

As financial management of the Ewing-Lawrence Sewerage Authority (the "Authority"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended December 31, 2020 and 2019. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements taken as a whole. A comparative analysis of the financial statements data has been presented for 2020 and 2019.

FINANCIAL HIGHLIGHTS

Income from operations for the Authority was $2,370,932 and $4,313,825 for the years ended December 31, 2020 and 2019, respectively. The Authority's net position was $28,780,179 and $26,310,898 at the close of 2020 and 2019, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements, which are comprised of the basic financial statements and supplementary information, including a schedule of revenues, expenses and changes in net position.

Basic financial statements. The basic financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to that employed by private-sector businesses.

The statements of net position present information on all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the Authority is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets and deferred outflows of resources without corresponding increases to liabilities and deferred inflows of resources also result in increased net position, which indicates an improved financial position.

The statements of revenues, expenses and changes in net position present information showing how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying events occur, regardless of timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will not result in cash flows until future fiscal periods.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the statements of net position and revenues, expenses and changes in net position.

Supplementary information. In addition to the basic financial statements, this report also presents certain required supplementary information related to pensions and OPEB and other information concerning operating revenues, expenses and net position, as well as comparisons to budget and information required by the Governmental Accounting Standards Board.

FINANCIAL ANALYSIS OF THE AUTHORITY

Cash balances were $23,926,982 and $24,192,346 at December 31, 2020 and 2019, respectively, and comprise the largest portion of the Authority's current assets and consist of unrestricted and restricted portions.

The Authority had $28,934,213 and $31,244,910 in NJIB loans as of December 31, 2020 and 2019, respectively, relating to the acquisition, construction and improvement of sewer systems in Ewing and Lawrence Townships.

The following tables contain condensed financial information derived from the December 31, 2020, 2019, and 2018 financial statements of the Authority:

Condensed Statements of Net Position

	December 31,			$ Change	% Change
	2020	2019	2018*	2020-2019	2020-2019
Current assets	$ 23,949,633	$ 24,216,140	$ 22,661,426	$ (266,507)	-1%
Capital assets	66,291,841	65,453,098	65,960,952	838,743	1%
Total assets	$ 90,241,474	$ 89,669,238	$ 88,622,378	$ 572,236	1%
Deferred outflows of resources	$ 4,393,074	$ 1,933,117	$ 2,704,751	$ 2,459,957	127%
Current liabilities, net of loans payable	$ 4,410,592	$ 3,128,030	$ 2,980,973	$ 1,282,561	41%
Loans payable	28,934,213	31,244,910	33,552,388	(2,310,697)	-7%
Total OPEB obligation	13,512,633	9,734,652	12,018,120	3,777,981	39%
Net pension liability	8,177,577	9,654,811	10,783,474	(1,477,234)	-15%
Unearned principal loan forgiveness	-	316,254	385,302	(316,254)	-100%
Total liabilities	$ 55,035,014	$ 54,078,657	$ 59,720,257	$ 956,357	2%
Deferred inflows of resources	$ 10,819,354	$ 11,212,800	$ 9,395,624	$ (393,446)	-4%
Net position:					
Net investment in capital assets	$ 37,357,628	$ 34,208,188	$ 32,408,564	$ 3,149,440	9%
Restricted	2,639,403	2,626,727	2,571,965	12,676	0%
Unrestricted	(11,216,852)	(10,524,017)	(12,769,280)	(692,835)	7%
Total net position	$ 28,780,179	$ 26,310,898	$ 22,211,248	$ 2,469,281	9%

* Amounts were adjusted to reflect the impacts of a prior period restatement.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Years Ended December 31,			$ Change	% Change
	2020	2019	2018*	2020-2019	2020-2019
Operating revenues	$ 14,931,700	$ 15,830,832	$ 15,239,556	$ (899,132)	-6%
Operating expenses	(9,975,379)	(9,623,805)	(11,050,598)	(351,575)	4%
Depreciation and amortization	(2,585,388)	(1,893,202)	(2,802,724)	(692,186)	37%
Income from operations	2,370,932	4,313,825	1,386,234	(1,942,892)	-45%
Non-operating revenues	512,450	236,302	633,108	276,148	117%
Non-operating expenses	(414,101)	(450,477)	(485,207)	36,376	-8%
Changes in net position	2,469,281	4,099,650	1,534,136	(1,630,369)	-40%
Net position, beginning of year	26,310,898	22,211,248	20,677,112	5,633,786	
Net position, end of year	$ 28,780,179	$ 26,310,898	$ 22,211,248	$ 2,469,281	9%

* Amounts were adjusted to reflect the impacts of a prior period restatement.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide taxpayers and our creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the revenues that it receives. If you have questions about this report or need additional information, contact the Authority's financial management at 600 Whitehead Road, Lawrenceville, New Jersey, 08648 or (609) 587-4061.

EWING-LAWRENCE SEWERAGE AUTHORITY

STATEMENTS OF NET POSITION

	December 31, 2020	December 31, 2019
ASSETS		
Current Assets		
Unrestricted		
Cash and cash equivalents	$ 21,287,578	$ 21,565,619
Interest receivable	16,131	14,832
Other receivables	6,521	8,963
Total Unrestricted	21,310,230	21,589,413
Restricted		
Cash and cash equivalents debt service reserve	2,639,403	2,626,727
Total Restricted	2,639,403	2,626,727
Total Current Assets	23,949,633	24,216,140
Capital assets, net of accumulated depreciation	66,291,841	65,453,098
Total Assets	$ 90,241,474	$ 89,669,238
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	$ 1,064,441	$ 1,609,568
OPEB	3,328,633	323,549
	$ 4,393,074	$ 1,933,117
LIABILITIES		
Current Liabilities		
Accounts payable	$ 1,960,577	$ 639,303
Developers' performance bonds	247,913	247,913
Loans payable	2,298,113	2,304,405
Accrued interest payable	163,488	217,325
Accrued payroll	22,229	32,024
Accrued liability for compensated absences	578,752	520,256
Engineering deposits	980,966	1,009,338
Other liabilities	456,666	461,872
Total Current Liabilities	6,708,705	5,432,435
Non-Current Liabilities		
Loans payable	26,636,100	28,940,505
Net OPEB liability	13,512,633	9,734,652
Net pension liability	8,177,577	9,654,811
Unearned principal loan forgiveness	-	316,254
Total Non-Current Liabilities	48,326,310	48,646,222
Total Liabilities	$ 55,035,014	$ 54,078,657
DEFERRED INFLOWS OF RESOURCES		
Pensions	$ 4,242,030	$ 3,763,075
OPEB	6,577,324	7,449,725
	$ 10,819,354	$ 11,212,800
NET POSITION		
Net investment in capital assets	$ 37,357,628	$ 34,208,188
Restricted		
Future debt service	2,639,403	2,626,727
Unrestricted	(11,216,852)	(10,524,017)
Total Net Position	$ 28,780,179	$ 26,310,898

See notes to financial statements.

