

**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of Mount Holly Township, New Jersey)**

**Financial Statements and Supplementary Schedule**

**For the years ended December 31, 2020 and 2019**

# MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY

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# **MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY**

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**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of Mount Holly Township, New Jersey)**  
**Board of Commissioners**  
**December 31, 2020**

Jules K. Thiessen  
Chairman

Robert C. Silcox  
Vice Chairman  
01/01/20 - 9/25/20

Christopher Banks  
Commissioner

Jason Jones  
Commissioner  
01/01/20 – 01/09/20

Jay Springer  
Commissioner  
Effective 02/13/20

Vacant  
Commissioner

Michael B. Dehoff  
Treasurer

Brandy C. Boyington  
Secretary

Robert G. Maybury Jr.  
Executive Director

**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Township of Mount Holly)**

**INDEPENDENT AUDITOR'S REPORTS**

**FOR THE YEAR ENDED DECEMBER 31, 2020**



BRENT W. LEE & CO., LLC  
Certified Public Accounting Firm

## INDEPENDENT AUDITOR'S REPORT

To the Chairman and Members of the  
Mount Holly Municipal Utilities Authority  
County of Burlington  
Mount Holly, New Jersey 08060

We have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of the Mount Holly Municipal Utilities Authority, a component unit of Mount Holly Township, in the County of Burlington, State of New Jersey, as of and for the fiscal years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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

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3008 New Albany Rd., Cinnaminson, NJ 08077

internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mount Holly Municipal Utilities Authority as of December 31, 2020 and the results of operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplemental Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mount Holly Municipal Utilities Authority's basic financial statements. The Introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying

accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion the combining and individual non-major financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated June 18, 2021 on our consideration of the Mount Holly Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Brent W. Lee', is positioned above the printed name.

Brent W. Lee  
Certified Public Accountant

Cinnaminson, New Jersey  
June 18, 2021



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BRENT W. LEE & CO., LLC  
Certified Public Accounting Firm

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

To the Chairman and Members of the  
Mount Holly Municipal Utilities Authority  
County of Burlington  
Mount Holly, New Jersey 08060

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, business-type activities and the aggregate remaining fund information of the Mount Holly Municipal Utilities Authority, County of Burlington, State of New Jersey, as of and for the fiscal year ended December 31, 2020, and related notes to the financial statements, which collectively comprise the Mount Holly Municipal Utilities Authority's basic financial statements, and have issued our report thereon dated June 18, 2021.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material

weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify deficiencies in internal control that I 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 Mount Holly Municipal Utilities Authority statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Brent W. Lee".

Brent W. Lee  
Certified Public Accountant

**REQUIRED SUPPLEMENTARY INFORMATION – PART I**

**Management's Discussion and Analysis**

**Mount Holly Municipal Utilities Authority  
Management's Discussion and Analysis  
for the Year Ended December 31, 2020  
(unaudited)**

**Introduction:**

The Mount Holly Municipal Utilities Authority, hereinafter referred to as the "MHMUA", presents their Annual Financial Report developed in accordance with the statement of Governmental Accounting Standard No. 34 entitled "Basic Financial Statement – Management's Discussion Analysis – for State and Local Governments", hereinafter referred to as GASB 34, and related statements.

**Mission:**

The MHMUA's mission is to provide wastewater treatment services, which enhance environmentally sound community development and ensure public health through improved water quality. Services are provided cost efficiently to Mount Holly and adjoining service areas in compliance with Federal and State regulations.

**Location:**

**Administrative Office:**

1 Park Drive, PO Box 486, Mt. Holly, NJ 08060

**Treatment Facilities:**

300 Rancocas Road, Mt Holly, NJ 08060

26 Maple Avenue, Lumberton, NJ 08048

**Pump Stations:**

Forty (40) Pump Stations are owned and operated/maintained by the MHMUA.

