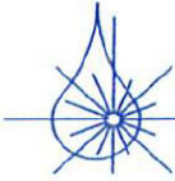


WASHINGTON TOWNSHIP MUNICIPAL
UTILITIES AUTHORITY
COUNTY OF MORRIS
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
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INTRODUCTORY SECTION



**WASHINGTON TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

PO Box 226 - 46 E. Mill Road
Long Valley, NJ 07853

• WASTEWATER TREATMENT • PUBLIC WATER SUPPLY •

Phone: (908) 876-3145
Fax: (908) 876-5528

June 11, 2021

The Honorable Chairman and Members
Of the Washington Township Municipal Utilities Authority
Long Valley, NJ

Dear Authority Members:

The annual financial report of the Washington Township Municipal Utilities Authority (The "Authority") for the years ended December 31, 2020 and 2019, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Authority. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

The annual financial report is presented in four sections: introductory, financial, *Government Auditing Standards* section and comments and recommendations. The introductory section includes this transmittal letter, the Authority's organizational chart and a list of principal officials. The financial section includes the financial statements as well as the auditors' report thereon. Information related to the *Government Auditing Standards* section, including the auditors' report on internal control and compliance with applicable laws and regulations and findings and related responses, are included in the *Government Auditing Standards* section of this report.

REPORTING ENTITY AND ITS SERVICES:

The Authority was created in accordance with the State Municipal Utilities Authorities Law (P.L. 1957, Chap. 183), by ordinance of the Township of Washington on February 16, 1972. Pursuant to the provisions of the law, the Authority is authorized to acquire, construct, maintain, operate or improve works for the accumulation, supply or distribution of water and works for the collection, treatment, purification or disposal of sewerage or other wastes. As a public body, under existing statute, the Authority is exempt from both federal and state taxes.

GENERAL TRENDS AND SIGNIFICANT EVENTS

During 2020, the Authority experienced the following in the administrative area:

- COVID response absorbed most of the attention of the administration throughout the year.
- New computers were purchased and brought online for working remotely and social distancing.

The Honorable Chairman and Members
of the Washington Township Municipal Utilities Authority
Page 2
June 11, 2021

During 2020, the Authority's water division was involved with the following:

- Completion of Highlands Preservation and NJDEP approvals process for the proposed SM well in the Schooley's Mountain Water System is expected to be completed by the end of 2021. The approvals are necessary prior to the construction of the new well & pump building.
- The installation of radio read water meters is ongoing. Over 93% of the water meters have been replaced. With this upgrade to automated read meters to all our customers' residences, man power is being reduced and customer service is improving.
- Research and planning began for a cloud-based meter reading software that ties in with the billing system and streamlines work flow.
- Multiple major leaks in both water systems were found and repaired.
- Began implementing the hydrant and valve requirements of the State Water Quality Accountability Act. All hydrants and valves are in the process of being located (if necessary) and exercised.
- Development of asset management program specification for the Authority's water storage tanks and water distribution piping began with Committee authorization to proceed with procuring a water storage tank repair and maintenance contract.
- The Water Infrastructure Improvement Fee was instituted to help fund much needed improvements to assets within the Authority's Water System.

During 2020, the Authority's sewer division experienced the following:

- The Authority has continued its Inflow & Infiltration (I & I) program to reduce the volume of wastewater treated and reduce the treatment cost.
- The Authority began researching the rehab/replacement of the Springtown Pump Station
- The Authority continues to explore improvements to the Schooley's Mountain Wastewater Treatment Plant to generate cost savings and improve working conditions.
- Several large pieces of equipment (pumps & grinders) were replaced at the Long Valley Wastewater Treatment Plant.

CASH MANAGEMENT: The investment policy of the Authority is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 6. The Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

RISK MANAGEMENT: The Authority carries various forms of insurance, including but not limited to general liability, excess liability, public officials liability, automobile liability and comprehensive/collision, hazard and theft insurance on property, contents, and fidelity bonds.

The Honorable Chairman and Members
of the Washington Township Municipal Utilities Authority
Page 3
June 11, 2021

OTHER INFORMATION:

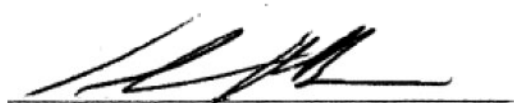
Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Authority. The auditors' report on the financial statements is included in the financial section of this report.

The auditors' report related specifically to *Government Auditing Standards* is included in the *Government Auditing Standards* section of this report.

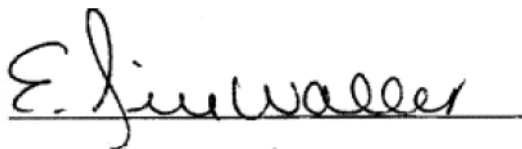
ACKNOWLEDGEMENTS:

We would like to express our appreciation to the members of the Washington Township Municipal Utilities Authority for their concern in providing fiscal accountability to the citizens of Washington Township and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

