

WARREN COUNTY (PEQUEST RIVER)  
MUNICIPAL UTILITIES AUTHORITY  
COUNTY OF WARREN  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
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INTRODUCTORY SECTION

# Warren County (Pequest River) Municipal Utilities Authority

199 Foul Rift Road, P.O. Box 159  
Belvidere, New Jersey 07823

Tel. (908) 475-5412  
Fax. (908) 475-5873

December 7, 2021

The Honorable Chairman and Members  
of the Warren County (Pequest River)  
Municipal Utilities Authority  
Belvidere, NJ

Dear Authority Members:

The annual financial report of the Warren County (Pequest River) Municipal Utilities Authority (The “Authority”) for the year ended December 31, 2020, 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 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, single audit, 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 single audit section, including the auditors' report on internal control and compliance with applicable laws, regulations, contracts and grants and findings and questioned costs, are included in the single audit section of this report.

## REPORTING ENTITY AND ITS SERVICES:

The Warren County (Pequest River) Municipal Utilities Authority is a public body corporate and politic of the State of New Jersey governed by nine members appointed by the Warren County Board of Chosen Freeholders.

The Authority was created in 1969 and reorganized in 1978 under and pursuant to the State Municipal Utilities Authorities Law (P.L. 1957, Chap. 183).

The Warren County (Pequest River) Municipal Utilities Authority was created to provide for the acquisition, construction, maintenance, operation and improvement of facilities for the collection, treatment, purification or disposal of sewage or other wastes for the purpose of relieving waters of pollution within the Authority's area of service. The Authority is authorized to collect service charges for connection with, and for use of, the Authority's services and products. The Authority bills the customers for such usage under their respective service contracts.

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

The Honorable Chairman and Members  
of the Warren County (Pequest River)  
Municipal Utilities Authority  
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**REPORTING ENTITY AND ITS SERVICES: (Cont'd)**

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. 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. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

The Freeholders of Warren County appoint the governing members of the Authority and the County has secured the payment of the Authority's bonds and loans, but the Authority is autonomous from the County in all other pertinent matters concerning oversight responsibility. Accordingly, the Authority is considered a component unit of the County of Warren.

**General Trends and Significant Events**

During 2020, the Authority experienced the following:

- Both sewer plants operated without any major breakdowns of violations.
- Each facility is considered to be well run and orderly with housekeeping and storage exceptional.
- The Authority has gone over 20 years without any lost time accidents and no lost work days.
- In 2019, the Warren County Pollution Control Financing Authority (PCFA) discontinued discharging the effluent from its facility into the Authority's Oxford Treatment plant. However, the Warren County (Pequest River) Municipal Utilities Authority continues to look for new sources of revenue.

The Honorable Chairman and Members  
of the Warren County (Pequest River)  
Municipal Utilities Authority  
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December 7, 2021

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 5. 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, automobile liability and comprehensive/collision, hazard and theft insurance on property, contents, and fidelity bonds.

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.

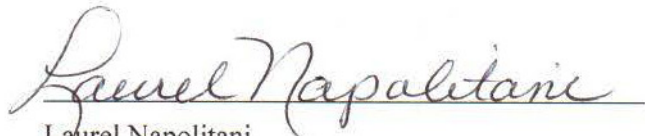
ACKNOWLEDGEMENTS:

We would like to express our appreciation to the members of the Warren County (Pequest River) Municipal Utilities Authority for their concern in providing fiscal accountability to the citizens of Warren County 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.

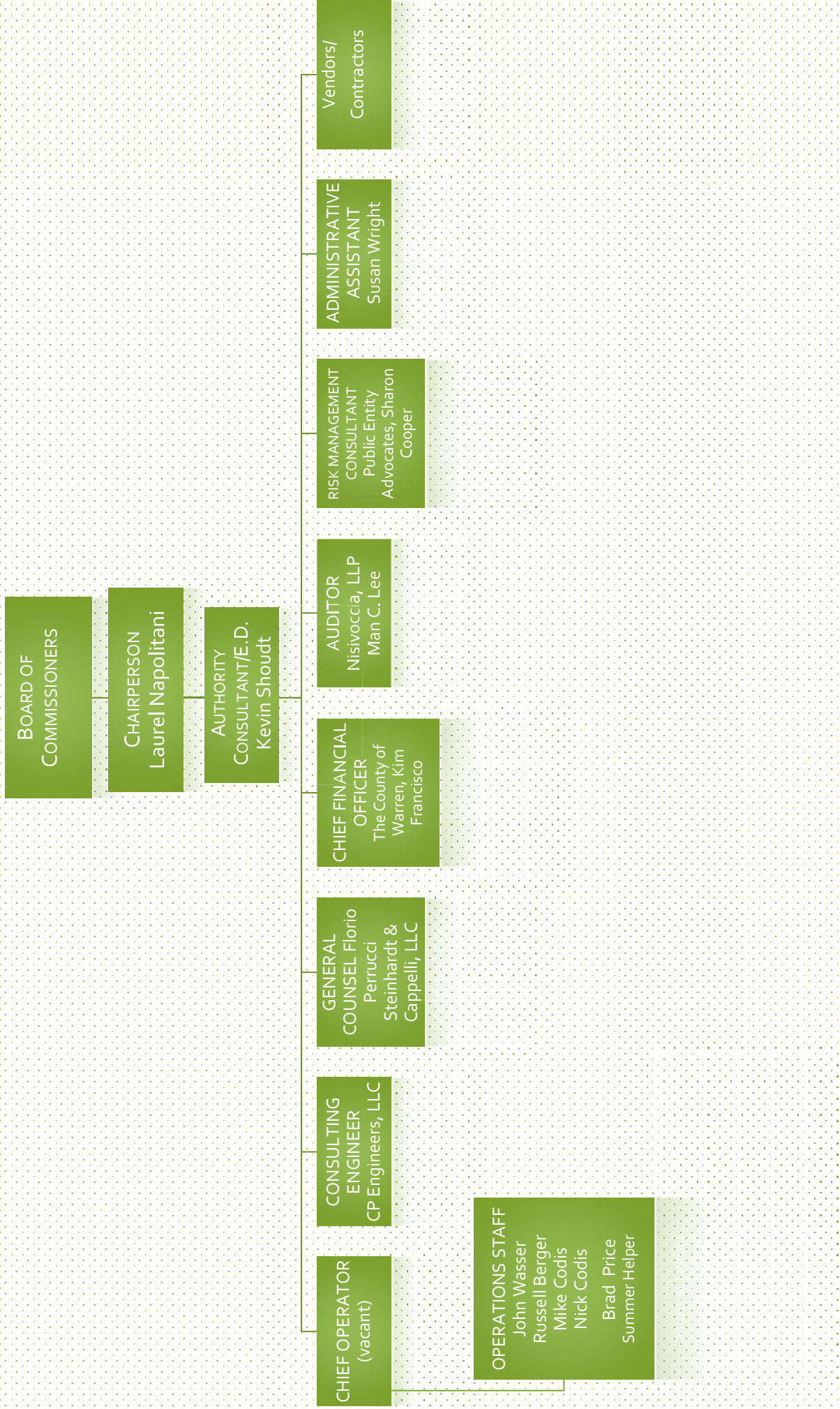
Respectfully submitted,



Kim Francisco  
Authority's Chief Financial Officer



Laurel Napolitani  
Chairwoman





WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITYROSTER OF OFFICIALSDECEMBER 31, 2020Commissioners

Donald Niece	Chairperson
Everdina O'Connor	Vice Chairperson
Chad Chamberlain	Secretary
Robert Piazza	Treasurer
Robert Nyland	Board Member
Sidney Deutsch	Board Member
Drew Kiszonak	Board Member
Scott Morris, Jr.	Board Member
Laurel Napolitani	Board Member

Other Officials

Kevin Shoudt	Authority Consultant
Kim Francisco	Authority's Chief Financial Officer