**Telephone:** 609-267-0015

**Fax:** 609-267-5420

**Web-Site:** [www.mhmua.com](http://www.mhmua.com)

**Board of Directors:**

Jules K. Thiessen, Chairman

Jay Springer, Commissioner

Christopher Banks, Commissioner

Brandy C. Boyington, Secretary

Michael B. Dehoff, Treasurer

**Executive Director:** Robert G. Maybury, Jr.

**Operations Superintendent:** Robert Young

**Safety Director & Special Projects:** Anthony G. Stagliano, Sr.

**Finance Administrator/CFO:** Michael B. Dehoff

## I. General

The MHMUA owns and operates/maintains forty (40) pumping stations in six townships (Mount Holly, Hainesport, Eastampton, Westampton, Lumberton, and Moorestown). The MHMUA maintains more than 182 miles of sanitary (gravity and force) mains that collect and transfer wastewater to two (2) wastewater treatment facilities (the Rancocas Road Water Pollution Control Facility located in Mount Holly, and the Maple Avenue Water Pollution Control Facility located in Lumberton).

The MHMUA services approximately 15,000 residential customers (representing an estimated population of 50,000) in addition to approximately 651 commercial customers and approximately 38 industrial users. Industrial users are regulated by MHMUA's approved Industrial Pretreatment Program (IPP). The MHMUA is also a major receptor of liquid waste including sludge, septage, leachate, and miscellaneous wastewaters that are currently processed at both the Rancocas Road Water Pollution Control Facility and the Maple Avenue Water Pollution Control Facility under the direction of MHMUA's Hauled Wastes Program. The MHMUA's treatment facilities are the designated septage receiving facilities for Burlington County.

## II. MHMUA's Rancocas Road Water Pollution Control Facility

### A. General Description

The MHMUA's Rancocas Road Water Pollution Control Facility is a complex operation comprised of two individual but interconnected plants constructed at different times beginning in 1960. Plant No. 2, which was placed into operation in 1960 with a design capacity of 1.3 mgd. The plant provided secondary treatment using standard-rate trickling filters. The facility was expanded in 1981 and with current operating conditions, has a design capacity of 3.0 mgd with the addition of Plant No. 3, which includes additional primary clarification, conventional completely mixed activated sludge treatment, secondary clarification, discfilter filtration, peracetic acid disinfection and post-aeration facilities.

### B. Wastewater Treatment Processes

Screening and Grit Removal – Debris and heavy inorganic solids (sand, gravel, etc.) are removed from the raw wastewater. Odorous air is removed from the influent channels and is treated in a Biological Odor Control Treatment System prior to discharge to the atmosphere.

Flow Equalization – A 1.5 million gallon Equalization Tank (Surge Tank No. 1) attenuates the flow and concentration peaks to achieve a relatively constant flow rate and loading to downstream treatment plant processes.

Primary Settling Tanks – Removes heavy organic solids from the raw wastewater, and settled biosolids from the Intermediate Settling Tanks.

## B. Wastewater Treatment Processes (continued)

Primary Settling Tanks, distributed between Plant No. 2 (two (2) tanks) and Plant No. 3 (two (2) tanks). The solids removed from these tanks are directed to the Sludge Blending and Storage Tank.

Trickling Filters and Intermediate Settling Tanks – The 150' diameter Trickling Filter in Plant No. 2 provides reliable, inexpensive removal of biodegradable organics from the primary effluent. The settled biosolids from the two (2) Plant No. 2 Intermediate Settling Tanks are directed back to the head of the plant for removal in the Primary Settling Tanks.

Activated Sludge Process – The two (2) aeration tanks employ a completely mixed activated sludge process.

This variation of the activated sludge process utilizes suspended growth microorganisms in a completely mixed reactor to biologically remove ammonia and biodegradable organics from the wastewater. Additionally, non-biodegradable organic compounds are removed through absorption/adsorption onto the activated sludge floc. The completely mixed reactor provides a uniform oxygen demand and organic/ammonia loading throughout the tank.

Secondary Settling Tanks –The Rancocas Road WWTP typically utilizes one (1) of two (2) secondary settling tanks. The tank provides for the separation of the settled activated sludge solids from the clarified secondary effluent. The Return Activated Sludge is directed to the Scrubbing Mixing Chamber where it may be mixed with primary effluent from Plant No. 3 prior to being returned back to the aeration tank. The Waste Activated Sludge is directed to the Sludge Blending and Storage Tank for sludge processing and disposal.

Discfilter Filtration – Three (3) discfilters provide for the tertiary removal of suspended solids from the combined effluent from both the Rancocas Road Water Pollution Control Facility and the Maple Avenue Water Pollution Control Facility. Following filtration, the dissolved oxygen content of the discharge from the discfilters is increased through two (2) stages of Cascade Aeration.