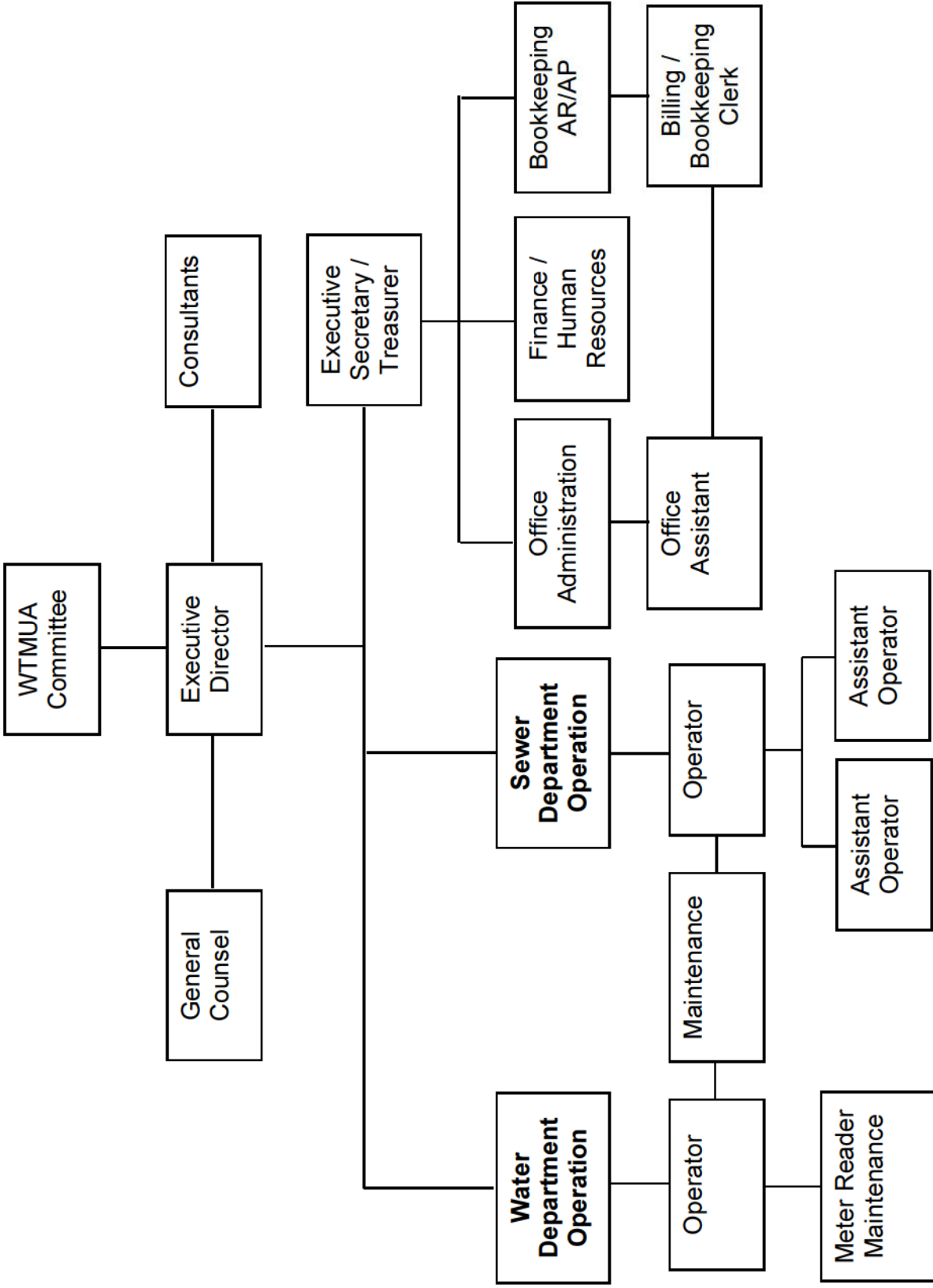
Respectfully submitted,



Tom McAndrew
Executive Director



E. Jill Waller
Executive Secretary/Treasurer



**WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
ROSTER OF OFFICIALS
DECEMBER 31, 2020**

Board Members

Walt Cullen	Chairman
Mark Napolitano	Vice Chairman
Don Babb	Board Member
Josh Drake	Board Member
Joe Sparone	Board Member
Santino Lamenta	Board Member Alternate 1
Daniel Sehnal	Board Member Alternate 2

CONSULTANTS AND ADVISORS

AUDIT FIRM

Nisivoccia LLP
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856

ATTORNEY

John Napolitano, Esq.
Cleary Giacobbe Alfieri & Jacobs, LLC
955 State Route 34, Suite 200
Matawan, NJ 07747

ENGINEERS

Suburban Consulting Engineers, Inc.
96 US Highway 206
Suite 101
Flanders, NJ 07836

Woodard & Curren, Inc.
800 Westchester Ave
Suite N507
Rye Brook, NY 10573

FINANCIAL SECTION

Independent Auditors' Report

The Honorable Chairman and Members
of the Washington Township Municipal
Utilities Authority
Long Valley, NJ

Report on the Financial Statements

We have audited the accompanying financial statements of the Washington Township Municipal Utilities Authority, (the "Authority"), as of and for the years ended December 31, 2020 and 2019, and the related notes to the basic financial statements, as listed in the foregoing 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 opinions 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, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and 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 Authority'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 opinions.

The Honorable Chairman and Members
of the Washington Township Municipal
Utilities Authority
Page 2

Opinions

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 financial position and cash flows thereof 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 information pension schedules and the related notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information schedules listed in the table of contents and the other information in the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 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 Honorable Chairman and Members
of the Washington Township Municipal
Utilities Authority
Page 3

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mt. Arlington, New Jersey
June 11, 2021

Nisivoccia LLP
NISIVOCCIA LLP

Man C Lee

Man C. Lee
Registered Municipal Accountant #562
Certified Public Accountant

MANAGEMENT DISCUSSION AND ANALYSIS

This section presents management's analysis of the Authority's financial condition and activities for the year. This information should be read in conjunction with the financial statements.

Financial Highlights

The Authority is well within its stringent financial policies and guidelines set by the Board and management. The following are key highlights:

- The Authority lowered its total bonded debt by \$356,875 and the balance is \$2,038,186 at December 31, 2020.
- During 2020, the Authority treated 216.3 million gallons of wastewater. This is 1% more than the 215.1 million gallon quantity processed during fiscal year 2019.
- For 2020, the Authority delivered in excess of 298.52 million gallons of potable water as compared to 2019 when 311.53 million gallons were delivered. This represents an increase of 4.2%.
- Combined operating revenues were \$4.79 million, an increase of \$235,800 compared to 2019.

Overview of Annual Financial Report

The Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with the audited financial statements and supplementary information. The Management's Discussion and Analysis represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's strategic plan, budget, and other management tools were used for this analysis.

The financial statements report information about the Authority using full accrual accounting as utilized by similar government entities. The financial statements include a statement of net position; a statement of revenue, expenses, and changes in net position; a statement of cash flows and notes to the financial statements.

The *statement of net position* presents the financial position of the Authority on a full accrual historical cost basis. The statement of net position presents information on all of the Authority's assets and liabilities, as well as any deferred inflows or outflows of resources with the difference reported as net position. Over time, increases and decreases in net position is one indicator of whether the financial position of the Authority is improving or deteriorating.

While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the *statement of revenue, expenses, and changes in net position* presents the results of the business activities over the course of the year and information as to how the net position changed during the 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 related cash flows. This statement also provides certain information about the Authority's recovery of its costs. Rate setting policies use different methods of cost recovery not fully provided for by generally accepted accounting principles. The primary objectives of the rate model are to improve equity among customer classes and ensure that capital costs are allocated on the basis of long-term requirements, ensuring that growth pays for growth.

The *statement of cash flows* presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

The *notes to the financial statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information concerning the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Financial Conditions

The Authority's financial condition remained solid at year-end with adequate liquid assets, reliable plants and systems to meet demand, and a reasonable level of unrestricted net position. The current financial condition, technical support staff capabilities, and operating and expansion plans to meet anticipated customer needs are well balanced and under control.

The Authority's total net position increased from the prior year by \$567,795. The analysis below focuses on the Authority's net position (Table I) and changes in net position (Table 2) during the year.

Table I
Condensed Statement of Net Position

	December 31,		Increase/ (Decrease) From 2019	% Increase/ (Decrease)	Dec. 31, 2018	% Increase/ (Decrease)
	2020	2019				
Current and Other Assets	\$ 9,819,110	\$ 8,848,243	\$ 970,867	10.97%	\$ 8,040,463	10.05%
Noncurrent Assets	15,027,669	15,676,839	(649,170)	-4.14%	16,134,431	-2.84%
Total Assets	<u>24,846,779</u>	<u>24,525,082</u>	<u>321,697</u>	1.31%	<u>24,174,894</u>	1.45%
Deferred Outflows of Resources	<u>670,752</u>	<u>794,100</u>	<u>(123,348)</u>	-15.53%	<u>471,025</u>	68.59%
Current Liabilities	843,298	806,968	36,330	4.50%	921,291	-12.41%
Long-term Liabilities	3,244,261	3,681,903	(437,642)	-11.89%	3,743,012	-1.63%
Total Liabilities	<u>4,087,559</u>	<u>4,488,871</u>	<u>(401,312)</u>	-8.94%	<u>4,664,303</u>	-3.76%
Deferred Inflows of Resources	<u>651,147</u>	<u>619,281</u>	<u>31,866</u>	5.15%	<u>480,777</u>	28.81%
Net Investment in Capital Assets	12,989,483	13,281,778	(292,295)	-2.20%	13,292,887	-0.08%
Restricted	6,108,213	5,595,402	512,811	9.16%	4,571,628	22.39%
Unrestricted	<u>1,681,129</u>	<u>1,333,850</u>	<u>347,279</u>	26.04%	<u>1,636,324</u>	-18.48%
Total Net Position	<u>\$ 20,778,825</u>	<u>\$ 20,211,030</u>	<u>\$ 567,795</u>	2.81%	<u>\$ 19,500,839</u>	3.64%

Total net position increased 2.81%. This was a result of adopting a conservative balanced budget which provides for the continued payment of debt service in excess of annual depreciation and planned growth in net position.