## CONSULTANTS AND ADVISORS

## AUDIT FIRM

Nisivoccia LLP  
Mt. Arlington, NJ

## ATTORNEYS

Brian Tipton  
Florio, Perrucci, Steinhardt & Cappelli, LLC  
Phillipsburg, NJ

## CONSULTING ENGINEER

CP Engineers, LLC  
Sparta, NJ

FINANCIAL SECTION



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

11 Lawrence Road  
Newton, NJ 07860  
973.383.6699

[nisivoccia.com](http://nisivoccia.com)

Independent Member  
BKR International

## Independent Auditors' Report

The Honorable Chairman and Members  
of the Warren County (Pequest River)  
Municipal Utilities Authority  
Belvidere, NJ

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

We have audited the accompanying financial statements of the Pequest River Municipal Utilities Authority, (the "Authority"), a component unit of the County of Warren, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

#### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Warren County (Pequest River)  
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### ***Basis for Qualified Opinion***

The Authority's net postemployment benefits other than pensions ("OPEB") liability and the related deferred outflows and inflows of resources reported in the financial statements at December 31, 2020 is based on the June 30, 2019 Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* report. We were unable to obtain the June 30, 2020 GASB No. 75 report as it has not been released by the Division of Pensions and Benefits, Department of the Treasury, State of New Jersey, as of the date of this report. Due to the State's delay in the release of this information, the amount by which this omission would affect the net OPEB liability and the related deferred inflows and outflows of resources, net position and expenses of the Authority cannot be determined.

### ***Qualified Opinion***

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above, present fairly, in all material respects, the financial position of the Authority as of December 31, 2020, and the respective changes in financial position and cash flows thereof for the year 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 which follows this report, and the required supplementary information pension and post-employment benefits 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 schedules of expenditures of Federal and State awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Honorable Chairman and Members  
of the Warren County (Pequest River)  
Municipal Utilities Authority  
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The supplementary information schedules and the schedules of expenditures of federal and state awards 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 and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the 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 December 7, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mt. Arlington, New Jersey  
December 7, 2021

*Nisivoccia LLP*  
NISIVOCCIA LLP

*Man C Lee*

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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**

Management believes the Authority's financial position to be strong for a small county utility. The Authority is functioning within its stringent financial policies and guidelines set forth by the Authority members. Following is a list of key highlights for 2020:

- The principal paid on the 2002 trust loan was \$142,770, and the balance is \$304,723. The principal paid on the 2002 fund loan was \$112,906, and the balance is \$224,019. The principal paid on the 2003 trust loan was \$67,381, \$2,619 was defeased due to a project credit and the balance is \$230,000. The principal paid on the 2003 fund loan was \$51,621 and the balance is \$26,879. The principal paid on the 2014 trust loan was \$160,000 and the balance is \$2,840,000. The principal paid on the 2014 fund loan was \$449,745 and the balance is \$5,562,203.
- Sewer charges decreased \$8,912 in 2020 or 0.41%. This decrease is primarily due to a reduction in industrial waste. Sewer connection fees decreased \$2,407 due to less connections with NJ American Water.

### **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 activities. The financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; a statement of cash flows; and notes to the financial statements. In addition, there are several supplementary information schedules.

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, deferred inflows and outflows, and liabilities, 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 revenues, 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.

## Overview of Annual Financial Report (Cont'd)

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.

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.

The *supplementary information schedules* provide detailed comparison of budget to actual expenses, as well as important debt coverage data.

## Financial Conditions

The Authority is in excellent shape to meet future financial demands.

The Authority's total net position increased from the prior year by \$19,618. The analysis below focuses on the Authority's net position (Table I) and changes in net position (Table II) during the year.

Table I  
Condensed Statement of Net Position

	December 31,		Increase/ (Decrease) from 2019	Percent of Increase/ (Decrease)
	2020	2019		
Current and Other Assets	\$ 5,147,133	\$ 5,538,049	\$ (390,916)	
Capital Assets, Net	17,830,697	18,447,741	(617,044)	
Total Assets	22,977,830	23,985,790	(1,007,960)	-4.20%
Deferred Outflows of Resources	157,532	179,763	(22,231)	-12.37%
Current Liabilities	1,153,225	1,147,634	5,591	
Long-Term Liabilities	9,935,581	10,996,570	(1,060,989)	
Total Liabilities	11,088,806	12,144,204	(1,055,398)	-8.69%
Deferred Inflows of Resources	1,140,473	1,134,884	5,589	0.49%
Net Investment in Capital Assets	8,620,063	8,242,463	377,600	
Unrestricted Net Position	2,286,020	2,644,002	(357,982)	
Total Net Position	\$ 10,906,083	\$ 10,886,465	\$ 19,618	0.18%

Total net position increased 0.18%. This was mainly a result of normal business operations and a reduction of debt associated with capital assets.

**Financial Conditions** (Cont'd)

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	Percent of Increase/ (Decrease)
	2020	2019		
Operating Revenue	\$ 2,182,978	\$ 2,203,562	\$ (20,584)	
Nonoperating Revenue	34,747	137,721	(102,974)	
Total Revenue	<u>2,217,725</u>	<u>2,341,283</u>	<u>(123,558)</u>	-5.28%
Operating Expenses:				
Cost of Providing Services	1,169,620	996,023	173,597	
Administrative and General Expenses	<u>194,328</u>	<u>215,347</u>	<u>(21,019)</u>	
	1,363,948	1,211,370	152,578	12.60%
Depreciation	708,172	702,026	6,146	
Nonoperating Expenses	<u>128,606</u>	<u>147,596</u>	<u>(18,990)</u>	
Total Expenses	<u>2,200,726</u>	<u>2,060,992</u>	<u>139,734</u>	-6.78%
Other Items	<u>2,619</u>	<u>2,490</u>	<u>129</u>	5.18%
Change in Net Position	19,618	282,781	(263,163)	
Beginning Net Position	<u>10,886,465</u>	<u>10,603,684</u>	<u>282,781</u>	
Ending Net Position	<u>\$ 10,906,083</u>	<u>\$ 10,886,465</u>	<u>\$ 19,618</u>	0.18%

**Results of Operations**

**Operating Revenues:** The decrease in operating revenues is primarily due to developer's escrow receipts for a warehouse development received in 2019. Nonoperating revenue decrease is primarily due to interest income decreasing 74.77% from 2019 due to declining interest rates.

**Expenses:** Operating expenses increased 12.60% over 2019 due to the hire of an additional operator for 2020 and increased maintenance costs. The Authority maintains its policy of careful spending to stay within the budget.

**Budgetary Highlights:** Over the course of the year, the Authority's Board of Directors did not make any amendments to the original budget.



**Capital Assets:** As of December 31, 2020, the Authority had \$17.83 million invested in capital assets, including land, vehicles and two 500,000 gallons per day wastewater treatment plants, four pumping stations and the sewer collection system infrastructure. This amount represents a net decrease of \$617,044 from the prior year primarily due to depreciation.

The following table summarizes the Authority's capital assets, net of accumulated depreciation and changes therein, for the year ended December 31, 2020. These changes are presented in detail in Note 2 to the financial statements.

Table III  
**Capital Assets, Net of Accumulated Depreciation**

	December 31,		Increase from 2019	Percent of Increase/ (Decrease)
	2020	2019		
Land	\$ 52,000	\$ 52,000		
Plant, Equipment and Vehicles	35,248,270	35,126,190	\$ 122,080	
Construction in Progress	20,345	51,297	(30,952)	
Total	<u>35,320,615</u>	<u>35,229,487</u>	91,128	0.26%
Less:				
Accumulated Depreciation	<u>17,489,918</u>	<u>16,781,746</u>	708,172	4.22%
Capital Assets, Net of Accumulated Depreciation	<u>\$ 17,830,697</u>	<u>\$ 18,447,741</u>	<u>\$ (617,044)</u>	-3.34%

**Long-term Liabilities:** At year-end, the Authority had \$10,923,647 in long-term liabilities outstanding – a decrease of \$1,067,568 from last year – as shown in Table IV. (More detailed information about the Authority's long-term liabilities is presented in Note 3 to the financial statements.)