EWING-LAWRENCE SEWERAGE AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31,	
	2020	2019
Operating revenues		
Annual charges	$ 14,450,922	$ 14,426,134
Connection fees	385,138	814,209
Capacity revenue	32,720	60,750
Inspection fees	1,200	10,680
Developer applications	2,900	21,200
Interest	29,906	205,870
Miscellaneous	28,915	291,989
Total operating revenues	14,931,700	15,830,832
Operating expenses		
Costs of providing services	8,084,442	7,881,795
Administrative and general	1,890,937	1,742,010
Depreciation	2,585,388	1,893,202
Total operating expenses	12,560,768	11,517,007
Income from operations	2,370,932	4,313,825
Non-operating revenues (expenses)		
Interest income	116,536	199,772
Interest expense	(414,101)	(450,477)
Donated capital for system improvements	79,660	2,900
Principal loan forgiveness	316,254	33,630
Non-operating revenue (expenses), net	98,349	(214,175)
Changes in net position	2,469,281	4,099,650
Net position, beginning of year	26,310,898	22,211,248
Net position, end of year	$ 28,780,179	$ 26,310,898

EWING-LAWRENCE SEWERAGE AUTHORITY

STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2020	2019
Cash Flows from Operating Activities		
Cash received from		
Annual charges	$ 14,450,922	$ 14,426,134
Connection fees	385,138	814,209
Inspection fees	1,200	10,680
Interest income	29,906	205,870
Miscellaneous revenue	65,680	368,954
Cash used for		
Cost of providing services	(8,880,794)	(8,807,245)
Administrative and general	(1,664,845)	(1,511,323)
Net cash from operating activities	4,387,207	5,507,279
Cash Flows from Investing Activities		
Interest income	116,536	199,772
Purchases of capital assets, net	(2,074,131)	(1,385,347)
Net cash from investing activities	(1,957,595)	(1,185,575)
Cash Flows from Financing Activities		
Repayments of loans	(2,306,699)	(2,306,601)
Funds held by trustees	79,660	-
Payment of loan interest	(467,937)	(465,372)
Net cash from financing activities	(2,694,976)	(2,771,973)
Net change in cash and cash equivalents	(265,364)	1,549,731
Cash and cash equivalents, beginning of year	24,192,346	22,642,615
Cash and cash equivalents, end of year	$ 23,926,982	$ 24,192,346
The following is a summary of the Authority's cash and cash equivalents:		
Cash-unrestricted	$ 21,287,578	$ 21,565,619
Cash-restricted	2,639,403	2,626,727
Total cash and cash equivalents	$ 23,926,982	$ 24,192,346
Reconciliation of Income from Operations to Net Cash from Operating Activities		
Income from operations	$ 2,370,932	$ 4,313,825
Adjustments to reconcile income from operations to net cash from operating activities		
Depreciation	2,585,388	1,893,202
Net OPEB liability	(99,504)	(574,420)
Net pension liability	(453,152)	(248,901)
Changes in assets and liabilities		
Other receivables	1,143	(4,984)
Accounts payable	(32,724)	(74,583)
Other liabilities	(15,001)	190,849
Engineering fee deposits	(28,372)	28,060
Accrued compensated absences	58,496	(15,768)
Net cash from operating activities	$ 4,387,207	$ 5,507,279

See notes to financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Ewing-Lawrence Sewerage Authority (the "Authority"), is a special purpose local government located in Lawrenceville, New Jersey, created to construct and operate a wastewater collection and treatment system to service the Townships of Ewing and Lawrence, New Jersey (the "Townships"). The Authority entered into a contract with the Townships, dated October 18, 1951, as amended on October 9, 1961, obligating each Township to guarantee its proportionate share of annual charges to operate the system, debt service costs, and an amount to be set aside for renewals, replacements and extensions to the system.

Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") applicable to governmental proprietary type funds.

In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board ("GASB") and other entities that promulgate accounting principles. GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. Per the Statement, the sources of authoritative generally accepted accounting principles (“GAAP”) are categorized in descending order of authority as follows: GASB Statements and Interpretations, GASB Technical Bulletins, GASB Implementation Guides, and literature of the American Institute of Certified Public Accountants (“AICPA”) cleared by the GASB. Authoritative GAAP is incorporated periodically into the *Codification of Governmental Accounting and Financial Reporting Standards* (Codification), and when presented in the Codification, it retains its authoritative status. If the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP described above, a governmental entity should first consider accounting principles for similar transactions or other events within a source of authoritative GAAP described above and then may consider nonauthoritative accounting literature from other sources. These include GASB Concepts Statements; pronouncements and other literature of the Financial Accounting Standards Board, Federal Accounting Standards Advisory Board, International Public Sector Accounting Standards Board, and International Accounting Standards Board, and AICPA literature not cleared by the GASB; practices that are widely recognized and prevalent in state and local government; literature of other professional associations or regulatory agencies; and accounting textbooks, handbooks and articles.

Cash and Cash Equivalents

New Jersey local 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 State of 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 local governmental units.

Cash equivalents include certificates of deposit and highly liquid debt instruments with original maturities of ninety days or less.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

At December 31, 2020 and 2019, bank trust accounts consisted of repurchase agreements of a bank approved under the New Jersey Governmental Unit Deposit Protection Act (“NJGUDPA”) and are collateralized by U.S. Government Agency securities on deposit at the Federal Reserve Bank of New York.