MANAGEMENT DISCUSSION AND ANALYSIS

Changes in the Authority's net position can be determined by reviewing the following condensed Statement of Revenue, Expenses and Changes in Net Position for the year.

Table II
Condensed Statement of Revenue, Expenses and Changes in Net Position

	December 31,		Increase/ (Decrease) From 2019	% Increase/ (Decrease)	Dec. 31, 2018	% Increase/ (Decrease)
	2020	2019				
Revenue						
Operating Revenue	\$ 4,790,659	\$ 4,554,817	\$ 235,842	5.18%	\$ 4,373,953	4.14%
Nonoperating Revenue	23,971	120,047	(96,076)	-80.03%	64,931	84.88%
Total Revenue	<u>4,814,630</u>	<u>4,674,864</u>	<u>139,766</u>	2.99%	<u>4,438,884</u>	5.32%
Expenses						
Water Transmission	1,348,405	1,334,828	13,577	1.02%	1,165,237	14.55%
Sewer Disposal	1,428,010	1,308,393	119,617	9.14%	1,365,186	-4.16%
Depreciation	775,135	761,830	13,305	1.75%	751,873	1.32%
Interest Expense - Debt Service	695,285	559,622	135,663	24.24%	549,387	1.86%
Total Expenses	<u>4,246,835</u>	<u>3,964,673</u>	<u>282,162</u>	7.12%	<u>3,831,683</u>	3.47%
Change in Net Position	567,795	710,191	(142,396)	-20.05%	607,201	16.96%
Beginning Net Position	<u>20,211,030</u>	<u>19,500,839</u>	<u>710,191</u>	3.64%	<u>18,893,638</u>	3.21%
Ending Net Position	<u>\$20,778,825</u>	<u>\$20,211,030</u>	<u>\$ 567,795</u>	2.81%	<u>\$19,500,839</u>	3.64%

Results of Operations

Operating Revenue: Revenue from operations falls into several categories: water and sewer service fees and water and sewer connection fees. Water rent revenue increased 11.23% from 2019. Sewer rent revenue increased 1.03% over 2019. Water connection fee revenue increased 183% from 2019. Sewer connection fee revenue remained the same as 2019. Water infrastructure improvement fee remained approximately the same as 2019.

Budgetary Highlights: The Authority made minimal amendments to its 2020 water and sewer operating budgets.

Nonoperating Revenue: The Authority's non-operating revenue decreased \$96,076 from 2019. The primary reason for the decrease was the decline in interest rates due to the pandemic.

Expenses: The Authority operates two water systems and two sewerage systems. Operating expenses for the water systems increased \$13,577 or 1.02% over 2019. Operating expenses for the sewer systems increased \$119,617 or 9.14% from 2019.

Capital Assets: As of December 31, 2020, the Authority had \$15.0 million invested in net capital assets, including land, two wastewater treatment plants, two sewage collection systems including eight pumping stations, two water distribution systems including five water storage tanks, sixteen wells and potable water treatment systems. The amount represents a net decrease of \$649,170 over the prior year.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table summarizes the Authority's capital assets, net of accumulated depreciation and changes therein, for the years ended December 31, 2020 and 2019. These changes are presented in detail in Note 3 to the financial statements.

Table III
Capital Assets, Net of Accumulated Depreciation

	December 31,		Increase/ (Decrease) 2019	% Increase/ (Decrease)	Dec. 31, 2018	% Increase/ (Decrease)
	2020	2019				
Land	\$ 485,970	\$ 485,970			\$ 485,970	
Buildings/Treatment Plants	8,272,944	8,272,944			8,272,944	
Transmission Facilities	27,385,691	27,259,726	\$ 125,965	0.46%	27,026,019	0.86%
Equipment/Vehicles	341,526	341,526		0.00%	270,995	
Office Furniture/Fixtures	27,807	27,807			27,807	
Total	<u>36,513,938</u>	<u>36,387,973</u>	<u>125,965</u>	<u>0.35%</u>	<u>36,083,735</u>	<u>0.84%</u>
Less: Accumulated Depreciation	<u>21,486,269</u>	<u>20,711,134</u>	<u>775,135</u>	<u>3.74%</u>	<u>19,949,304</u>	<u>3.82%</u>
Capital Assets, Net	<u>\$ 15,027,669</u>	<u>\$ 15,676,839</u>	<u>\$ (649,170)</u>	<u>-4.14%</u>	<u>\$ 16,134,431</u>	<u>-2.84%</u>

Cash Flow Activity: Cash and cash equivalents at year-end 2020 increased by \$909,252 or 10.42% from the previous year. The Authority maintains an adequate cash balance to meet future emergencies and capital requirements.

Long-Term Liabilities: At year end, the Authority had \$2,038,186 in bonded debt outstanding – a decrease of \$356,875 from last year, as shown in Table IV. More detailed information about the Authority's long-term liability is presented in Note 4 to the financial statements. Additionally, at year end, the Authority had \$1,542,103 of net pension liability.

Table IV
Outstanding Long-Term Liabilities

	Dec. 31,		(Decrease) From 2019	% Increase/ (Decrease)	Dec. 31, 2018	% Increase/ (Decrease)
	2020	2019				
Water and Sewer Revenue						
Bonds Payable	\$ 2,038,186	\$ 2,395,061	\$ (356,875)	-14.90%	\$ 2,841,544	-15.71%
Net Pension Liability	1,542,103	1,643,717	(101,614)	-6.18%	1,347,952	21.94%
	<u>\$ 3,580,289</u>	<u>\$ 4,038,778</u>	<u>\$ (458,489)</u>	<u>-11.35%</u>	<u>\$ 4,189,496</u>	<u>-3.60%</u>

Final Comments: The Authority has developed future water supply sources to meet the increased demands of growth within its franchise areas and is developing another new source to permit the abandonment of older sources. Infrastructure improvements and vehicle and equipment replacement continue to be a priority of the Authority. Upgrades to both the sewerage and water systems are planned as the systems age.

WASHINGTON TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY

FINANCIAL STATEMENTS

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2020 AND 2019

	2020	2019
<u>ASSETS</u>		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 3,433,236	\$ 3,036,567
Water and Sewer Charges Receivable (Net of Allowance for Uncollectible Receivables of \$10,000 in 2020 and 2019)	183,671	122,056
Total Unrestricted Assets	3,616,907	3,158,623
Restricted Assets:		
Cash and Cash Equivalents:		
Bond Reserve Account	125,393	125,018
Renewal and Replacement Account	84,714	84,461
General Account	5,541,609	5,029,787
Debt Service Account (1998 Series A & B)		5,768
Bond Reserve Account (1998 Series A)	291,134	290,265
Bond Service Reserve Account (2005 Series)		1,017
Escrow Deposits Account	93,990	94,218
Unemployment/Disability Compensation Account	65,363	59,086
Total Restricted Assets	6,202,203	5,689,620
Total Current Assets	9,819,110	8,848,243
Noncurrent Assets:		
Capital Assets, Net	15,027,669	15,676,839
Total Assets	24,846,779	24,525,082
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflows Related to Pensions	567,303	705,010
Authority Contribution Subsequent to the Measurement Date - Pensions	103,449	89,090
Total Deferred Outflows of Resources	670,752	794,100