Table IV  
**Outstanding Long-Term Liabilities**

	December 31,		Increase/ (Decrease) from 2019	Percent of Decrease
	2020	2019		
NJ Environmental Infrastructure Trust Loan Payable	\$ 3,374,723	\$ 3,747,493	\$ (372,770)	
NJ Environmental Infrastructure Fund Loan Payable	5,813,101	6,427,373	(614,272)	
Unamortized Loan Premium	22,810	30,412	(7,602)	
Net Pension Liability	688,042	745,650	(57,608)	
Net OPEB Liability	969,086	969,086	-0-	
Compensated Absences	<u>55,885</u>	<u>71,201</u>	<u>(15,316)</u>	
	<u>\$ 10,923,647</u>	<u>\$ 11,991,215</u>	<u>\$ (1,067,568)</u>	-8.90%

**Cash Flow Activity:** The cash and cash equivalents at year-end 2020 decreased by \$391,744 from the previous year. The decrease is mostly due to declining interest rates and an increase in expenses for maintenance and associated supplies. The Authority maintains an adequate cash balance to meet future emergencies and capital requirements.

**Final Comments:** During 2020, the Authority entered into a new agreement with Kevin Shoudt & Associates, LLC for engineering and the management of business and supervision of operations. The Authority continues with shared services with the County of Warren.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
STATEMENT OF NET POSITION  
DECEMBER 31, 2020

<u>ASSETS</u>	<u>2020</u>
Current Assets:	
Unrestricted Cash and Cash Equivalents	\$ 5,146,255
Sewer Charges Receivable	878
Total Current Assets	<u>5,147,133</u>
Noncurrent Assets:	
Depreciable Plant, Equipment and Vehicles	17,758,352
Land and Construction in Progress	72,345
Total Noncurrent Assets	<u>17,830,697</u>
TOTAL ASSETS	<u>22,977,830</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows of Resources Related to Pensions	93,472
Pension Contribution Subsequent to the Measurement Date	46,156
Deferred Outflows of Resources Related to OPEB	17,904
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>157,532</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	91,013
Contracts Payable	6,074
Payroll Deductions Payable	778
Accrued Wages Payable	6,071
Accrued Interest Payable	57,471
Developers' Escrow Payable	3,752
Due Within One Year:	
NJ Environmental Infrastructure Trust Loan Payable	392,563
NJ Environmental Infrastructure Fund Loan Payable	587,900
Unamortized Loan Premium	7,603
Total Current Liabilities	<u>1,153,225</u>
Noncurrent Liabilities:	
Accrued Compensated Absences Payable	55,885
Net Pension Liability	688,042
Net OPEB Liability	969,086
Due Beyond One Year:	
NJ Environmental Infrastructure Trust Loan Payable	2,982,160
NJ Environmental Infrastructure Fund Loan Payable	5,225,201
Unamortized Loan Premium	15,207
Total Noncurrent Liabilities	<u>9,935,581</u>
TOTAL LIABILITIES	<u>11,088,806</u>

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
STATEMENT OF NET POSITION  
DECEMBER 31, 2020  
 (Continued)

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources Related to Pensions	\$ 290,523
Deferred Inflows of Resources Related to OPEB	849,950
	1,140,473
TOTAL DEFERRED INFLOW OF RESOURCES	1,140,473

NET POSITION

Net Investment in Capital Assets	8,620,063
Unrestricted	2,286,020
Total Unrestricted Net Position	10,906,083
TOTAL NET POSITION	\$ 10,906,083

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

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020
Operating Revenue:	
Sewer Charges	\$ 2,182,846
Other Revenue	132
Total Operating Revenue	2,182,978
Operating Expenses:	
Cost of Providing Services	1,169,620
Administrative and General Expenses	194,328
Depreciation	708,172
Total Operating Expenses	2,072,120
Operating Income	110,858
Nonoperating Revenue / (Expenses):	
Interest Income	34,747
Interest Expense	(128,606)
Total Nonoperating Revenue / (Expenses)	(93,859)
Change in Net Position Before Other Items	16,999
Other Items:	
NJ Environmental Infrastructure Trust Loan Principal Credit	2,619
Total Other Items	2,619
Change in Net Position	19,618
Net Position, Beginning of Year	10,886,465
Net Position, End of Year	\$ 10,906,083

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

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 2,182,018
Other Receipts	3,884
Cash Paid to Suppliers and Employees (Including Grant Expenses)	(1,384,565)
Net Cash Provided by Operating Activities	801,337
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	(64,709)
Construction in Progress	(20,345)
Contracts Payable Paid	(10,100)
Principal Paid on NJ Environmental Infrastructure Fund Loan	(984,423)
Interest Expense	(148,251)
Net Cash Used for Capital and Related Financing Activities	(1,227,828)
Cash Flows from Investing Activities:	
Interest on Investments	34,747
Net Cash Provided by Investing Activities	34,747
Net Decrease in Cash and Cash Equivalents	(391,744)
Cash and Cash Equivalents - Beginning of Year	5,537,999
Cash and Cash Equivalents - End of Year	\$ 5,146,255
Reconciliation of Net Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income	\$ 110,858
Adjustments to Reconcile Operating Income to Net	
Cash Provided by Operating Activities:	
Depreciation	708,172
Changes in Assets and Liabilities:	
(Decrease) in Sewer Rents Receivable	(828)
(Decrease) in Accrued Compensated Absences Payable	(15,316)
Increase in Accounts Payable	14,611
(Decrease) in Payroll Deductions Payable	(6,224)
Increase in Accrued Wages Payable	6,071
Increase in Developers' Escrow Payable	3,752
Decrease in Deferred Outflows Related to Pensions	28,134
Increase in Deferred Inflows Related to Pensions	9,715
(Decrease) in Net Pension Liability	(57,608)
Net Cash Provided By Operating Activities	\$ 801,337

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

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020

Note 1 - Organization and Summary of Significant Accounting Policies

The Warren County (Pequest River) Municipal Utilities Authority is a public body corporate and politic of the State of New Jersey governed by nine members appointed by the Warren County Board of Chosen Freeholders.

The Authority was created in 1969 and reorganized in 1978 under and pursuant to the State Municipal Utilities Authorities Law (P.L. 1957, Chap. 183).

The Warren County (Pequest River) Municipal Utilities Authority was created to provide for the acquisition, construction, maintenance, operation and improvement of facilities for the collection, treatment, purification or disposal of sewage or other wastes for the purpose of relieving waters of pollution within the Authority's area of service. The Authority is authorized to impose and to collect service charges for connection with, and for use of, the Authority services and products. The Authority bills the customers for such usage under their respective service contracts.

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.

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 and/or expenses incurred 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 financial statements are reported using the economic measurement focus and the accrual basis of accounting. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, all deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operations are included on the Statement of Net Position. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) are segregated into "net investment in capital assets"; "restricted" and "unrestricted" components.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020  
(Continued)

Note 1 - Organization and Summary of Significant Accounting Policies (Cont'd)

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

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. 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 fiscal year. The Authority is a component unit of the County of Warren under the provisions of GASB Codification Section 2100.

B. Grants

Recognition of revenue from grants is based on the accrual basis of accounting. Grant funds received before costs are incurred are considered unearned revenue.

Grant related expenditures incurred in advance of receipt of grant funds result in the recording of receivables and revenue. Grants not externally restricted and utilized to finance operations are identified as nonoperating revenue.

C. Inventories

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

D. Cash and Cash Equivalents

Amounts include petty cash, amounts on deposit, and short-term investments with original maturities of three months or less.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020  
(Continued)

Note 1 - Organization and Summary of Significant Accounting Policies (Cont'd)

E. Investments (Cont'd)

The Authority generally records investments at fair value and records the unrealized 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 units; Level 3 inputs are significant unobservable units. 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. The Authority's investments are limited by the 1993 and 2003 Bond Resolutions to obligations of or guaranteed by the federal government and bank certificates of deposit.