All other deposits at December 31, 2020 and 2019, were covered by the Federal Deposit Insurance Corporation (the "FDIC") and by the GUDPA.

Capital Assets

Capital assets include land and land improvements, buildings and building improvements, and machinery and equipment over $10,000 which are capitalized and recorded at cost. System construction costs are charged to construction in progress until such time as given segments of the system are completed and placed in operation. Depreciation and amortization is provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Land improvements	50 years
Building and building improvements	7-50 years
Machinery and equipment	3-75 years

Repairs and maintenance which do not extend the useful lives of the related assets are expensed as incurred.

Pension and Other Post-Employment Benefits ("OPEB")

The Authority recognized a liability for the net pension liability as required by GASB Statement No. 68 for the Authority’s participation in the State cost sharing multiple employer defined benefit pension plan. Additionally, the Authority has recognized a net OPEB liability as required by GASB Statement No. 75 for the Authority’s participation in the State cost sharing multiple employer defined post-retirement benefit plan and a total OPEB liability for the supplemental defined post-retirement benefit dental plan. See footnotes F and G for additional information on the plans.

Compensated Absences

Full-time union and non-union employees are entitled to earn and accumulate sick and vacation leave days each year. Unused time may be carried forward from year-to-year. In the event of separation from employment, the payment of accumulated sick time will be made for the accumulated value of unused sick time up to the cap of the lesser of 50% of unused sick time or $15,000. Payments of accumulated vacation time will be made for the accumulated values of unused vacation time up to the cap of 200 hours at the employees’ hourly rate at the time of separation. The Authority accrues a sick and vacation liability in accordance with this policy.

Deferred Outflows and Inflows of Resources

The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent 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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources (Continued)

Deferred inflows of resources represent 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.

The Authority is required to report the following as deferred outflows and inflows of resources:

Deferred outflows and inflows related to pensions and OPEB - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension and OPEB plan investments, changes in the Authority's proportion of expenses and liabilities to the pension and OPEB as a whole, differences between the Authority's pension and OPEB contributions and its proportionate share of contributions, and the Authority's pension and OPEB contributions subsequent to the pension and OPEB valuation measurement dates.

Net Position

Equity is classified as net position and displayed in three components:

1) <u>Net Investment in Capital Assets</u> - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that are attributable to the acquisition, construction, or improvement of those assets.

2) <u>Restricted</u> - when constraints placed on net position are either a) externally imposed by creditors (such as loan agreements), grantors, or laws or regulations of other governments, or b) imposed by law.

3) <u>Unrestricted</u> - any other net position that does not meet the definition of "net investment in capital assets" or " restricted."

Revenues

The primary source of revenues is from annual charges. Annual charges are recognized as revenue upon billing the budgeted agreed-upon amounts to the Townships of Ewing and Lawrence. The Townships pay the Authority their share of the operating costs and debt service. No fees are collected from the residents by the Authority.

Connection fees are recognized as revenue upon issuance of the connection fee permit.

Contributions for System Improvements and Developer Contributions

Developer contributions for system improvements and other developer contributions are recorded as operating revenues in the periods when earned under the terms of developer agreements. Developer-financed construction is recorded in the period in which applicable costs are incurred and is recorded at fair market value at the time of the contribution.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

As a governmental entity, the Authority's income is exempt from taxes in accordance with Internal Revenue Code Section 115.

B. CASH AND CASH EQUIVALENTS

Deposits were with contracted depository banks in interest-bearing accounts that were insured under the NJGUDPA. All such deposits are held in the Authority's name.

NJGUDPA permits the deposit of public funds in the State of New Jersey Cash Management Fund or in institutions located in New Jersey that are insured by the FDIC or by any other agencies of the United States that insure deposits. NJGUDPA requires public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

Each depository participating in the GUDPA system must pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or $200 million. The minimum 5% pledge applies to institutions that are categorized as "well capitalized" by federal banking standards. The percentage of the required pledge will increase for institutions that are less than "well capitalized."

No collateral is required for amounts covered by FDIC or National Credit Union Share Insurance Fund ("NCUSIF") insurance. The collateral which may be pledged to support these deposits includes obligations of state and federal governments, insured securities and other collateral approved by the Department of Banking and Insurance. When the capital position of the depository deteriorates or the depository takes an unusually large amount of public deposits, the Department of Banking and Insurance requires additional collateral to be pledged.

If a governmental depository fails and the FDIC or NCUSIF insurance does not insure or pay out the full amount of public deposits, the collateral pledged to protect these funds would first be liquidated and paid out. If this amount is insufficient, other institutions holding public funds would be assessed pro rata up to 4% of their uninsured public funds. Although these protections do not constitute a 100% guarantee of the safety of all funds, no governmental unit under GUDPA has ever lost protected deposits.

As of December 31, 2020 and 2019, the Authority's bank balances were exposed to risk as follows:

	2020	2019
Insured and Collateralized	$ 877,706	$ 736,392
Uninsured and Collateralized	23,227,939	23,725,094
Total	$ 24,105,644	$ 24,461,486

B. CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of the counter party, the Authority will not be able to recover the value of its cash and cash equivalents that are in the possession of an outside party. Deposits were made with contracted depository banks in interest-bearing accounts that were insured under the GUDPA. All such deposits are held in the Authority's name. Deposits in excess of amounts insured by the FDIC are covered by a collateral pool maintained by the banks under GUDPA requirements.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Because the Authority maintains only cash and cash equivalents, it is not subject to interest rate risk if interest rates fluctuate.