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2020 AND 2019
(Continued)

	2020	2019
<u>LIABILITIES</u>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	\$ 280,456	\$ 225,322
Accrued Interest Payable	31,954	31,028
Total Current Liabilities Payable from Unrestricted Assets	312,410	256,350
Current Liabilities Payable from Restricted Assets:		
Revenue Bonds Payable - Short-Term Portion	336,028	356,875
Escrow Deposits Payable	194,860	193,743
Total Current Liabilities Payable from Restricted Assets	530,888	550,618
Total Current Liabilities	843,298	806,968
Long-Term Liabilities:		
Revenue Bonds Payable - Long-Term Portion	1,702,158	2,038,186
Net Pension Liability	1,542,103	1,643,717
Total Long-Term Liabilities	3,244,261	3,681,903
Total Liabilities	4,087,559	4,488,871
<u>DEFERRED INFLOWS OF RESOURCES:</u>		
Deferred Inflows Related to Pensions	651,147	619,281
Total Deferred Inflows of Resources	651,147	619,281
<u>NET POSITION</u>		
Net Investment in Capital Assets	12,989,483	13,281,778
Unrestricted	1,681,129	1,333,850
Restricted:		
Debt Service	6,042,850	5,536,316
Unemployment/Disability Compensation	65,363	59,086
Total Net Position	\$ 20,778,825	\$ 20,211,030

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating Revenue:		
Water Charges	\$ 1,505,832	\$ 1,353,831
Sewer Charges	2,888,653	2,859,152
Water Infrastructure Improvement Fee	269,006	269,088
Connection Fees	40,785	16,077
Other Fees and Income	86,383	56,669
Total Operating Revenue	<u>4,790,659</u>	<u>4,554,817</u>
Operating Expenses:		
Water Transmission	1,348,405	1,334,828
Sewer Disposal	1,428,010	1,308,393
Unallocated Depreciation	775,135	761,830
Total Operating Expenses	<u>3,551,550</u>	<u>3,405,051</u>
Operating Income	<u>1,239,109</u>	<u>1,149,766</u>
Nonoperating Revenue/(Expenses):		
Interest Income	23,971	120,047
Interest Expense - Debt Service	<u>(695,285)</u>	<u>(559,622)</u>
Total Nonoperating Revenue/(Expenses)	<u>(671,314)</u>	<u>(439,575)</u>
Change in Net Position	567,795	710,191
Net Position, Beginning of Year	<u>20,211,030</u>	<u>19,500,839</u>
Net Position, End of Year	<u>\$ 20,778,825</u>	<u>\$ 20,211,030</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL
PART OF THIS STATEMENT

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 4,601,876	\$ 4,496,280
Other Receipts and Payments	127,168	72,746
Cash Paid to Suppliers and Employees	<u>(2,666,564)</u>	<u>(2,578,964)</u>
Net Cash Provided by Operating Activities	<u>2,062,480</u>	<u>1,990,062</u>
Cash Flows from Capital and Related Financing Activities:		
Principal Payments on Debt	(356,875)	(446,483)
Interest Expense	(694,359)	(537,399)
Purchase of Capital Assets	<u>(125,965)</u>	<u>(304,238)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(1,177,199)</u>	<u>(1,288,120)</u>
Cash Flows from Noncapital Financing Activities:		
Transfers In	512,811	1,023,774
Transfers Out	<u>(512,811)</u>	<u>(1,023,774)</u>
Net Cash Provided by Noncapital Financing Activities	<u>-0-</u>	<u>-0-</u>
Cash Flows from Investing Activities:		
Interest on Investments	<u>23,971</u>	<u>120,047</u>
Net Cash Provided by Investing Activities	<u>23,971</u>	<u>120,047</u>
Net Increase in Cash and Cash Equivalents	909,252	821,989
Cash and Cash Equivalents - Beginning of Year	<u>8,726,187</u>	<u>7,904,198</u>
Cash and Cash Equivalents - End of Year	<u>\$ 9,635,439</u>	<u>\$ 8,726,187</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 1,239,109	\$ 1,149,766
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	775,135	761,830
(Increase)/Decrease in Water and Sewer Charges Receivable	(61,615)	14,209
(Increase)/Decrease in Deferred Outflows Related to Pensions	137,707	(317,585)
Increase in Deferred Inflows Related to Pensions	31,866	138,504
Increase/(Decrease) in Net Pension Liability	(101,614)	295,765
Increase/(Decrease) in Accounts Payable	40,775	(54,647)
Increase in Escrow Deposits Payable	<u>1,117</u>	<u>2,220</u>
Net Cash Provided by Operating Activities	<u>\$ 2,062,480</u>	<u>\$ 1,990,062</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 1: Nature of Authority

The Authority was created in accordance with the State Municipal Utilities Authorities Law (P.L. 1957, Chap. 183), by ordinance of the Township of Washington on February 16, 1972.

Pursuant to the provisions of the law, the Authority is authorized to acquire, construct, maintain, operate or improve works for the accumulation, supply or distribution of water and works for the collection, treatment, purification or disposal of sewerage or other wastes.

As a public body, under existing statute, the Authority is exempt from both federal and state taxes.

Note 2: Summary of Significant Accounting Policies

A. Basis of Presentation and Accounting

The Authority utilizes the accrual basis of accounting whereby revenue is recorded as earned and expenses are reflected as the liability is incurred. Operating revenue, such as charges for services result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenue, such as subsidies and investment earnings, results from nonexchange transactions or ancillary activities. Nonexchange transactions, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, generally do not occur, with the exception of investment earnings and interest expense. The Authority applies all applicable GASB pronouncements.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all position and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., totals assets plus deferred outflows net of total liabilities and deferred inflows) is segregated into "net investment in capital assets"; "restricted"; and "unrestricted" components.

Reporting Entity

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Continued)

Note 2: Summary of Significant Accounting Policies (Cont'd)

A. Basis of Presentation and Accounting (Cont'd)

Reporting Entity (Cont'd)

A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above in the current year. Furthermore, the Authority is not includable in any other reporting entity on the basis of such criteria.

B. Grants

Recognition of revenue from grants is based on the accrual basis of accounting. Unearned revenue represents cash which has been received but not yet earned.

Grant related expenses incurred prior to the receipt of grant funds result in the recording of receivables and revenue. Grants not externally restricted and utilized to finance operations are identified as non-operating revenue. The Authority was not awarded any grants in 2020.

C. Inventories

The cost of inventories of supplies is recorded as an expense at the time individual items are purchased, since they are immaterial to the financial position and results of operations of the Authority.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from the estimates.

E. Compensated Absences

In the *Statement of Net Position*, the liabilities, whose average maturities are greater than one year, should be reported in two components -- the amount due within one year and the amount due in more than one year.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Continued)

Note 2: Summary of Significant Accounting Policies (Cont'd)

F. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

A deferred outflow of resources is a consumption of net position by the Authority that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the Authority that is applicable to a future reporting period.

A deferred inflow of resources is an acquisition of net position by the Authority that is applicable to a future reporting period. The Authority had deferred outflows and inflows of resources related to pensions at December 31, 2020.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

G. Restricted Accounts

The Authority has established a restricted escrow account to hold the cash portion of performance bonds required to be posted by developers whose work affects the Authority. The security portion of such deposits, together with interest earned on that portion, is refunded to the developer, once the work has been satisfactorily completed. At December 31, 2020, \$194,860 held in escrow deposits payable for this purpose and \$93,990 was held for cash and cash equivalents. The amount held for this purpose is less than the amount restricted due to other related expenses being paid from this account in prior years.