F. 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.

G. Compensated Absences

The Authority accounts for compensated absences (e.g., unused vacation, sick leave) as directed by GASB. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Compensated absences are accrued and reported as a liability in the period earned. The balance as of December 31, 2020 was \$55,885, which is included on the Statement of Net Position as a non-current liability.

H. Revenue Recognition

The Authority has service agreements with several other local government agencies. Customers are billed quarterly based on estimates resulting from the prior year's actual usage. First quarter bills each year are adjusted, if necessary, for actual usage of the prior year. Revenue is recorded net of any discounts, assessments or abatements, if applicable.

I. Net Position

Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

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



WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020  
(Continued)

Note 1 - Organization and Summary of Significant Accounting Policies (Cont'd)

I. Net Position (Cont'd)

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 inflows of resources related to pensions and OPEB 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 the 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.

J. Allowance for Uncollectible Accounts

All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowance is established at the discretion of management of the Authority as deemed necessary based on prior collection history.

K. 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) and additions to/deductions from the PERS's net position have been determined on the same basis as they are 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.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020  
(Continued)

Note 2 - Capital Assets

Capital assets are recorded at cost and consisted of the following, as of December 31, 2019 and 2020:

	<u>Balance</u> <u>Dec. 31, 2019</u>	<u>Additions</u>	<u>Transfer</u>	<u>Balance</u> <u>Dec. 31, 2020</u>
Capital Assets to be depreciated				
Plant, Equipment and				
Vehicles	\$ 35,126,190	\$ 70,783	\$ 51,297	\$ 35,248,270
Total Capital Assets to be depreciated	<u>35,126,190</u>	<u>70,783</u>	<u>51,297</u>	<u>35,248,270</u>
Capital Assets not to be depreciated				
Land	52,000			52,000
Construction-in-Progress	51,297	20,345	(51,297)	20,345
Total Capital Assets	<u>35,229,487</u>	<u>91,128</u>		<u>35,320,615</u>
Accumulated Depreciation	<u>(16,781,746)</u>	<u>(708,172)</u>		<u>(17,489,918)</u>
Capital Assets (Net)	<u>\$ 18,447,741</u>	<u>\$ (617,044)</u>	<u>\$ -0-</u>	<u>\$ 17,830,697</u>

Capital assets 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 have been reviewed for impairments.

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

	<u>Useful Life</u>
Vehicles	6 Years
Land Improvements	20 Years
Buildings	45 Years
Communications, Business and Computer Equipment	2-15 Years
Machinery and Tools	15 Years
Appliances	10 Years
Lab/Science/Engineering Equipment	10 Years
Furniture and Accessories	20 Years
Grounds and Agricultural Equipment	15 Years
Sewer/Water/Electric Equipment	30 Years

Construction-in-Progress

As of December 31, 2020, the Authority has started additional Oxford water treatment facilities upgrades with cumulative costs totaling \$20,345.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020  
(Continued)

Note 3 - Long-Term Liabilities

During the year ended December 31, 2020, the following changes occurred in long-term liabilities reported in the financial statements:

	<u>Beginning Balance</u>	<u>Accrued</u>	<u>Retired</u>	<u>Ending Balance</u>
NJ Environmental Infrastructure Trust Loan Payable	\$ 3,747,493		\$ 372,770	\$ 3,374,723
NJ Environmental Infrastructure Fund Loan Payable	6,427,373		614,272	5,813,101
Unamortized Loan Premium	30,412		7,602	22,810
Net Pension Liability	745,650		57,608	688,042
Net OPEB Liability	969,086			969,086
Compensated Absences	71,201		15,316	55,885
	<u>\$ 11,991,215</u>	<u>\$ -0-</u>	<u>\$ 1,067,568</u>	<u>\$ 10,923,647</u>

NJ Environmental Infrastructure Loans

On October 15, 2002, the Authority entered into two loan agreements with the State of New Jersey, acting by and through the NJ Department of Environmental Protection Fund (the "Fund"), and the NJ Environmental Infrastructure Trust (the "Trust"), in the aggregate amount of \$4,300,000, which represents direct obligations of the Authority. The loan agreements were obtained to finance the cost of the Belvidere wastewater treatment plant upgrade.

Principal payments to the Fund amounted to \$112,906 in 2020, and will continue on a semiannual basis at zero interest until August 1, 2022. Principal payments to the Trust amounted to \$142,770 in 2020, and will continue on an annual basis until August 1, 2022.

On October 15, 2003, the Authority entered into two supplemental loan agreements with the State of New Jersey, acting by and through the NJ Department of Environmental Protection Fund (the "Fund"), and the NJ Environmental Infrastructure Trust (the "Trust"), in the aggregate amount of \$2,054,515, which represents direct obligations of the Authority. The loan agreements were obtained to finance the additional costs of the Belvidere wastewater treatment plant upgrade.

Principal payments to the Fund amounted to \$51,621 in 2020, and will continue on a semi-annual basis at zero interest until August 1, 2021. Principal payments to the Trust amounted to \$67,381 in 2020, and will continue on an annual basis until August 1, 2023. Additionally, \$2,619 was defeased in 2020 due to a project credit.

On May 21, 2014, the Authority entered into two loan agreements with the State of New Jersey, acting by and through the NJ Department of Environmental Protection Fund (the "Fund"), and the NJ Environmental Infrastructure Trust (the "Trust"), in the aggregate amount of \$11,707,882, which represents direct obligations of the Authority. The loan agreements were obtained to finance the cost of the Oxford wastewater treatment plant upgrade.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020  
(Continued)

Note 3 - Long-Term Liabilities (Cont'd)

NJ Environmental Infrastructure Loans (Cont'd)

Principal payments to the Fund amounted to \$449,745 in 2020, and will continue on a semi-annual basis at zero interest until August 1, 2033. Principal payments to the Trust amounted to \$160,000 in 2020, and will continue on an annual basis until August 1, 2033.

The Trust loans were issued at a premium totaling \$159,670 which is being amortized over the life of the loan on the straight-line basis. \$7,602 was amortized in 2020 and \$7,605 in 2019. The unamortized loan premium balance was \$22,810 at December 31, 2020, of which \$7,603 is short term and \$15,207 is long term.

New Jersey Environmental Infrastructure Trust, NJ Environmental Infrastructure Refunding Bonds, Series 2007B were issued to refund the New Jersey Environmental Infrastructure Trust 2002A.

<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2020</u>
Trust Loan - 2002/Refunding- 2007A	8/1/2022	4.75% - 5.00%	\$ 304,723
Trust Loan - 2003	8/1/2023	4.75% - 5.00%	230,000
Trust Loan - 2014	8/1/2033	3.00% - 5.00%	<u>2,840,000</u>
			3,374,723
		Less: Short-Term Portion	<u>392,563</u>
		Long-Term Portion	<u>\$ 2,982,160</u>
<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2020</u>
Fund Loan - 2002	8/1/2022	0.00%	\$ 224,019
Fund Loan - 2003	8/1/2021	0.00%	26,879
Fund Loan - 2014	8/1/2033	0.00%	<u>5,562,203</u>
			5,813,101
		Less: Short-Term Portion	<u>587,900</u>
		Long-Term Portion	<u>\$ 5,225,201</u>

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020  
(Continued)

Note 3 - Long-Term Liabilities (Cont'd)

NJ Environmental Infrastructure Bonds or Loans (Cont'd)

<u>Maturity Schedule Giving Effect to the</u> <u>"NJ Environmental Infrastructure Loans, Series 2002A, 2003A and 2014"</u>					
<u>Year</u>	<u>Fund Loan</u> <u>Principal</u>	<u>Trust Loan</u> <u>Principal</u>	<u>Total</u> <u>Principal</u>	<u>Trust Loan</u> <u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2021	\$ 587,900	\$ 392,563	\$ 980,463	\$ 127,206	\$ 1,107,669
2022	562,488	412,160	974,648	107,582	1,082,230
2023	449,745	270,000	719,745	87,182	806,927
2024	449,744	195,000	644,744	73,881	718,625
2025	449,744	205,000	654,744	64,131	718,875
2026-2030	2,248,723	1,135,000	3,383,723	223,756	3,607,479
2031-2033	1,064,757	765,000	1,829,757	49,125	1,878,882
	<u>5,813,101</u>	<u>3,374,723</u>	<u>9,187,824</u>	<u>732,863</u>	<u>9,920,687</u>
Less: Short-Term Portion	<u>587,900</u>	<u>392,563</u>	<u>980,463</u>	<u>127,206</u>	<u>1,107,669</u>
Long-Term Portion	<u>\$ 5,225,201</u>	<u>\$ 2,982,160</u>	<u>\$ 8,207,361</u>	<u>\$ 605,657</u>	<u>\$ 8,813,018</u>

Net Pension Liability

The Public Employees' Retirement System's (PERS) net pension liability is recorded in the current and long-term liabilities of the Authority. The current portion of the net pension liability at June 30, 2020 is \$-0- and the long-term portion is \$688,042. See Note 4 for further information on the PERS.