C. CAPITAL ASSETS

Capital assets consist of the following:

	December 31, 2020	December 31, 2019
Land	$ 461,112	$ 461,112
Land improvements	6,059,128	6,059,128
Buildings and building improvements	42,146,684	40,796,684
Machinery and equipment	69,618,692	69,255,112
Construction in progress	2,039,737	329,187
Subtotal	120,325,354	116,901,223
Less accumulated depreciation	54,033,513	51,448,125
Total	$ 66,291,841	$ 65,453,098

Capital asset activities were as follows:

	December 31, 2019	Additions	Retirements/ Transfers	December 31, 2020
Non-Depreciable Assets				
Land	$ 461,112	$ -	$ -	$ 461,112
Construction in progress	329,187	2,074,131	363,581	2,039,737
Depreciable Assets				
Land improvements	6,059,128	-	-	6,059,128
Buildings and building improvements	40,796,684	1,350,000	-	42,146,684
Machinery and equipment	69,255,112	363,581	-	69,618,692
Total at historical cost	116,901,223	3,787,712	363,581	120,325,354
Less accumulated depreciation	51,448,125	2,585,388	-	54,033,513
Total capital assets	$ 65,453,098	$ 1,202,324	$ 363,581	$ 66,291,841

C. CAPITAL ASSETS (CONTINUED)

	December 31, 2018	Additions	Retirements/ Transfers	December 31, 2019
Non-Depreciable Assets				
Land	$ 461,112	$ -	$ -	$ 461,112
Construction in progress	131,038	1,385,347	1,187,199	329,187
Depreciable Assets				
Land improvements	6,059,128	-	-	6,059,128
Buildings and building improvements	40,796,684	-	-	40,796,684
Machinery and equipment	68,067,913	1,187,199	-	69,255,112
Total at historical cost	115,515,875	2,572,547	1,187,199	116,901,223
Less accumulated depreciation	49,554,923	1,893,202	-	51,448,125
Total capital assets	$ 65,960,952	$ 679,345	$ 1,187,199	$ 65,453,098

Depreciation expense was as follows:

	Year Ended December 31, 2020	2019
Land improvements	$ 190,866	$ 190,866
Buildings and building improvements	848,357	850,128
Machinery and equipment	1,546,165	852,208
Total depreciation expense	$ 2,585,388	$ 1,893,202

D. LOANS PAYABLE

As of December 31, 2020 and 2019, the Authority maintained a loan balance of $28,934,213 and $31,244,910, respectively, through the New Jersey Infrastructure Bank ("NJIB") financing program. Under the NJIB financing program the Authority received $947,467 in principal loan forgiveness in the series 2015 loan and $2,276,703 in the series 2010 loan which represents a reduction in the principal loan amount that must be repaid by the Authority. The loan forgiveness is recorded as unearned principal loan forgiveness on the statements of net position and forgiveness is recognized as revenue based on a percentage of funds spent under the loan program. For the years ended December 31, 2020 and 2019, the Authority recognized $316,254 and $33,630, respectively, in principal loan forgiveness.

The following is a summary of NJIB loans outstanding (revenue bonds) at December 31:

Loans Payable	Interest Rate	Maturity Date	2020	2019
2004 NJEIT Trust and Fund Loan	3.00%-5.00%	2024	$ 188,932	$ 301,290
2010 NJEIT Trust and Fund Loan	3.40%-5.00%	2030	2,454,935	2,791,420
2012 NJEIT Trust and Fund Loan	3.40%-5.00%	2031	763,209	839,328
2014 NJEIT Trust and Fund Loan	3.00%-5.00%	2033	18,676,310	19,999,117
2015 NJEIT Trust and Fund Loan	4.00%-5.00%	2034	3,196,970	3,402,111
2017 NJEIT Trust and Fund Loan	3.00%-5.00%	2033	3,653,855	3,911,644
Total loans payable			$ 28,934,213	$ 31,244,910

D. LOANS PAYABLE (CONTINUED)

As of December 31, 2020 and 2019, $19,351,819 and $20,966,164, respectively, of the loan balance above represents the fund portion of the loan, which bears 0% interest.

Total maturities, including interest for the years ending December 31, are as follows:

	Principal	Interest	Total
2021	$ 2,298,113	$ 392,372	$ 2,690,484
2022	2,329,486	353,122	2,682,607
2023	2,344,486	311,872	2,656,357
2024	2,338,175	270,472	2,608,647
2025	2,368,175	230,222	2,598,397
2026-2030	10,762,226	682,434	11,444,660
2031-2034	6,493,553	146,070	6,639,623
Total	$ 28,934,213	$ 2,386,562	$ 31,320,775

E. LONG-TERM LIABILITIES

Long-term liability activity for the years ended December 31, 2020 and 2019, was as follows:

	December 31, 2019	Additions	(Reductions)	December 31, 2020	Amounts Due Within One Year
NJEIT loans payable	$ 28,940,505	$ -	$ (2,304,405)	$ 26,636,100	$ 2,298,113
Net OPEB liability	9,734,652	3,777,981	-	13,512,633	-
Net pension liability	9,654,811	-	(1,477,234)	8,177,577	-
Unearned principal loan forgiveness	316,254	-	(316,254)	-	-
Total	$ 48,646,223	$ 3,777,981	$ (4,097,893)	$ 48,326,311	$ 2,298,113

	December 31, 2018	Additions	(Reductions)	December 31, 2019	Amounts Due Within One Year
NJEIT loans payable	$ 31,245,787	$ -	$ (2,305,282)	$ 28,940,505	$ 2,304,405
Net OPEB liability	12,018,120	-	(2,283,468)	9,734,652	-
Net pension liability	10,783,474	-	(1,128,663)	9,654,811	-
Unearned principal loan forgiveness	385,302	-	(69,048)	316,254	-
Total	$ 54,432,684	$ -	$ (5,786,461)	$ 48,646,223	$ 2,304,405

F. PENSION PLAN

Description and Benefits

The Authority contributes to a cost-sharing multiple-employer defined benefit pension plan administered by Public Employees' Retirement System ("PERS") of New Jersey, which is part of the Division of Pensions in the Department of the Treasury, State of New Jersey (the “Division”). The state-administered funds were established by an Act of the State Legislature that assigns the Authority to establish and amend benefit provisions to the plan's board of trustees. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERS and is also available on the State of New Jersey website.

Plan Description and Benefits

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service.

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 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010, and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of $1/55^{th}$ of final average salary for each year of service credit are available to Tiers 1 and 2 members upon reaching age 60, and to Tier 3 members upon reaching age 62. Service retirement benefits of $1/60^{th}$ of final average salary for each year of service credit are 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 members with 25 or more years of service credit before age 62, and Tier 5 members 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 their respective tier.