In accordance with the provisions of the July 1, 1995, October 1, 1998, and December 15, 2005 bond sales, the Authority has established restricted cash accounts for the following purposes:

Bond Reserve and Debt Services Accounts - The Authority is required to segregate the next year's average annual debt service requirement. At December 31, 2020, \$416,527 was held for this purpose.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Continued)

Note 2: Summary of Significant Accounting Policies (Cont'd)

G. Restricted Accounts (Cont'd)

Renewal and Replacement Account - The Authority has segregated \$84,714 at December 31, 2020 for the renewal and replacement of Authority capital assets.

Bond General Account - The restricted bond account is to be used after the other restricted bond accounts have been satisfied. This account will be used for bond sale provisions. At December 31, 2020, \$5,541,609 was held for this purpose.

The Authority also has \$65,363 held for unemployment/disability compensation at December 31, 2020.

H. Revenue Recognition

The Authority has service agreements with Washington Township, Chester Township, and Tewksbury Township. The majority of the Authority's customers are residential. However, there are several commercial customers who are charged a different usage rate. All customers are billed quarterly based on actual usage readings. Estimates based on prior usage are utilized where actual readings cannot be obtained. Adjustments for actual usage are applied to the following quarter's bill or to the first quarter for which an actual reading can be obtained. Revenue is recorded net of any discounts, assessments or abatements, if applicable.

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of New Jersey Public Employees' Retirement System (PERS) has been determined on the same basis as it is reported by the PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

Note 3: Capital Assets

Capital assets, balances and activity for the year ended December 31, 2020 were as follows:

	<u>12/31/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2020</u>
Land	\$ 485,970			\$ 485,970
Buildings/Treatment Plant	8,272,944			8,272,944
Transmission Facilities	27,259,726	\$ 125,965		27,385,691
Equipment/Vehicle	341,526			341,526
Office Furniture/Fixtures	27,807			27,807
Total	<u>36,387,973</u>	<u>125,965</u>		<u>36,513,938</u>
Less: Accumulated Depreciation	<u>(20,711,134)</u>	<u>(775,135)</u>		<u>(21,486,269)</u>
	<u>\$ 15,676,839</u>	<u>\$ (649,170)</u>	<u>\$ -0-</u>	<u>\$ 15,027,669</u>

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Continued)

Note 3: Capital Assets (Cont'd)

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. Capital assets were reviewed for impairment.

Major classes of property, plant and equipment and their estimated useful lives are summarized below:

	<u>Estimated Useful Life</u>
Building - Administration	40 Years
Treatment Plant	40 Years
Transmission Facilities	40 Years
Equipment/Vehicles	5 Years
Office Furniture/Fixtures	5 Years

Note 4: Long-Term Liabilities

On October 1, 1998, the Authority issued \$4,285,066 "Water and Sewer Revenue (1998 Series A) (Capital Appreciation Bonds)" and \$490,000 "Water and Sewer Revenue Bonds (1998 Series B)" for a total of \$4,775,066. The Bonds were issued to provide bonds: (i) to currently refund and permanently finance \$3,765,000 principal amount of 1996 Project Notes (Series C) maturing October 15, 2000; (ii) to pay the costs of sewer and water system improvements' (iii) to make a deposit to the Bond Reserve Fund; (iv) to pay the cost of a bond insurance premium; and (v) to pay the costs and expenses incidental to the issuance and delivery of the Bonds.

Maturity Schedule Giving Effect to the
"Water and Sewer Revenue Refunding Bonds (1998 Series A&B)"

<u>Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	4.90%	\$ 336,028	\$ 718,972	\$ 1,055,000
2022	4.90%	319,834	735,166	1,055,000
2023	4.95%	304,420	750,580	1,055,000
2024	5.00%	289,756	765,244	1,055,000
2025	5.00%	275,788	779,213	1,055,001
2026 to 2027	5.00%	512,360	1,597,639	2,109,999
		<u>2,038,186</u>	<u>5,346,814</u>	<u>7,385,000</u>
Less: Short-Term Portion		<u>336,028</u>	<u>718,972</u>	<u>1,055,000</u>
Long-Term Portion		<u>\$ 1,702,158</u>	<u>\$ 4,627,842</u>	<u>\$ 6,330,000</u>

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Continued)

Note 4: Long-Term Liabilities (Cont'd)

Net Pension Liability

The Public Employee's Retirement System (PERS) net pension liability is recorded in the current and long-term liabilities. The current position of the net pension liability at June 30, 2020 is \$-0- and the long-term portion is \$1,542,103. See Note 5 for further information on PERS.

Long-term liabilities balances and activities for the year ended December 31, 2020 were as follows:

	<u>12/31/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2020</u>
Water and Sewer Revenue				
Bonds Payable	\$ 2,395,061		\$ 356,875	\$ 2,038,186
Net Pension Liability	<u>1,643,717</u>		<u>101,614</u>	<u>1,542,103</u>
	<u>\$ 4,038,778</u>	<u>\$ -0-</u>	<u>\$ 458,489</u>	<u>\$ 3,580,289</u>

Note 5: Pension

Authority employees participate in a contributory, defined benefit public employee retirement system: the State of New Jersey Public Employee's Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's annual financial statements which can be found at www.state.nj.us/treasury/pensions/annual-reports.shtml.

Benefits Provided

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:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 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

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Continued)

Note 5: Pension

Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. 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. Authority contributions to PERS amounted to \$89,090 for 2020.

The employee contribution rate was 7.50% effective July 1, 2018.

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

At June 30, 2020, the Authority's liability was \$1,542,103 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 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 members, actuarially determined. At June 30, 2020, the Authority's proportion was 0.0094%, which was an increase of 0.0033% from its proportion measured as of June 30, 2019.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Continued)

Note 5: Pension (Cont'd)

Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions
(Cont'd)

For the year ended June 30, 2020, the Authority recognized actual pension expense in the amount of \$177,827. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferral Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2016	5.57	\$ 50,028	
	2017	5.48		\$ 145,973
	2018	5.63		143,209
	2019	5.21		113,729
	2020	5.16		242,782
				<u>50,028</u>
Changes in Proportion	2016	5.57	1,645	
	2017	5.48	635	
	2018	5.63	55,881	
	2019	5.21	317,688	
	2020	5.16	60,637	
				<u>436,486</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2017	5.00	(18,871)	
	2018	5.00	(17,501)	
	2019	5.00	4,235	
	2020	5.00	84,847	
			<u>52,710</u>	
Difference Between Expected and Actual Experience	2016	5.57	1,518	
	2017	5.48	4,341	
	2018	5.63		5,454
	2019	5.21	8,694	
	2020	5.16	13,526	
				<u>28,079</u>
Authority Contribution Subsequent to the Measurement Date	2020	1.00	103,449	
			<u>\$ 670,752</u>	<u>\$ 651,147</u>

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Continued)

Note 5: Pension (Cont'd)

Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions
(Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion and the Authority contribution subsequent to the measurement date) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2021	\$ (193,506)
2022	(176,418)
2023	(100,819)
2024	(40,769)
2025	(8,818)
	\$ (520,330)

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. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 – 6.00% based on years of service
Thereafter	3.00 – 7.00% based on years of service
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 a 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.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Continued)

Note 5: Pension (Cont'd)

Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension 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 real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Market 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 Management Strategies	3.00%	3.40%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. 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 upon 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 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.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019
 (Continued)

Note 5: Pension (Cont'd)

Public Employees' Retirement System (PERS) (Cont'd)

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

The following presents the Authority's proportionate share of the collective net pension liability as of June 30, 2020 calculated using the discount rate as disclosed below, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2020		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the Net Pension Liability	\$ 1,936,950	\$ 1,542,103	\$ 1,200,749

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and, Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the Authority recognized pension expense of \$1,277 for the year ended December 31, 2020. Employee contributions to DCRP amounted to \$6,691 for the year ended December 31, 2020.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Continued)

Note 6: Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

The Authority generally records investments at fair value and records gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the Authority in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Authority ensures that any deposit or investments matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Authority limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed on the following page.