Net OPEB Liability

The Authority's net OPEB liability related to the State Health Benefit Local Government Retired Employees Plan at June 30, 2019 was calculated to be \$969,086. The State of New Jersey Division of Pensions has not released the June 30, 2020 information as of the date of this report. See Note 12 for further information on the OPEB liability.

Note 4 - Pension

Authority employees participate in a contributory, defined benefit public employee retirement system: the State of New Jersey Public Employee's Retirement System (PERS).

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](http://www.state.nj.us/treasury/pensions/annual-reports.shtml).

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020  
(Continued)

Note 4 - Pension (Cont'd)

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

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and 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 \$40,331 for 2020.

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

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020  
(Continued)

Note 4 - Pension (Cont'd)

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

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

At June 30, 2020, the Authority's liability was \$688,042 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 .0042%, which was a .0001% increase from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Authority recognized actual pension expense in the amount of \$26,398. At June 30, 2020, the Authority 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	\$ 22,321	
	2017	5.48		\$ 65,129
	2018	5.63		63,896
	2019	5.21		50,743
	2020	5.16		108,322
				<u>22,321</u>
Changes in Proportion	2016	5.57	1,738	
	2017	5.48	4,841	
	2018	5.63	8,566	
	2019	5.21	5,265	
	2020	5.16	14,695	
				<u>35,105</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2017	5.00	(8,420)	
	2018	5.00	(7,809)	
	2019	5.00	1,890	
	2020	5.00	37,857	
			<u>23,518</u>	

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020  
(Continued)

Note 4 - 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)

	<u>Deferral Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	2016	5.57	\$ 677	
	2017	5.48	1,937	
	2018	5.63		\$ 2,433
	2019	5.21	3,879	
	2020	5.16	<u>6,035</u>	
			<u>12,528</u>	<u>2,433</u>
Authority Contribution Subsequent to the Measurement Date	2020	1.00	<u>46,156</u>	
			<u>\$ 139,628</u>	<u>\$ 290,523</u>

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.

<u>Year Ending June 30,</u>	<u>Total</u>
2021	\$ (86,337)
2022	(78,713)
2023	(44,982)
2024	(18,190)
2025	<u>(3,934)</u>
	<u>\$ (232,156)</u>

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



WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020  
(Continued)

Note 4 - Pension (Cont'd)

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

Actuarial Assumptions (Cont'd)

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.

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%

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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(Continued)

Note 4 - Pension (Cont'd)

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

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 will be made based on 78% of 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.

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	\$ 864,212	\$ 688,042	\$ 535,740

Pension Plan Fiduciary Net Position

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

Note 5 - Cash and Cash Equivalents and Investments

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

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.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020  
 (Continued)

Note 5 - Cash and Cash Equivalents and Investments (Cont'd)

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 in the investments section of this note.

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 require that authorities deposit public funds in public depositories 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 collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository must provide collateral having market value at least 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.

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;

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020  
 (Continued)

Note 5 - Cash and Cash Equivalents and Investments (Cont'd)

Investments: (Cont'd)

- (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 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.
- (9) Debt obligations of federal agencies or government corporations with maturities not to exceed 10 years from the date of purchase, excluding mortgage backed or derivative obligations, provided that the investments are purchased through the State Division of Investment and are invested consistent with the rules and regulations of the State Investment Council.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020  
(Continued)

Note 5 - Cash and Cash Equivalents and Investments (Cont'd)

As of December 31, 2020, cash and cash equivalents of the Warren County (Pequest River) Municipal Utilities Authority consisted of the following:

<u>Account</u>	Cash and Cash Equivalents			<u>Totals</u>
	Checking Accounts	Petty Cash	Money Market Funds	
Unrestricted	\$ 4,391,695	\$ 300	\$ 754,260	\$ 5,146,255
	\$ 4,391,695	\$ 300	\$ 754,260	\$ 5,146,255

The carrying amount of the Authority's cash and cash equivalents at December 31, 2020, was \$5,146,255, and the bank balance was \$5,169,076. The Authority did not hold any investments during the year other than certificates of deposit.

Note 6 - Risk Management

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

Property and Liability

The Authority is currently a member of the New Jersey Utility Authorities Joint Insurance Fund (the "Fund"). The Fund is both an insured and self-administered group of local utility authorities established for the purpose of providing low-cost insurance coverage for the members in order to keep local user fees and charges at a minimum for the local utility authorities who form the membership of the joint insurance fund.

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.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020  
 (Continued)

Note 6 - Risk Management (Cont'd)

Property and Liability (Cont'd)

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

Total Assets	\$ 15,150,020
Net Position	\$ 5,720,582
Total Revenue	\$ 11,443,259
Total Expenses	\$ 10,892,905
Change in Net Position	\$ (819,957)
Members Dividends	\$ 1,370,311

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

New Jersey Utility Authorities Joint Insurance Fund

PERMA Risk Management Services  
 9 Campus Drive, Suite 216  
 Parsippany, NJ 07054-4412  
 (201) 881-7632

New Jersey Unemployment Compensation Insurance

The Authority has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the Authority is required to remit employee withholdings to the State on a quarterly basis. All of the Authority's claims are paid by the State.

Note 7 - Intrafund and Interfund Transfers

In the normal course of business, the Authority will, from time to time, authorize advances between accounts. There was a transfer between the restricted and unrestricted accounts during 2020. There were no advances outstanding as of December 31, 2020.

Note 8 - 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:

- On August 1, 2018, the Authority entered into a three-year contract with Spectraserv Inc. for transportation of liquid sludge for ultimate disposal. The cost for this service is \$0.057 per gallon to PVSC or \$0.055 per gallon to Par-Troy Hills Sewer Authority.
- In 2016, the Authority entered into a five-year agreement with the Passaic Valley Sewerage Commissioners for disposal services of residual sludge waste. The cost of this service is \$0.04 per gallon from the Belvidere plant, and \$0.045 per gallon from the Authority's Oxford plant.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020  
(Continued)

Note 8 - Contractual Commitments (Cont'd)

- In September of 2018, the Authority entered into a 24-month agreement with Ambit Energy for the supply of electricity at a cost of \$0.074 per kWh.
- In 2019, the Authority has a two-year contract with Main Pool and Chemical Co., Inc. for chemicals used in the process of treating wastewater.
- The Authority has sewer service agreements with other local government agencies, namely;
  1. The Town of Belvidere
  2. The Township of Oxford
  3. The County of Warren
  4. Pollution Control Financing Authority of Warren County
  5. The Township of White
- The Authority holds sewer service agreements with several private entities, namely;
  1. Country View Village
  2. Windtryst Apartments

Note 9 - Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses were as follows:

	Operating Fund	Pension Contributions Subsequent to the Measurement Date	Total
Vendors	\$ 44,857		\$ 44,857
Due to State of New Jersey		\$ 46,156	46,156
Contracts Payable	6,074		6,074
Payroll Deductions Payable	778		778
Accrued Wages Payable	6,071		6,071
Accrued Interest Payable	57,471		57,471
Developers' Escrow Payable	3,752		3,752
	<u>\$ 119,003</u>	<u>\$ 46,156</u>	<u>\$ 165,159</u>

Note 10 - 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, operating net income, financial condition or competitive position of the Authority. The Authority believes that its current practices and procedures comply with applicable regulations. The Authority's policy is to accrue environmental and related costs of a non-capital 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 because it is believed to not be needed.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020  
 (Continued)

Note 11 - 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 participates in federal and state assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. In the opinion of Authority Management, liabilities resulting from disallowed expenditures, if any, will not be material to the accompanying financial statements.