Disinfection – Following the second (2<sup>nd</sup>) Cascade Aeration stage, the filtered effluent is disinfected with Peracetic acid (also known as peroxyacetic acid, or PAA). This organic peroxide is a colorless liquid with a characteristic pungent odor reminiscent of acetic acid (vinegar) in three (3) Contact Tanks. The use of PAA is not only environmentally friendly, but cost effective in comparison with Sodium Hypochlorite which the Authority utilized prior to PAA.

Post Aeration – The dissolved oxygen content in the treated effluent is further increased prior to discharge into the North Branch of the Rancocas Creek through the use of one (1) Post Aeration Tank equipped with a mechanical aerator followed by Cascade Aeration.

## C. Sludge Treatment Processes

Sludge Blending and Storage Tank – A 350,000 gallon Sludge Storage Tank is used to store and blend the settled solids from the Primary Settling Tanks, the Waste Activated Sludge from the Maple Avenue Water Pollution Control Facility, the Waste Activated Sludge from the Rancocas Road Water Pollution Control Facility, and all other external miscellaneous trucked-in sludges,

### C. Sludge Treatment Processes (continued)

prior to solids processing. Odorous air is removed from this tank and treated in a Biological Odor Control Treatment System prior to discharge to the atmosphere.

*Thickening* – Sludge from the Sludge Blending and Storage Tank is transferred by chopper-type pumps to a Rotary Screw Thickener, which removes water and increases the solids content to approximately 4-5% Total Solids (TS) prior to Belt Filter Press dewatering. The filtrate from this process is recycled back to the head of the plant for additional treatment. Odorous air is removed from this operation and treated in a Biological Odor Control Treatment System prior to discharge to the atmosphere.

*Dewatering* – Thickened sludge from the Rotary Screw Thickener is directed to a 125,000 gallon Thickened Sludge Storage Tank, which stores the thickened sludge prior to dewatering with Belt Filter Presses. The Belt Filter Presses dewater the sludge to a solids content of approximately 16-18 % TS. The combination of filtrate and wash water from this process is recycled back to Surge Tank No. 1 for additional treatment.

*Disposal* – All of the dewatered sludge is composted at the Burlington County Resource Recovery Complex.

### III. MHMUA's Maple Avenue Water Pollution Control Facility

#### A. General Description

The MHMUA's Maple Avenue Water Pollution Control Facility is a 3.0 mgd facility that was placed into operation in December 2010. The facility includes screening and grit removal with odor control, activated sludge with biological nitrogen and phosphorus removal, secondary clarification, effluent pumping, and disinfection of the utility water.

The facility treats wastewater flows from Hainesport, Moorestown, Lumberton and Mount Holly through three (3) separate force mains (the Hainesport Force Main, Lumberton Force Main, and the Madison Avenue Force Main). The facility also treats screened and de-gritted wastewater flows from the Rancocas Road Water Pollution Control Facility's Surge Tank No. 1 through a dedicated transfer pump utilizing the Hainesport Force Main.

The secondary effluent discharged from this facility flows by gravity (the majority of the time) through a 20-inch diameter force main to the discfilters at the Rancocas

Road Water Pollution Control Facility for effluent filtration. The Waste Activated Sludge from this facility also flows by gravity to the Sludge Blending and Storage Tank at the Rancocas Road Water Pollution Control Facility for sludge processing.

Facility control is through a SCADA (Supervisory Control and Data Acquisition) system, which allows for the remote monitoring of all of the facility's operational systems and the control of a portion of the operational systems; thereby, minimizing the staffing requirements of the facility.



## B. Wastewater Treatment Processes

*Screening and Grit Removal* – Debris and heavy inorganic solids (sand, gravel, etc.) are removed from the raw wastewater through the use of two (2) Headworks units. Odorous air is removed from these units and treated through two (2) Biological Odor Control Treatment Systems prior to discharge to the atmosphere.

*Activated Sludge System with Biological Nutrient Removal* – This variation of the activated sludge process utilizes suspended growth microorganisms in a plug flow reactor to biologically remove nitrogen, phosphorus, and biodegradable organics from the wastewater through the use of aerobic, anoxic, and anaerobic zones in a six (6) pass aeration tank. Additionally, non-biodegradable organic compounds are removed through absorption/adsorption onto the activated sludge floc.