Custodial Credit Risk - The Authority's policy with respect to custodial credit risk requires that the Authority ensures that Authority funds are only deposited in financial institutions in which NJ municipalities are permitted to invest their funds.

Deposits:

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Authorities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit, and

If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

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.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Continued)

Note 6: Cash and Cash Equivalents (Cont'd)

Investments:

New Jersey statutes permit the Authority to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to Section 1 of P.L. 1977, c. 281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in Section 1 of P.L. 1970 c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Continued)

Note 6: Cash and Cash Equivalents (Cont'd)

Investments (Cont'd)

As of December 31, 2020, cash and cash equivalents of the Washington Township Municipal Utilities Authority consisted of the following:

Account	Checking/Savings and Money Market Accounts	Certificate of Deposit	Total
Unrestricted	\$ 3,358,225	\$ 75,011	\$ 3,433,236
Bond Reserve	125,393		125,393
Renewal and Replacement	84,714		84,714
General Account	5,541,609		5,541,609
Unemployment Compensation	65,363		65,363
Escrow Deposit	93,990		93,990
Bond Reserve Account (1998 Series A)	291,134		291,134
	<u>\$ 9,560,428</u>	<u>\$ 75,011</u>	<u>\$ 9,635,439</u>

During the year ended December 31, 2020, the Authority did not hold any investments. The carrying amount of the Washington Township Municipal Utilities Authority's cash and cash equivalents at year end was \$9,635,439 and the bank balance was \$9,645,897.

Note 7: Recognition of Depreciation Expense Versus Bond Principal for Budget Purposes

The State of New Jersey Local Finance Board's "Budget Manual for Local Public Authorities" allows authorities to either budget for depreciation expense or bond principal. In the official budget document submitted to the State, the Authority budgeted \$356,875 for bond principal in lieu of depreciation expense. In the Authority's internal budget document, both bond principal of \$356,875 and depreciation expense of \$775,135 were included. The actual depreciation expense is therefore not reflected on the supplementary "Schedule of Water and Sewer Operating Fund Revenue and Expenditures Compared to Budget" since it was not budgeted on the state budget document.

Note 8: Risk Management

The Authority is exposed to various risks of loss related torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. Health benefits are provided to employees through the State of New Jersey health benefits plan.

The Authority is currently a member of the Public Alliance Insurance Coverage Fund (the "Fund"). The Fund provides their members with Liability, Property and Workers' Compensation Insurance. The Fund is a risk-sharing public entity risk pool that is both an insured and self-administered group of governmental entities established for the purpose of providing low-cost insurance coverage for their respective members in order to keep expenses at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Funds are elected.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019
 (Continued)

Note 8: Risk Management (Cont'd)

The following coverages are offered by the Fund to its members:

- a) Workers' Compensation and Employers Liability
- b) Liability Other Than Motor Vehicles
- c) Property Damage Other Than Motor Vehicles
- d) Motor Vehicle
- e) Environmental

As a member of the Fund, the Authority could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body.

Selected, summarized financial information for the Fund as of December 31, 2020 is as follows:

Total Assets	\$ 20,442,128
Net Position	\$ 15,103,878
Total Revenue	\$ 6,885,844
Total Expenses	\$ 5,460,229
Changes in Net Position	\$ 1,425,615
Member's Dividends	\$ -0-

Financial statements for the Fund are available at the office of the Fund's Executive Director:

Public Alliance Insurance Coverage Fund

Public Entity Group Administrative Services
 51 Everett Drive, Suite B-40
 West Windsor, NJ 08550
 (609) 275-1155

New Jersey Unemployment Compensation Insurance

The Authority has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Authority is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Authority is billed quarterly for amounts due to the State.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019
 (Continued)

Note 8: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance (Cont'd)

The following is a summary of Authority contributions, employee contributions, interest earned, reimbursements to the State for benefits paid and the ending balance of the Authority's expendable trust fund for the current and previous two years.

<u>Year</u>	<u>Authority Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earnings</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2020	\$ 5,000	\$ 1,151	\$ 126	\$ -0-	\$ 65,363
2019	5,000	1,350	568	-0-	59,086
2018	5,000	856	67	-0-	52,168

Note 9: Intrafund and Interfund Transfers

In the normal course of business, the Authority will, from time to time, authorize advances between accounts. During 2020, the Authority transferred \$512,811 between restricted and unrestricted accounts based on the bond provisions. There were no advances outstanding as of December 31, 2020.

Note 10: Contractual Commitments

The Authority has entered into several contracts in the normal course of its business operations to provide sewer service for its customers including other local governments. Below is a summary of the significant contracts or agreements:

- The Authority has an ongoing contract with Passaic Valley Sewerage Commission for disposal of residual sludge waste. The cost of this service is \$0.045 per gallon.
- The Authority has inter-municipal service agreements with other local government agencies, namely:
 1. The Township of Washington
 2. The Township of Tewksbury
 3. The Township of Chester

Note 11: Accounts Payable

Accounts payable at December 31, 2020 were as follows:

	<u>Operating Fund</u>	<u>Contributions Subsequent to the Measurement Date</u>	<u>Total</u>
Due to State of New Jersey		\$ 103,449	\$ 103,449
Vendors	\$ 177,007		177,007
	<u>\$ 177,007</u>	<u>\$ 103,449</u>	<u>\$ 280,456</u>

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

(Continued)

Note 12: Environmental Matters

The Authority's past and present daily operations include activities which are subject to extensive federal and state environmental regulations. Compliance with these regulations has not had, nor does the Authority expect such compliance to have, any material effect upon expected capital expenses, net position, financial condition or competitive position of the Authority. The Authority believes that their current practices and procedures comply with applicable regulations. The Authority's policy is to accrue environmental and related costs of a noncapital nature when it is both probable that a liability has been incurred and that the amount can be reasonably estimated. No such amounts have been accrued in these statements.

Note 13: Contingencies

The Authority is periodically involved in various lawsuits, claims, and grievances arising in the normal course of business, including claims for personal injury and personnel practices, property damage, and disputes over eminent domain proceedings. In the opinion of the General Counsel to the Authority, payment of claims by the Authority, for amounts not covered by insurance, in the aggregate, are not expected to have a material adverse effect on the Authority's financial position. The Authority may participate in federal and state assisted grant programs. These programs would be subject to financial and compliance audits by the grantors or their representatives. In the opinion of Authority Management, liabilities resulting from such disallowed expenses, if any, will not be material to the accompanying financial statements.

Note 14: Subsequent Event

The COVID-19 outbreak in the United States and specifically in New Jersey continues to have an impact on the Authority's operations and finances. Though the impact on the Authority's finances cannot be reasonably estimated at this date, the following is likely to continue through at least mid-year 2021: Interest on investments continues to be severely negatively impacted.