Note 12 - Postemployment Benefits Other Than Pensions (OPEB)

State Health Benefit Local Government Retired Employees Plan

As of the date of this report, the Division of Pensions and Benefits, Department of the Treasury, State of New Jersey has not released the June 30, 2020 Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* report.

General Information about the OPEB Plan

Plan Description

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost sharing multiple employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Benefits Provided

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



WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020  
(Continued)

Note 12 - Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Benefits Provided (Cont'd)

Basic and major medical health benefits for employee and spouse (if applicable) shall continue to be provided by the Authority after an employee's retirement under the provisions of chapter 88, P.L. 1974, if the employee meets the following prerequisite conditions:

- A. The retired employee shall make full use of Medicare programs to mitigate cost to the Authority; and
- B. Employee is retired from full time employment with the Authority on a disability pension; or
- C. Completed twenty-five (25) years active service under an eligible pension plan as covered under N.J.S.A. 52: 14 - 17.28 et seq. NJ State Health Benefits Program and have an accumulated twenty (20) years with the Authority, and have reached the age of 55; or
- D. Completed fifteen (15) years active service with the Authority as covered under N.J.S.A. 52:14-17.28 et seq. NJ State Health Benefits Program and have attained the age of 62.

Beginning September 11, 2017, employees and their spouses eligible to receive retiree health benefits shall be required to contribute towards medical benefits pursuant to Chapter 78, P.L. 2011. Upon the death of the retired employee, the spouse's coverage shall cease but is eligible for continuation coverage under COBRA. The Authority reserves the right to change insurance carriers and the level of coverage in its sole discretion and in a manner consistent with law. Any Authority employee hired on or after September 1, 2015, shall not be provided the Basic and Major health benefits for retired employees as outlined in this section.

Contributions

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

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB (benefit)/expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit)/expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit)/expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2018 through June 30, 2019.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020  
(Continued)

Note 12 - Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Allocation Methodology (Cont'd)

Employer and nonemployer allocation percentages were rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

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

The net OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. At June 30, 2019, the Authority's liability was \$969,086 for its proportionate share of the net OPEB liability. At June 30, 2019, the Authority's proportion was 0.007154%, which was a decrease of 0.000571% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Authority's OPEB expense as determined by the State of New Jersey Division of Pensions and Benefits was \$44,114. The Authority's actual post retirement payments in 2020 for 2 retired employees were \$9,471.

At June 30, 2019, the Authority had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferral Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2017	8.04		\$ 116,055
	2018	8.14		124,882
	2019	8.05		102,485
			<u>                    </u>	<u>343,422</u>
Changes in Proportion	2017	8.04		109,048
	2018	8.14	\$ 17,106	
	2019	8.05		114,082
			<u>17,106</u>	<u>223,130</u>
Net Difference Between Projected and Actual Investment Earnings on OPEB Investments	2017	5.00	125	
	2018	5.00	303	
	2019	5.00	370	
			<u>798</u>	
Difference Between Expected and Actual Experience	2018	8.14		195,689
	2019	8.05		87,709
			<u>                    </u>	<u>283,398</u>
			<u>\$ 17,904</u>	<u>\$ 849,950</u>

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020  
(Continued)

Note 12 - Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB (Cont'd)

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2020	\$ (101,958)
2021	(101,959)
2022	(102,021)
2023	(102,123)
2024	(102,215)
Thereafter	<u>(115,746)</u>
	<u>\$ (626,022)</u>

The above table does not include the deferred inflows of resources related to changes in proportion which should be amortized over the average remaining service lives of all Plan members, which is 8.05, 8.14 and 8.04 years for the 2019, 2018 and 2017 amounts, respectively.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases*:	
Public Employees' Retirement System (PERS)	
Initial fiscal year applied	
Through 2026	2.00% - 6.00%
Thereafter	3.25% to 7.00%

\* Salary increases are based on years of service.

Mortality:

PERS Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

Actuarial assumptions used in the June 30, 2018 valuation were based on the PERS experience studies prepared for July 1, 2014 – June 30, 2018. 100% of active members are considered to participate in the Plan upon retirement.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020  
(Continued)

Note 12 - Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Health Care Trend Assumptions

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

Discount Rate

The discount rate for June 30, 2019 was 3.50%. The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the Net OPEB Liability Attributable to the Authority to Changes in the Discount Rate

The following presents the net OPEB liability of the Authority as of June 30, 2019, calculated using the discount rate as disclosed in this note, as well as what the net OPEB liability of the Authority 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, 2019		
	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Authority's proportionate share of the Net OPEB Liability	\$ 1,120,510	\$ 969,086	\$ 846,034

Sensitivity of the Net OPEB Liability Attributable to the Authority to Changes in the Healthcare Trend Rate

The following presents the net OPEB liability of the Authority as of June 30, 2019, calculated using the healthcare trend rate as disclosed in this note, as well as what the net OPEB liability of the Authority would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Authority's proportionate share of the Net OPEB Liability	\$ 817,789	\$ 969,086	\$ 1,162,091

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020  
(Continued)

Note 13 - Subsequent Event

The COVID-19 outbreak in the United States and specifically in New Jersey continues to cause disruption of the Authority's normal financial operations. Though the impact of the Authority's operations cannot be reasonably estimated at this date, it is likely that there will be an impact on the timing of collections from customers as well as other revenue in the operating fund.

REQUIRED SUPPLEMENTARY INFORMATION

PEQUEST RIVER 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	0.0038515500%	0.0039370286%	0.0040192436%	0.0041005274%	0.0041382518%	0.0042192073%
Authority's proportionate share of the net pension liability	\$ 864,596	\$ 1,166,035	\$ 935,616	\$ 807,373	\$ 745,650	\$ 688,042
Authority's covered employee payroll	\$ 268,259	\$ 274,864	\$ 283,256	\$ 290,904	\$ 297,018	\$ 302,960
Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll	322.30%	424.22%	330.31%	277.54%	251.05%	227.11%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	40.14%	48.10%	36.78%	56.27%	58.32%

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

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

	Year Ending December 31,					
	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 34,109	\$ 33,113	\$ 35,111	\$ 37,531	\$ 40,884	\$ 40,331
Contributions in relation to the contractually required contribution	(34,109)	(33,113)	(35,111)	(37,531)	(40,884)	(40,331)
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 271,238	\$ 278,719	\$ 287,808	\$ 293,716	\$ 299,960	\$ 309,452
Contributions as a percentage of covered employee payroll	12.58%	11.88%	12.20%	12.78%	13.63%	13.03%

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



PEQUEST RIVER MUNICIPAL UTILITIES AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
STATE HEALTH BENEFIT LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN  
LAST THREE YEARS

	Year Ending June 30,		
	2017	2018	2019
Authority's proportion of the net OPEB liability	0.007625%	0.007725%	0.007154%
Authority's proportionate share of the net OPEB liability	\$ 1,556,704	\$ 1,210,246	\$ 969,086
Authority's covered employee payroll	\$ 283,256	\$ 290,904	\$ 297,018
Authority's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	549.57%	416.03%	326.27%
Plan fiduciary net position as a percentage of the total OPEB liability	1.03%	1.97%	1.98%

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the year ended December 31, 2018.

PEQUEST RIVER MUNICIPAL UTILITIES AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF AUTHORITY CONTRIBUTIONS  
STATE HEALTH BENEFIT LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN  
LAST TWO YEARS

	Year Ending June 30,	
	2018	2019
Contractually required contribution	\$ 12,392	\$ 7,565
Contributions in relation to the contractually required contribution	<u>(12,392)</u>	<u>(7,565)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
Authority's covered employee payroll	\$ 293,716	\$ 299,960
Contributions as a percentage of covered employee payroll	4.22%	2.52%

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the year ended December 31, 2018.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2020

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: Morality improvement is based on Scale MP-2019.