F. PENSION PLAN (CONTINUED)

Contributions

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2020, the state's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in state fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012, and will be adjusted by the rate of return on the actuarial value of assets.

Covered employees are required by PERS to contribute 7.5% of their annual compensation. The Authority is required by State statute to contribute the remaining amounts necessary to pay benefits when due. Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and non-employer allocations are applied to amounts presented in the schedule of pension amounts by employer and non-employer. The allocation percentages for each group as of June 30, 2020, are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2020.

The Authority is billed annually for its normal contribution plus any accrued liability. The total contribution made by the Authority for the years ended December 31, 2020 and 2019, was $542,409 and $565,617, respectively. The Authority's covered payroll for the years ended December 31, 2020 and 2019, was $3,689,580 and $3,583,842, respectively.

F. PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2020 and 2019, the Authority reported a liability of $8,177,577 and $9,654,811 for its proportionate share of the net pension liability. The net pension liability was measured as of plan years ended June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 members of the plan, actuarial determined. At December 31, 2020 and 2019, the Authority's proportionate share was .0501464618% and 0.0535828197%, respectively, which was a decrease of .0034%.

The components of the collective net pension liability of the Authority as of plan year ended June 30, 2020, were as follows:

	Local
Total pension liability	$ 19,774,150
Plan fiduciary net position	11,596,574
Net pension liability	$ 8,177,577

For the years ended December 31, 2020 and 2019, the Authority recognized pension expense of $(453,152) and $(532,905), respectively. At December 31, 2020 and 2019, the Authority reported deferred outflows of resources as follows:

	December 31,			
	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 148,900	$ 28,919	$ 173,291	$ 42,651
Changes of assumptions	265,290	3,424,029	964,068	3,351,154
Net difference between projected and actual investment earnings on pension plan investments	279,516	-	-	152,405
Changes in proportion	107,049	789,082	211,607	216,865
Authority contributions subsequent to measurement date	263,686	-	260,602	-
	$ 1,064,441	$ 4,242,030	$ 1,609,568	$ 3,763,075

F. PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)
The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31,	Amortization
2021	$ (1,026,136)
2022	(935,524)
2023	(534,628)
2024	(216,195)
2025	(46,758)
	$ (2,759,242)

The previous amounts do not include employer-specific deferred outflows of resources and deferred inflows of resources related to changes in proportion and Authority contributions subsequent to the measurement date. These amounts should be amortized and recognized by the Authority over the average of the expected remaining service lives of all plan members, which is 5.16, 5.21, 5.63, 5.48, 5.57 and 5.72 years for the 2020, 2019, 2018, 2017, 2016 and 2015 amounts, respectively.

Actuarial Assumptions
The total pension liability in the plan year ended and measurement date of June 30, 2020, was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The total pension liability in the plan year ended and measurement date of June 30, 2019, 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:

2020 and 2019	
Inflation	
Price	2.75%
Wage	3.25%
Salary increases	
Through 2026 (based on years of service)	2.00%-6.00%
Thereafter (based on years of service)	3.00%-7.00%
Investment rate of return	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.

F. PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)
The actuarial assumptions used in the July 1, 2019 and June 30, 2018, valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at plan years ended June 30, 2020 and 2019), is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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 plan years ended June 30, 2020 and 2019, are summarized in the following table:

2020

	Target Allocation	Long-term Expected Rate of Return
U.S. equity	27.00%	7.71%
Non-U.S. developed markets equity	13.50%	8.57%
Emerging markets equity	5.50%	10.23%
Private equity	13.00%	11.42%
Real assets	3.00%	9.73%
Real estate	8.00%	9.56%
High yield	2.00%	5.95%
Private credit	8.00%	7.59%
Investment grade credit	8.00%	2.67%
Cash equivalents	4.00%	0.50%
U.S. treasuries	5.00%	1.94%
Risk mitigation strategies	3.00%	3.40%
	100.00%	

F. PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

2019

	Target Allocation	Long-term Expected Rate of Return
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%
	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% and 6.28% as of plan years ended 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 non-employer 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 these assumptions, the plan's fiduciary net position was projected to be available to make all 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.

F. PENSION PLAN (CONTINUED)

Discount Rate (Continued)

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the Authority as of plan years ended 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		
At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
$ 10,375,152	$ 8,177,577	$ 6,431,741

June 30, 2019		
At 1% Decrease (5.28%)	At Current Discount Rate (6.28%)	At 1% Increase (7.28%)
$ 12,280,437	$ 9,654,811	$ 7,566,112

G. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information about the OPEB Plan

The Authority participates in multiple post-employment benefit plans. One is a cost sharing multiple-employer defined post-retirement benefit plan (the “OPEB Plan”) with a special funding situation, which is administered by the State of New Jersey. It covers employees of local government employers that have adopted a resolution to participate in the OPEB Plan. The OPEB Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. The OPEB Plan provides continued health care benefits to employees retiring after twenty-five years of service. Benefits, contributions, funding and the manner of administration are determined by the State of New Jersey Legislature. The Division of Pensions and Benefits charges the Authority for its contributions. The total number of plan participants eligible for benefits was 71 at December 31, 2020 and 2019, respectively.

Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide post-retirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer-paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of post-retirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25

G. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

General Information about the OPEB Plans

or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer-paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire within 25 years of service or on a disability from an employer who does not provide post-retirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The Commission is in a nonspecial funding situation, therefore, coverage under Chapter 330 does not apply.

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

For additional information about the OPEB Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at https://www.state.nj.us/treasury/pensions/financial-reports.shtml.

The Authority also participates in a supplemental defined post-retirement benefit dental plan (the "Dental Plan"). The total number of retired participants eligible for benefits was 56 and 53 at December 31, 2020 and 2019, respectively.

The Dental Plan provides dental coverage to retirees and their covered dependents of the employees. The Dental Plan covers employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer.

Contributions

The Authority's contribution to the OPEB Plan for active and retired employees net of employee contributions for the years ended December 31, 2020 and 2019, was $824,342 and $897,142, respectively. The Authority also contributed $146,027 and $158,762 for the OPEB Plan prescription benefits for the years ended December 31, 2020 and 2019, respectively. The Authority contribution to the Dental Plan for the years ended December 31, 2020 and 2019, was $80,953 and $87,434, respectively.

G. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the OPEB Plan's nonspecial funding situation during the measurement period July 1, 2019 through June 30, 2020. The Authority was not part of the special funding situation.

The Dental Plan net OPEB liability is calculated using entry age normal actuarial cost method and the alternative measurement method in accordance with GASB methodology.

Net OPEB Liability

The components of the Authority's net OPEB Plan and total Dental Plan OPEB liability as of plan years ended June 30, 2020 and 2019, are as follows:

	June 30, 2020	June 30, 2019
Total OPEB Plan OPEB liability	$ 12,340,797	$ 8,773,700
Total Dental Plan OPEB liability	1,284,170	1,134,387
Total OPEB liability	13,624,967	9,908,087
OPEB Plan Fiduciary Net Position	(112,334)	(173,435)
Dental Plan Fiduciary Net Position	-	-
Total Fiduciary Net Position	(112,334)	(173,435)
Net OPEB Plan & Dental Plan OPEB Liability	$ 13,512,633	$ 9,734,652
OPEB Plan Fiduciary Net Position as a % of total OPEB liability	0.91%	1.98%

The amounts above for the total OPEB Plan OPEB liability and net OPEB Plan OPEB liability were changed from previously reported amounts in the prior year plan financial statements. The changes were made to correct for improper classification of certain employers under Chapter 330, P.L. 1997. The changes resulted in a decrease in the total OPEB Plan OPEB liability and net OPEB Plan OPEB liability.

G. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions

The OPEB Plan's net OPEB liability as of plan year ended June 30, 2020, was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The OPEB Plan's net OPEB liability as of plan year ended June 30, 2019, was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The Dental Plan's total OPEB liability as of December 31, 2020, was determined by an actuarial valuation as of December 31, 2020.The Dental Plan's total OPEB liability as of December 31, 2019, was determined by an actuarial valuation as of December 31, 2020. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	2020 and 2019	
	State Plan	Dental Plan
Inflation	2.50%	2.50%
Salary increases		2.50%
Through 2026*	2.00 - 6.00%	N/A
Thereafter*	3.00 - 7.00%	N/A

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

Mortality Rates

Mortality rates were based on the Pub-2010 General Classification Headcount-Weighted Mortality Table with fully generational mortality improvement projections from the central year using the MP-2020 scale. Actuarial assumptions used in the July 1, 2019 and June 30, 2018, valuations were both based on the results of the OPEB Plan PERS experience studies prepared for July 1, 2014 to June 30, 2018. One hundred percent of active members are considered to participate in the Plan upon retirement. For the Dental Plan the Pub-2010 Public Retirement Plans Mortality Tables with mortality improvement projected for 10 years is used. The assumptions in this table does not include a margin for future improvements in longevity.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially 5.6% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 through 2022 are reflected. The rates used for 2023 and 2024 are 21.83% and 18.53%, respectively trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% and decreases to a 4.5% long-term trend rate after seven years. For the Dental Plan the healthcare trend rate is 3.5% in year 1 and year 2 and 3.0% in all remaining future years.

G. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Discount Rate

The discount rate for plan years ended June 30, 2020 and 2019, was 2.21% and 3.50%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate. The Dental Plan discount rate for December 31, 2020 and 2019, was 2.62%, respectively.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following presents the collective total OPEB liabilities of the participating employers, calculated using the discount rate as disclosed above as well as what the collective total OPEB 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:

The OPEB Plan at June 30, 2020		
At 1% Decrease (1.21%)	At Current Discount Rate (2.21%)	At 1% Increase (3.21%)
$ 14,456,627	$ 12,228,463	$ 10,464,669

The OPEB Plan at June 30, 2019		
At 1% Decrease (2.50%)	At Current Discount Rate (3.50%)	At 1% Increase (4.50%)
$ 9,944,094	$ 8,600,265	$ 7,508,226

The Dental Plan at June 30, 2020		
At 1% Decrease (1.62%)	At Current Discount Rate (2.62%)	At 1% Increase (3.62%)
$ 1,421,205	$ 1,284,170	$ 1,170,055

The Dental Plan at June 30, 2019		
At 1% Decrease (1.62%)	At Current Discount Rate (2.62%)	At 1% Increase (3.62%)
$ 1,294,145	$ 1,134,387	$ 1,001,233

G. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Sensitivity of Total OPEB Liability to Changes in the Healthcare Trend Rate
The following presents the total OPEB liabilities, calculated using the healthcare trend rate as disclosed above as well as what the total OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

The OPEB Plan at June 30, 2020

At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
$ 10,119,066	$ 12,228,463	$ 14,990,748

The OPEB Plan at June 30, 2019

At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
$ 7,257,564	$ 8,600,265	$ 10,313,107

The Dental Plan at June 30, 2020

At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
$ 1,218,407	$ 1,284,170	$ 1,363,522

The Dental Plan at June 30, 2019

At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
$ 1,067,500	$ 1,134,387	$ 1,216,157

G. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

	December 31,			
	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 322,088	$ 2,277,168	$ -	$ 2,515,053
Changes in assumptions	1,828,993	2,719,421	-	3,047,743
Net difference between projected and actual earnings on pension plan investments	7,766	-	7,084	-
Changes in proportion	1,169,786	1,580,735	316,465	1,886,929
	$ 3,328,633	$ 6,577,324	$ 323,549	$ 7,449,725

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

Year Ending December 31,	Amortization
2021	$ (1,401,141)
2022	(300,277)
2023	(301,273)
2024	(301,852)
2025	(549,997)
Thereafter	16,798
	$ (2,837,742)

Changes in Proportion

The previous amounts do not include employer-specific deferred outflows of resources and deferred inflows of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 7.87, 8.05, 8.14 and 8.04 years for the 2020, 2019, 2018 and 2017 amounts, respectively. For December 31, 2020, the deferred outflows of resources changes in proportion is $1,169,786 and the deferred inflows of resources changes in proportion is $1,580,735. Including these values the December 31, 2020, total deferred outflows of resources and total deferred inflows of resources balances are $3,328,633 and $323,549, respectively. There were no deferred inflows of resources or deferred outflows of resources for the Dental Plan due to the Dental Plan OPEB liability being calculated using the alternative measurement method.