WASHINGTON TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SIX YEARS

	Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
Authority's proportion of the net pension liability	0.0068654767%	0.0062240340%	0.0063156767%	0.0068460420%	0.0091233917%	0.0094564689%
Authority's proportionate share of the net pension liability	\$ 1,397,171	\$ 1,867,336	\$ 1,470,189	\$ 1,347,952	\$ 1,643,717	\$ 1,542,103
Authority's covered employee payroll	\$ 431,787	\$ 436,277	\$ 441,348	\$ 557,283	\$ 653,913	\$ 708,045
Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll	323.58%	428.02%	333.11%	241.88%	251.37%	217.80%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	40.14%	48.10%	53.60%	56.27%	58.32%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the year ended December 31, 2015.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF AUTHORITY CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SIX YEARS

	Year Ending				
	2015	2016	2017	2018	2020
Contractually required contribution	\$ 56,598	\$ 53,510	\$ 56,012	\$ 58,508	\$ 68,213
Contributions in relation to the contractually required contribution	<u>(56,598)</u>	<u>(53,510)</u>	<u>(56,012)</u>	<u>(58,508)</u>	<u>(68,213)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Authority's covered employee payroll	\$ 434,495	\$ 437,422	\$ 477,095	\$ 626,894	\$ 671,937
Contributions as a percentage of covered employee payroll	13.03%	12.23%	11.74%	9.33%	10.15%
				9.33%	11.91%

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the year ended December 31, 2015.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2020 AND 2019

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 6.28% as of June 30, 2019 to 7.00% as of June 30, 2020.

The July 1, 2018 actuarial valuation utilized the following mortality rate assumptions: Mortality improvement is based on Scale MP-2019.

The July 1, 2019 actuarial valuation utilized the following mortality rate assumptions: Mortality improvement is based on Scale MP-2020.

WASHINGTON TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY

SUPPLEMENTARY DATA

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
RESTRICTED AND UNRESTRICTED FUNDS
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	Unrestricted	Restricted	Net Investment in Capital Assets	Memo Total	
				2020	2019
Operating Revenue:					
Water Charges	\$ 1,505,832			\$ 1,505,832	\$ 1,353,831
Sewer Charges	2,888,653			2,888,653	2,859,152
Water Infrastructure Improvement Fee	269,006			269,006	269,088
Connection Fees	40,785			40,785	16,077
Other Income	86,383			86,383	56,669
Total Operating Revenue	<u>4,790,659</u>			<u>4,790,659</u>	<u>4,554,817</u>
Operating Expenses:					
Water Transmission	1,348,405			1,348,405	1,334,828
Sewer Disposal	1,428,010			1,428,010	1,308,393
Depreciation	775,135			775,135	761,830
Total Operating Expenses	<u>3,551,550</u>			<u>3,551,550</u>	<u>3,405,051</u>
Operating Income	<u>1,239,109</u>			<u>1,239,109</u>	<u>1,149,766</u>
Nonoperating Revenue/(Expenses):					
Interest Earned on Investments	23,971			23,971	120,047
Interest Expense - Debt Service	(695,285)			(695,285)	(559,622)
Total Nonoperating Revenue/(Expenses)	<u>(671,314)</u>			<u>(671,314)</u>	<u>(439,575)</u>
Change in Net Position (Before Transfers)	<u>567,795</u>			<u>567,795</u>	<u>710,191</u>
Transfers:					
Capital Acquisitions	(125,965)		\$ 125,965		
Principal Paid on Debt Service	(356,875)		356,875		
Depreciation	775,135		(775,135)		
Designated per Bond Sale Provisions	(512,811)	\$ 512,811			
Total Transfers	<u>(220,516)</u>	<u>512,811</u>	<u>(292,295)</u>		
Change in Net Position (After Transfers)	<u>347,279</u>	<u>512,811</u>	<u>(292,295)</u>	<u>567,795</u>	<u>710,191</u>
Net Position, January 1	<u>1,333,850</u>	<u>5,595,402</u>	<u>13,281,778</u>	<u>20,211,030</u>	<u>19,500,839</u>
Net Position, December 31	<u>\$ 1,681,129</u>	<u>\$ 6,108,213</u>	<u>\$ 12,989,483</u>	<u>\$ 20,778,825</u>	<u>\$ 20,211,030</u>

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF SEWER OPERATING FUND REVENUE AND EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019)

	2020 Final Budget	2020 Actual	Excess or (Deficit)	2019 Actual
Revenue:				
Operating Revenues:				
Service Fees	\$ 2,883,661	\$ 2,888,653	\$ 4,992	\$ 2,859,152
Connection Fees	7,900	38,210	30,310	13,502
Total Operating Revenues	<u>2,891,561</u>	<u>2,926,863</u>	<u>35,302</u>	<u>2,872,654</u>
Non-Operating Revenues:				
Interest on Investments	13,683	9,599	(4,084)	47,866
Other Non-Operating Revenue	38,859	20,345	(18,514)	34,169
Total Non-Operating Revenue	<u>52,542</u>	<u>29,944</u>	<u>(22,598)</u>	<u>82,035</u>
Total Revenue	<u>\$ 2,944,103</u>	<u>\$ 2,956,807</u>	<u>\$ 12,704</u>	<u>\$ 2,954,689</u>
Budgeted Appropriations:				
Cost of Providing Service:				
Salaries & Wages	\$ 395,632	\$ 395,632		\$ 335,445
Fringe Benefits	138,794	179,570	\$ (40,776)	190,249
Other Expenses	616,800	589,461	27,339	535,283
Total Cost of Providing Service	<u>1,151,226</u>	<u>1,164,663</u>	<u>(13,437)</u>	<u>1,060,977</u>
Administration:				
Salaries & Wages	120,473	120,472	1	111,887
Fringe Benefits	31,722	29,839	1,883	25,726
Other Expenses	153,445	113,036	40,409	109,803
Total Administration	<u>305,640</u>	<u>263,347</u>	<u>42,293</u>	<u>247,416</u>
Total Principal Payments on Debt Service in Lieu of Depreciation	<u>356,875</u>	<u>356,875</u>		<u>388,483</u>
Total Operating Appropriations	<u>1,813,741</u>	<u>1,784,885</u>	<u>28,856</u>	<u>1,696,876</u>
Non-Operating Appropriations:				
Bond Interest Expense	698,125	695,285	2,840	554,017
Operations and Maintenance Reserve	432,237		432,237	
Total Non-Operating Appropriations	<u>1,130,362</u>	<u>695,285</u>	<u>435,077</u>	<u>554,017</u>
Total Appropriations	<u>\$ 2,944,103</u>	<u>\$ 2,480,170</u>	<u>\$ 463,933</u>	<u>\$ 2,250,893</u>
Operating Expenses		\$ 1,428,010		\$ 1,308,393
Debt Service in Lieu of Depreciation		356,875		388,483
Bond Interest Expense		695,285		554,017
		<u>\$ 2,480,170</u>		<u>\$ 2,250,893</u>

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF WATER OPERATING FUND REVENUE AND EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019)