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

B. STATE HEALTH BENEFIT LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN

Benefit Changes

There were none.

Changes of Assumptions

The discount rate for June 30, 2019 was 3.50%. The discount rate for June 30, 2018 was 3.87%.

Salary Increases, Mortality and Health Care Trend Assumptions – June 30, 2017 Actuarial Valuation:

Salary Increases\*:

Through 2026	1.65% - 8.98%
Thereafter	2.65% to 9.98%

\*- Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 – June 30, 2014, respectively.

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially is 5.8% and decreases to a 5.0% long term trend rate after eight years. For self-insured post 65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2020  
 (Continued)

B. STATE HEALTH BENEFIT LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN (Cont'd)

Changes of Actuarial Assumptions (Cont'd)

Salary Increases, Mortality and Health Care Trend Assumptions – July 1, 2018 Actuarial Valuation:

Salary Increases\*:

Public Employees' Retirement System (PERS)	
Initial fiscal year applied	
Rate through 2026	2.00% - 6.00%
Rate thereafter	3.00% to 7.00%

\* - Salary increases are based on years of service.

PERS Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

Actuarial assumptions used in the July 1, 2018 valuation were based on the results of the PERS experience study we prepared for the period July 1, 2014 – June 30, 2018.

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

SUPPLEMENTARY INFORMATION

## SCHEDULE 1

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

	Unrestricted	Net Investment in Capital Assets	Memo Total	
			2020	2019
Operating Revenue:				
Sewer Charges	\$ 2,182,846		\$ 2,182,846	\$ 2,191,758
Sewer Connection Fees				2,407
Other Revenue	132		132	9,397
Total Operating Revenue	<u>2,182,978</u>		<u>2,182,978</u>	<u>2,203,562</u>
Operating Expenses:				
Costs of Providing Services	1,169,620		1,169,620	996,023
Administrative and General	194,328		194,328	215,347
Depreciation	708,172		708,172	702,026
Total Operating Expenses	<u>2,072,120</u>		<u>2,072,120</u>	<u>1,913,396</u>
Operating Income	110,858		110,858	290,166
Nonoperating Revenue/(Expenses):				
Interest Income	34,747		34,747	137,721
Interest Expense	(128,606)		(128,606)	(147,596)
Change in Net Position (Before Transfers and Other Items)	16,999		16,999	280,291
Transfers and Other Items:				
Capital Acquisitions	(64,709)	\$ 64,709		
Construction in Progress	(26,419)	26,419		
Depreciation	708,172	(708,172)		
NJ Environmental Infrastructure Loan Receivable	(984,423)	984,423		
NJ Environmental Infrastructure Trust Loan Principal Credit		2,619	2,619	2,490
Amortization of Bond Premium	(7,602)	7,602		
Change in Net Position	<u>(357,982)</u>	<u>377,600</u>	<u>19,618</u>	<u>282,781</u>
Net Position, Beginning of Year	<u>2,644,002</u>	<u>8,242,463</u>	<u>10,886,465</u>	<u>10,603,684</u>
Net Position, End of Year	<u>\$ 2,286,020</u>	<u>\$ 8,620,063</u>	<u>\$ 10,906,083</u>	<u>\$ 10,886,465</u>

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED BY  
OPERATING REVENUE COMPARED TO BUDGET  
YEAR ENDED DECEMBER 31, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020 Budget	Budget After Modification	2020 Actual	Excess or (Deficit)	2019 Actual
Operating Revenue:					
Anticipated Fund Balance	\$ 560,000	\$ 560,000	\$ 560,000		\$ 531,500
User Charges and Fees					
(Sewer Treatment Service)	2,174,744	2,174,744	2,182,846	\$ 8,102	2,191,758
Interest on Investments and Deposits	85,000	85,000	34,747	(50,253)	137,721
Connection Fees					2,407
Other Revenue	10,000	10,000	132	(9,868)	9,397
Total Revenue	<u>2,829,744</u>	<u>2,829,744</u>	<u>2,777,725</u>	<u>(52,019)</u>	<u>2,872,783</u>
Expenses:					
Operating Expenses:					
Salaries and Wages - Operations	397,050	397,050	320,473	76,577	296,530
Maintenance	120,000	145,203	145,203		97,972
Vehicle	5,000	5,000	2,639	2,361	1,437
Education and Training	3,000	3,000	818	2,182	315
Uniforms	4,000	6,139	6,139		4,955
Permits	20,000	20,000	14,830	5,170	12,952
Renewal and Replacement	48,000	48,000		48,000	
Fuel and Gasoline	7,000	7,000	3,239	3,761	5,084
Electricity	195,000	195,000	158,551	36,449	165,364
Water	250	250	209	41	215
Telephone	10,700	11,261	11,261		9,760
Sludge Disposal	183,500	136,827	124,195	12,632	112,245
Insurance	30,000	33,437	33,437		26,704
Contingency	14,534	14,534		14,534	
Lab	30,000	35,329	35,329		24,032
Alarm System	1,000	1,020	1,020		1,020
Chemicals	65,000	74,504	74,504		50,888
Engineering	60,000	60,000	42,735	17,265	49,749
Miscellaneous	2,500	2,500	1,673	827	1,850
Workmen's Compensation	16,850	16,850	9,927	6,923	15,055
Hospitalization Insurance	144,275	144,275	130,404	13,871	119,322
Employer Social Security and Medicare Contribution	36,997	36,997	30,773	6,224	29,179
Employer Disability Contribution	2,150	2,150	1,689	461	1,720
Employer PERS Contribution	46,310	46,310	20,572	25,738	41,659
Other Postemployment Benefits (Non-Budgeted)					(71,984)
Total Operating Expenses	<u>1,443,116</u>	<u>1,442,636</u>	<u>1,169,620</u>	<u>273,016</u>	<u>996,023</u>

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED BY  
OPERATING REVENUE COMPARED TO BUDGET  
YEAR ENDED DECEMBER 31, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)

	2020 Budget	Budget After Modification	2020 Actual	Excess or (Deficit)	2019 Actual
Expenses: (Cont'd):					
Administrative and General Expenses:					
Salaries and Wages - General Administration	\$ 94,095	\$ 94,095	\$ 85,269	\$ 8,826	\$ 86,615
Advertising	4,500	4,500	1,541	2,959	1,297
Postage	1,500	1,500	716	784	493
Contracted Equipment	1,000	1,053	1,053		909
Legal and Accounting Services	21,500	21,500	13,142	8,358	12,670
Miscellaneous Consultant Services	27,350	27,350	26,450	900	25,780
Garbage Disposal	85,000	85,000	61,833	23,167	77,917
Office Supplies	3,700	4,127	4,127		9,666
Education and Training	500	500	197	303	
Total Administrative and General Expenses	<u>239,145</u>	<u>239,625</u>	<u>194,328</u>	<u>45,297</u>	<u>215,347</u>
Debt Service:					
Bond and Loan Principal	984,423	984,423	984,423		970,148
Interest on Bonds and Loans	163,060	163,060	128,606	34,454	147,596
Total Debt Service Expenses	<u>1,147,483</u>	<u>1,147,483</u>	<u>1,113,029</u>	<u>34,454</u>	<u>1,117,744</u>
Total Costs Funded by					
Operating Revenue	<u>2,829,744</u>	<u>2,829,744</u>	<u>2,476,977</u>	<u>352,767</u>	<u>2,329,114</u>
Operating Excess / (Deficit)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 300,748</u>	<u>\$ 300,748</u>	<u>\$ 543,669</u>



WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE - TRUST LOAN -  
BELVIDERE WASTEWATER TREATMENT PLANT UPGRADE

Purpose	Original		Interest Rate	Maturities of Loans Outstanding Dec. 31, 2020		Balance Jan. 1, 2020	Matured	Defeased	Balance Dec. 31, 2020
	Date	Amount		Date	Amount				
Issue of 2002/Refunding Series 2007A	10/15/07	\$ 2,100,000	5.00%	08/01/21	\$ 147,563	\$ 447,493	\$ 142,770		\$ 304,723
			4.75%	08/01/22	157,160				
Issue of 2003	10/15/03	1,050,000	4.50%	08/01/21	75,000	300,000	67,381	\$ 2,619	230,000
			4.75%	08/01/22	75,000				
			4.75%	08/01/23	80,000				
Issue of 2014	8/1/14	\$ 3,575,000	5.000%	8/1/21	170,000	3,000,000	160,000		2,840,000
			5.000%	8/1/22	180,000				
			5.000%	8/1/23	190,000				
			5.000%	8/1/24	195,000				
			3.000%	8/1/25	205,000				
			3.000%	8/1/26	215,000				
			3.000%	8/1/27	220,000				
			3.000%	8/1/28	225,000				
			3.000%	8/1/29	235,000				
			3.000%	8/1/30	240,000				
			3.000%	8/1/31	245,000				
3.125%	8/1/32	255,000							
3.250%	8/1/33	265,000							
						\$ 3,747,493	\$ 370,151	\$ 2,619	\$ 3,374,723
Balance Comprised of:									
Short-Term Portion						\$ 372,770	\$ (22,412)	\$ 2,619	\$ 392,563
Long-Term Portion						3,374,723	392,563		2,982,160
						\$ 3,747,493	\$ 370,151	\$ 2,619	\$ 3,374,723

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE - FUND LOAN -  
BELVIDERE WASTEWATER TREATMENT PLANT UPGRADE

Purpose	Original		Interest Rate	Maturities of Loans		Balance Jan. 1, 2020	Matured	Balance Dec. 31, 2020
	Date	Amount		Outstanding Dec. 31, 2020	Amount			
Issue of 2002	10/15/02	\$ 2,200,000	0.00%	2/1/21	\$ 5,084	\$ 336,925	\$ 112,906	\$ 224,019
				8/1/21	106,192			
				2/1/22	2,556			
				8/1/22	110,187			
Issue of 2003	10/15/03	1,004,515	0.00%	2/1/21	3,290	78,500	51,621	26,879
				8/1/21	23,589			
Issue of 2014	8/1/14	8,132,882	0.00%	2/1/21	149,915	6,011,948	449,745	5,562,203
				8/1/21	299,830			
				2/1/22	149,915			
				8/1/22	299,830			
				2/1/23	149,915			
				8/1/23	299,830			
				2/1/24	149,915			
				8/1/24	299,830			
				2/1/25	149,915			
				8/1/25	299,830			
				2/1/26	149,915			
				8/1/26	299,830			
				2/1/27	149,915			
8/1/27	299,830							
2/1/28	149,915							
8/1/28	299,830							
2/1/29	149,915							
8/1/29	299,830							
2/1/30	149,915							
8/1/30	299,830							
2/1/31	149,915							

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE - FUND LOAN -  
BELVIDERE WASTEWATER TREATMENT PLANT UPGRADE  
 (Continued)

Purpose	Original		Interest Rate	Maturities of Loans		Balance Jan. 1, 2020	Matured	Balance Dec. 31, 2020
	Date	Amount		Outstanding Dec. 31, 2020	Amount			
Issue of 2014 (Continued)	8/1/14	\$ 8,132,882	0.00%	8/1/31	\$ 299,830			
				2/1/32	149,915			
				8/1/32	299,830			
				2/1/33	149,915			
				8/1/33	15,347			
						\$ 6,427,373	\$ 614,272	\$ 5,813,101
Balance Comprised of:								
Short-Term Portion						\$ 614,272	\$ 26,372	\$ 587,900
Long-Term Portion						5,813,101	587,900	5,225,201
						\$ 6,427,373	\$ 614,272	\$ 5,813,101

SINGLE AUDIT SECTION

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 Auditors' Report

The Honorable Chairman and Members  
of the Warren County (Pequest River)  
Municipal Utilities Authority  
Belvidere, 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 Pequest River Municipal Utilities Authority (the “Authority”), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which comprise the Authority’s basic financial statements, and have issued our report thereon dated December 7, 2021. That report included a qualified opinion on the financial statements as the Authority’s net postemployment benefits other than pensions (“OPEB”) liability and related deferred outflows and inflows of resources as of June 30, 2020 Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, report was not available from the Division of Pensions and Benefits, Department of the Treasury, State of New Jersey, as of the date of this report. The June 30, 2019 net OPEB liability and related deferred outflows and inflows were included in the financial statements at December 31, 2020. The amount by which the omission of the June 30, 2020 information would affect the net OPEB liability and related deferred outflows and inflows, the net position and expenses of the Authority as of December 31, 2020 could not be determined.

**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.

The Honorable Chairman and Members  
of the Warren County (Pequest River)  
Municipal Utilities Authority  
Page 2

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.

### **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  
December 7, 2021

*Nisivoccia LLP*  
NISIVOCCIA LLP

*Man C Lee*

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

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2020

NOT APPLICABLE

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
YEAR ENDED DECEMBER 31, 2020

NOT APPLICABLE

SEE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2020

A. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “Schedules”) includes the federal and state grant activity of the Warren County (Pequest River) Municipal Utilities Authority under programs of the federal and state governments for the year ended December 31, 2020. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Authority, they are not intended to and do not present the financial position, changes in net position or cash flows of the Authority.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available. The Authority has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

C. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports, as applicable.

D. LOANS PAYABLE

At December 31, 2020, the Authority had \$9,187,824 of NJ Environmental Infrastructure Loan Payable outstanding.

Currently, the Authority is in the process of repaying the NJ Environmental Infrastructure Loan Payable. There were no receipts or current year expenditures on the loans.



WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2020

Summary of Auditors' Results:

- The Independent Auditors' Report expresses a qualified opinion on the financial statements of the Authority. That report included a qualified opinion on the financial statements as the Authority's net postemployment benefits other than pensions ("OPEB") liability and related deferred outflows and inflows of resources as of June 30, 2020 Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, report was not available from the Division of Pensions and Benefits, Department of the Treasury, State of New Jersey, as of the date of this report. The June 30, 2019 net OPEB liability and related deferred outflows and inflows were included in the financial statements at December 31, 2020. The amount by which the omission of the June 30, 2020 information would affect the net OPEB liability and related deferred inflows and outflows, the net position and expenses of the Authority as of December 31, 2020 could not be determined.
- 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.
- The Authority was not subject to the single audit provisions of the Uniform Guidance and New Jersey's OMB Circular 15-08 for the year ended December 31, 2020 as both state and federal grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and NJOMB 15-08.

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.

Findings and Questioned Costs for Federal Awards:

- Not Applicable – There were no grant expenditures.

Findings and Questioned Costs for State Awards:

- Not Applicable – There were no grant expenditures.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2020

The Authority had no findings during the prior year.

COMMENTS AND RECOMMENDATIONS

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised Per N.J.S. 40A:11-4 et seq.

N.J.S. 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. 1071, c.198 (C.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 (C.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 (C.40A11-2), 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. 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."

Effective July 1, 2015 the bid threshold in accordance with N.J.S.A 40A:11-3 and 40A:11-4 (as amended) is \$17,500 and with a qualified purchasing agent the threshold may be up to \$40,000. 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 contraction unit with a qualified purchasing agent.

The minutes indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services", per N.J.S. 40A:11-5.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
COMMENTS AND RECOMMENDATIONS  
(CONTINUED)

Contracts and Agreements Required to be Advertised Per N.J.S. 40A:11-4 et seq. (Cont'd)

Inasmuch as the system of records did 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.

Management Suggestion

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.

Status of Prior Year's Findings/Recommendations

There were no prior year audit recommendations.

WARREN COUNTY (PEQUEST RIVER) MUNICIPAL UTILITIES AUTHORITY  
SUMMARY OF RECOMMENDATIONS

There are no recommendations for 2020.

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