H. DEFERRED COMPENSATION

The Authority has a deferred compensation plan whereby eligible participating employees may choose to contribute amounts determined by plan and Internal Revenue Code guidelines. All employer contributions are made at the sole discretion of the Authority. There were no contributions made by the Authority for the years ended December 31, 2020 and 2019.

I. CONCENTRATION OF LABOR FORCE

Approximately 66% of the labor force is covered by a collective bargaining agreement with Construction and General Labor Union Local 172. The contract expired December 31, 2017 and was renegotiated in June 2021. Retro payroll payments and taxes of $51,719 for 2018, $58,819 for 2019, and $109,178 for 2020 were completed after year end.. The new contract expires in December 2022.

J. CAPITAL PROGRAM

Expected capital program expenditures budgeted from 2021 through 2025 approximate $28,233,000. Of this amount, $19,000,000 is anticipated to be funded through debt.

K. 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. The Authority maintains commercial insurance coverage for property, liability and surety bonds. As of December 31, 2020, the Authority resolved an ongoing litigation matter related to disputed change orders and charges on various treatment plant capital improvements completed in through 2019. The settlement and fees totaling $1,350,000 related to this matter were paid in 2021 and are included in current year expenses and accruals.

L. ROUNDING

Some amounts in the financial statements may have dollar differences due to rounding.

M. PENDING GOVERNMENT ACCOUNTING STANDARDS (GASB) STATEMENTS

The GASB has issued Statement No. 87, *"Leases."* This statement is required to be adopted by the Authority for the year ending December 31, 2022. The Authority has not determined the effect of Statement No. 87 on the financial statements.

The GASB has issued Statement No. 91, *"Conduit Debt Obligations."* This statement is required to be adopted by the Authority for the year ending December 31, 2022. The Authority has not determined the effect of Statement No. 91 on the financial statements.

The GASB has issued Statement No. 92, *"Omnibus 2020."* This statement clarifies the effective date of Statement No. 87 and addresses other topics that are required to be adopted by the Authority for the year ending December 31, 2022. The Authority has not determined the effect of Statement No. 92 on the financial statements.

M. PENDING GOVERNMENT ACCOUNTING STANDARDS (GASB) STATEMENTS (CONTINUED)

The GASB has issued Statement No. 93, *“Replacement of Interbank Offered Rates."* This statement is required to be adopted by the Authority for the year ending December 31, 2022. The Authority has not determined the effect of Statement No. 93 on the financial statements.

The GASB has issued Statement No. 94, *“Public-Private and Public-Public Partnerships and Availability Payment Arrangements."* This statement is required to be adopted by the Authority for the year ending December 31, 2023. The Authority has not determined the effect of Statement No. 94 on the financial statements.

The GASB has issued Statement No. 96, *“Subscription-Based Information Technology Arrangements."* This statement is required to be adopted by the Authority for the year ending December 31, 2023. The Authority has not determined the effect of Statement No. 96 on the financial statements.

The GASB has issued Statement No. 97, *“Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a suppression of GASB No. 32."* This statement is required to be adopted by the Authority for the year ending December 31, 2022. The Authority has not determined the effect of Statement No. 97 on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

EWING-LAWRENCE SEWERAGE AUTHORITY

SCHEDULE OF PROPORTIONATE SHARE OF PERS NET PENSION LIABILITY (NPL)

PERS - Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability	0.0501464618%	0.0535828197%	0.0547676300%	0.0542029021%	0.0537375816%	0.0525836468%	0.0527462167%
Authority's proportionate share of net pension liability	$ 8,177,577	$ 9,654,811	$ 10,783,474	$ 12,617,569	$ 15,915,530	$ 11,840,469	$ 9,845,097
Authority's covered-employee payroll	3,583,842	4,171,943	4,096,888	4,138,447	4,094,825	3,903,104	3,903,104
Authority's proportionate share of net pension liability as a % of payroll	228.18%	231.42%	263.21%	304.89%	388.67%	303.36%	252.24%
Total pension liability	19,709,847	22,232,296	23,238,767	24,311,285	26,586,506	22,668,589	20,608,723
Plan fiduciary net position	11,532,270	12,577,485	12,455,294	11,693,715	10,670,976	10,864,614	10,733,188
Plan fiduciary net position as a % of total pension liability	58.51%	56.57%	53.60%	48.10%	40.14%	47.93%	52.08%

SCHEDULE OF CONTRIBUTIONS

PERS - Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 548,577	$ 521,203	$ 544,761	$ 502,132	$ 470,629	$ 450,146	$ 398,452
Contributions in relation to the contractually required contribution	542,409	565,617	526,545	496,901	470,629	450,146	398,452
Authority's covered-employee payroll	3,689,580	3,583,842	4,171,943	4,096,888	4,138,447	4,094,825	3,903,104
Contributions as a % of covered-employee payroll	14.70%	15.78%	12.62%	12.13%	11.37%	10.99%	10.21%

The pension schedules are intended to show information for ten years. The State of New Jersey has issued six years of pension information to the Authority. Additional years' information will be displayed as it becomes available.

EWING-LAWRENCE SEWERAGE AUTHORITY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND CONTRIBUTIONS
STATE HEALTH BENEFIT LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN AND SUPPLEMENTAL DENTAL PLAN

Last 10 Fiscal Years

	2020	2019	2018	2017	2016
Proportion of the net OPEB liability	0.068138%	0.063489%	0.069523%	0.067673%	0.072678%
Proportionate share of net plan OPEB liability	$ 12,228,463	$ 8,600,265	$ 10,891,903	$ 13,960,293	$ 15,893,116
Total dental plan OPEB liability	1,284,170	1,134,387	1,126,217	867,762	93,196
Authority's covered payroll	3,689,580	3,583,842	4,096,888	4,138,447	4,094,825
Authority's Proportionate Share of net OPEB liability as a % of covered payroll	331.4%	240.0%	265.9%	337.3%	388.1%
Plan Contributions	$ 824,342	$ 897,142	$ 960,772	$ 953,509	$ 1,048,570
Dental Plan Contributions	80,953	87,434	87,318	133,395	133,420

The OPEB schedule is intended to show information for ten years. The State of New Jersey has issued 5 years of OPEB information to the Authority for the Plan and the Authority has 5 years of applicable information for the supplemental dental plan. Additional years' information for both plans will be displayed as it becomes available.