	2020 Final Budget	2020 Actual	Excess or (Deficit)	2019 Actual
Revenue:				
Fund Balance Utilized	\$ 78,224	\$ 78,224		
Operating Revenues:				
Service Fees	1,369,513	1,505,832	\$ 136,319	\$ 1,353,831
Connection Fees	2,575	2,575		2,575
Water Infrastructure Improvement Fee	269,278	269,006	(272)	269,088
Other Operating Revenue	6,949	48,480	41,531	9,001
Total Operating Revenues	<u>1,648,315</u>	<u>1,825,893</u>	<u>177,578</u>	<u>1,634,495</u>
Non-Operating Revenues:				
Interest on Investments	56,630	14,372	(42,258)	72,181
Other Non-Operating Revenue	10,497	17,558	7,061	13,499
Total Non-Operating Revenue	<u>67,127</u>	<u>31,930</u>	<u>(35,197)</u>	<u>85,680</u>
Total Revenue	<u>\$ 1,793,666</u>	<u>\$ 1,936,047</u>	<u>\$ 142,381</u>	<u>\$ 1,720,175</u>
Budgeted Appropriations:				
Cost of Providing Service:				
Salaries & Wages	\$ 332,526	\$ 332,526		\$ 266,466
Fringe Benefits	125,278	152,461	\$ (27,183)	152,233
Other Expenses	939,800	489,631	450,169	549,122
Total Cost of Providing Service	<u>1,397,604</u>	<u>974,618</u>	<u>422,986</u>	<u>967,821</u>
Administration:				
Salaries & Wages	171,170	171,170		157,617
Fringe Benefits	44,969	44,537	432	38,263
Other Expenses	174,912	158,080	16,832	171,127
Total Administration	<u>391,051</u>	<u>373,787</u>	<u>17,264</u>	<u>367,007</u>
Total Principal Payments on Debt Service in Lieu of Depreciation				<u>58,000</u>
Total Operating Appropriations	<u>1,788,655</u>	<u>1,348,405</u>	<u>440,250</u>	<u>1,392,828</u>
Non-Operating Appropriations:				
Bond Interest Expense				5,605
Operations and Maintenance Reserve	5,011		5,011	
Total Non-Operating Appropriations	<u>5,011</u>		<u>5,011</u>	<u>5,605</u>
Total Appropriations	<u>\$ 1,793,666</u>	<u>\$ 1,348,405</u>	<u>\$ 445,261</u>	<u>\$ 1,398,433</u>
Operating Expenses		\$ 1,348,405		\$ 1,334,828
Debt Service in Lieu of Depreciation				58,000
Bond Interest Expense				5,605
		<u>\$ 1,348,405</u>		<u>\$ 1,398,433</u>

SCHEDULE IV

TOWNSHIP OF WASHINGTON MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF WATER AND SEWER REVENUE BONDS PAYABLE

Description	Original		Interest Rate	Maturities		Balance at	
	Date	Amount		Date	Amount	Jan. 1, 2020	Dec. 31, 2020
Issue of 1998 (Series A & B)	10/01/98	\$ 4,775,066	5.00%	12/15/21	\$ 336,028		
			5.00%	12/15/22	319,834		
			5.00%	12/15/23	304,420		
			5.00%	12/15/24	289,756		
			5.00%	12/15/25	275,788		
			5.00%	12/15/26	262,505		
			5.00%	12/15/27	249,855		
					\$ 2,395,061	\$ 356,875	\$ 2,038,186
					<u>\$ 2,395,061</u>	<u>\$ 356,875</u>	<u>\$ 2,038,186</u>
Balance Comprised of:							
Short-term Portion					\$ 356,875	\$ 20,847	\$ 336,028
Long-term Portion					2,038,186	336,028	1,702,158
					<u>\$ 2,395,061</u>	<u>\$ 356,875</u>	<u>\$ 2,038,186</u>

WASHINGTON TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY

GOVERNMENT AUDITING STANDARDS SECTION

YEAR ENDED DECEMBER 31, 2020



200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973.298.8500

11 Lawrence Road
Newton, NJ 07860
973.383.6699

nisivoccia.com

Independent Member
BKR International

Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

The Honorable Chairman and Members
of the Washington Township Municipal
Utilities Authority
Long Valley, NJ

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey ("the Division"), 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 Washington Township Municipal Utility Authority (the "Authority") as of, and for the years ended, December 31, 2020 and 2019, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated June 11, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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 the 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.

The Honorable Chairman and Members
of the Washington Township Municipal
Utilities Authority
Page 2

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 result 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.

Mount Arlington, New Jersey
June 11, 2021

Nisivoccia LLP
NISIVOCCIA LLP

Man C Lee

Man C. Lee
Certified Public Accountant
Registered Municipal Accountant #562

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2020

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the Authority.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *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*.
- No instances of noncompliance material to the financial statements of the Authority which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2020

The Authority had no prior year audit findings.

COMMENTS AND RECOMMENDATIONS

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required Advertisement for Bids

N.J.S.A. 40A:11-3 states:

- a. "When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to Subsection b. of Section 9 of P.L. 1971, C.198 (N.J.S.A. 40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.
- b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, C.198 (N.J.S.A. 40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.
- c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L.1999, C.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, C.198 (N.J.S.A. 40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

N.J.S.A. 40A: 11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

The minutes indicated that bids were requested by public advertising and contracts awarded. The minutes also indicated that resolutions were adopted and advertised, authorizing the awarding of contracts or agreements for professional services per N.J.S. 40A:11-5.

Effective July 1, 2015 through June 30, 2020, the bid thresholds in accordance with N.J.S.A. 40A:11-3 are \$17,500 for a contracting unit without a qualified purchasing agent and \$40,000 for a contracting unit with a qualified purchasing agent. Effective July 1, 2020 and thereafter, the bid thresholds in accordance with N.J.S.A. 40A:11-3 are \$17,500 for a contracting unit without a qualified purchasing agent and \$44,000 for a contracting unit with a qualified purchasing agent.

The governing body of the Authority has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where questions arise as to whether any contract or agreement might result in violation of the statute, the Authority Attorney's opinion should be sought before a commitment is made.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
COMMENTS AND RECOMMENDATIONS
(Continued)

Contracts and Agreements Required Advertisement for Bids (Cont'd)

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. None were noted.

Analysis of Escrow Deposits Payable

The Authority currently does not maintain an analysis by individual of its escrow deposits payable. When an individual requests a refund of their deposit on a completed project, the Authority must research that individual's transactions to determine the amount to be refunded.

It is recommended that an analysis by individual of escrow deposits payable be prepared and reconciled to the general ledger on a monthly basis.

Management's Response

The Authority continued to analyze the activity in escrow deposits payable during 2020 but did not complete it. The Authority will attempt to finalize the analysis of the activity in the escrow deposits payable account by individual during the year 2021.

Over-expenditure of Individual Budget Appropriations

The analysis of the Authority schedules of sewer and water operating fund revenue and expenditures compared to budget has over-expenditures in the fringe benefits expense. This was caused by the recording of the changes in net pension liability and related deferred inflows and outflows of resources, respectively. Prior to that implementation, the Authority made all necessary budget transfers and had no over-expenditures. As such, no formal recommendation is deemed necessary.

Management Suggestions

Effect on Internal Controls due to COVID-19

With the increased ability for certain work functions to be done remotely and the increased use of electronic payments and processes, it is suggested that the Authority routinely reviews the internal controls in place especially with respect to security of passwords as well as access rights to accounting software and bank information including bank wire transfers and the timely back-up of records.

Sick and Vacation Leave

It is suggested that the Authority consult with its attorney to ensure that its negotiated labor contracts, individual employee agreements and employee policies, as applicable, are in accordance with New Jersey statutes regarding unused sick and vacation leave.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. An analysis by individual of escrow deposits payable be prepared and reconciled to the general ledger on a monthly basis.

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