OTHER SUPPLEMENTARY INFORMATION

EWING-LAWRENCE SEWERAGE AUTHORITY

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2020
(With Comparative Totals for Year Ended 2019)

	2020					2019
	Unrestricted	Future Debt Service	Current Debt Service	Investment in Property, Plant and Equipment	Total	Total
Operating revenues						
Annual Charge	$ 14,450,922	$ -	$ -	$ -	$ 14,450,922	$ 14,426,134
Connection fees	385,138	-	-	-	385,138	814,209
Capacity fees	32,720	-	-	-	32,720	60,750
Inspection fees	1,200	-	-	-	1,200	10,680
Developer applications	2,900	-	-	-	2,900	21,200
Interest	29,906	-	-	-	29,906	205,870
Miscellaneous	28,915	-	-	-	28,915	291,989
Total operating revenues	14,931,700	-	-	-	14,931,700	15,830,832
Operating expenses						
Costs of providing services	8,084,442	-	-	-	8,084,442	7,881,795
Administrative and general	1,890,937	-	-	-	1,890,937	1,742,010
Depreciation and amortization	-	-	-	2,585,388	2,585,388	1,893,202
Total operating expenses	9,975,379	-	-	2,585,388	12,560,768	11,517,007
Income from operations	4,956,321	-	-	(2,585,388)	2,370,932	4,313,825
Non-operating revenues (expenses)						
Interest income	-	116,536	-	-	116,536	199,772
Interest expense	-	-	(414,101)	-	(414,101)	(450,477)
Donated capital for system improvements	79,660	-	-	-	79,660	2,900
Principal loan forgiveness	316,254	-	-	-	316,254	33,630
Total non-operating revenues (expenses), net	395,914	116,536	(414,101)	-	98,349	(214,175)
Income (loss) before transfers	5,352,235	116,536	(414,101)	(2,585,388)	2,469,281	4,099,650
Transfers	(4,695,069)	(103,860)	414,101	4,384,828	-	-
Change in net position	657,166	12,676	-	1,799,439	2,469,281	4,099,650
Net position, beginning of year	(10,524,017)	2,626,727	-	34,208,188	26,310,898	22,211,248
Net position, end of year	$ (9,866,852)	$ 2,639,403	$ -	$ 36,007,627	$ 28,780,179	$ 26,310,898

EWING-LAWRENCE SEWERAGE AUTHORITY

SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES COMPARED TO BUDGET
Year Ended December 31, 2020

	2020 Budget Unaudited	2020 Actual
Revenues		
Annual charge	$ 14,450,822	$ 14,450,922
Contributions from system improvements	-	79,660
Connection fees	450,000	385,138
Capacity revenue	-	32,720
Inspection fees	2,000	1,200
Developer applications	10,430	2,900
Interest	2,500	29,906
Miscellaneous	40,000	28,915
Total operating revenues	$ 14,955,752	$ 15,011,360
Expenses		
Cost of providing services		
Labor	$ 3,891,500	$ 3,384,227
Employee benefits	1,908,508	1,131,127
Materials and supplies	1,631,350	712,113
Contracted services	115,000	56,929
Repairs and maintenance	723,500	849,854
Sludge disposal	810,000	622,401
Utilities	1,308,000	990,050
Transportation	100,000	45,600
Remediation	200,000	215,239
Compliance	19,000	17,956
Permits	130,000	58,946
Total cost of providing services	10,836,858	8,084,442
Administrative and general		
Labor	680,000	728,420
Employee benefits	333,492	230,095
Materials and supplies	14,000	12,277
Contracted services	258,000	388,161
Insurance	160,000	321,532
Repairs and maintenance	55,000	25,834
Utilities	55,000	39,343
Miscellaneous	50,000	75,603
Loan fees	45,540	69,673
Total administrative and general	1,651,032	1,890,937
Interest expense	429,622	414,101
Other costs funded by operating revenues		
Principal maturity	2,359,344	2,306,699
Capital outlays	278,896	2,074,131
Total other costs funded by operating revenues	2,638,240	4,380,830
Total costs funded by operating revenues	15,555,752	14,770,311
(Utilization of Net Position)/Excess Revenues	(600,000)	241,049
Total	$ 14,955,752	$ 15,011,360

EWING-LAWRENCE SEWERAGE AUTHORITY

ROSTER OF OFFICIALS (UNAUDITED)
Year Ended December 31, 2020

Board Members	Position
Harold Vereen	Chair
Allen Lee	Vice Chair
Pasquale "Pat" Colavita	Treasurer
Basit "Sunny" Muzaffar	Assistant Treasurer
Charles Geter	Secretary
James Kownacki	Assistant Secretary

Other Officials	Position
S. Robert Filler	Executive Director
W. Barry Rank	Counsel
Jacobs Environmental Consulting	Consulting Engineer

All employees of the Ewing-Lawrence Sewerage Authority are covered by a Public Employee's Blanket Bond, which is included in the Commercial Protection Policy issued by Zurich Insurance and provides "Employee Dishonesty Coverage" in the amount of $500,000.

EWING-LAWRENCE SEWERAGE AUTHORITY

SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS
Year Ended December 31, 2020

None reported.

EWING-LAWRENCE SEWERAGE AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2020

None reported.

INDEPENDENT AUDITORS' 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 Honorable Chairperson and Board Members of
Ewing-Lawrence Sewerage Authority

We have audited, 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 audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of Ewing-Lawrence Sewerage Authority (the "Authority") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated July 7, 2022.

Internal Control Over Financial Reporting

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

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

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

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INDEPENDENT AUDITORS' 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* (CONTINUED)

Compliance and Other Matters

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

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mercadien, P.C.
Certified Public Accountants

July 7, 2022