High speed turbo blowers provide air through fine bubble air diffusers in the aerobic zones, while low speed submersible mixers are used in the anoxic and anaerobic zones.

*Secondary Settling Tanks* – Three (3) Secondary Settling Tanks provide for the separation of the settled activated sludge solids from the clarified secondary effluent. The Return Activated Sludge is directed back to the first pass of the aeration tank, while the Waste Activated Sludge is directed to the Sludge Blending and Storage Tank at the Rancocas Road Water Pollution Control Facility for solids processing.

The Waste Activated Sludge was designed to flow by gravity from the Maple Avenue Water Pollution Control Facility through an 8-inch diameter force main to the Sludge Blending and Storage Tank at the Rancocas Road Water Pollution Control Facility. When the discharge is unable to flow by gravity, one (1) pump has been provided to pump the Waste Activated Sludge to the Sludge Blending and Storage Tank.

*Effluent Pump Station* – Secondary effluent from the Maple Avenue Water Pollution Control Facility was designed to flow by gravity through a 20-inch diameter force main to the discfilters at the Rancocas Road Water Pollution Control Facility. When the discharge is unable to flow by gravity, three (3) pumps have been provided to pump the effluent to the discfilters.

*Chlorine Contact Tank* – A Chlorine Contact Tank is used to disinfect the utility water at the facility for the protection of the MHMUA's employees. The disinfection of the Maple Avenue Water Pollution Control Facility's effluent is provided at the Rancocas Road Water Pollution Control Facility, following filtration of the combined effluents from the two plants.

## IV. Milestones

|      |   |
|------|---|
| 1946 | Mount Holly Sewerage Authority (MHSA) established by local Ordinance.   |
| 1950 | Rancocas Road Water Pollution Control Facility Plant No. 1 placed into operation with a design capacity of 0.7 mgd. |

- 1956 – 1960 Sewer service initiated in non-sewered areas of the four Townships (Eastampton, Westampton, Lumberton, and Hainesport) adjacent to Mount Holly Township.
- 1960 Rancocas Road Water Pollution Control Facility Plant No. 2 placed into operation with a design capacity of 1.3 mgd, resulting in a combined design capacity of 2.0 mgd.
- 1969 Sewer Service Agreement updated between the MHSA and the Township of Eastampton to provide sewage collection and treatment service within the boundaries of the Township of Eastampton.
- 1981 The Rancocas Road Water Pollution Control Facility was expanded to a design capacity of 5.0 mgd with the addition of Plant No. 3 and became first facility in the United States utilizing the Zimpro Wastewater Reclamation System.
- 1986 Purchased the Lumberton Municipal Utilities Authority.
- 1986 Sewer Service Agreement updated between the MHSA and the Township of Lumberton to provide sewage collection and treatment service within the boundaries of the Township of Lumberton.
- 1989 Sewer Service Agreement updated between the MHSA and the Township of Hainesport to provide sewage collection and treatment service within the boundaries of the Township of Hainesport.
- 1989 Sewer Service Agreement updated between the MHSA and Westampton Township to provide sewage collection and treatment service to a portion of the Township located within the MHSA Sewer Service Planning Area Boundary.
- 1993 Sewer Service Agreement updated between the MHSA and the Township of Moorestown to provide sewage collection and treatment service to a portion of the Township located within the MHSA Sewer Service Planning Area Boundary.
- 1994 Mount Holly Water Pollution Control Facility awarded “Zimpro Plant of the Year”.
- 1997 Mount Holly Sewerage Authority reorganized under the name Mount Holly Municipal Utilities Authority (MHMUA).
- 1998 Purchased property on Maple Avenue in Lumberton for future plant expansion.

- 2005        MHMUA received the 2005 United States Environmental Protection Agency (USEPA) Region II 1<sup>st</sup> Place Clean Water Act Recognition Award for Operation and Maintenance Excellence for Medium-Size Advanced Treatment Plants.
  
- 2005        MHMUA received the 2005 USEPA National 1<sup>st</sup> Place Clean Water Act Recognition Award for Operations and Maintenance Excellence for Medium-Size Advanced Treatment Plants.
  
- 2010        Start-up of the new 3.0 mgd Maple Avenue Water Pollution Control Facility located in Lumberton Township.
  
- 2011        The Plant No. 1 Raw Sewage Pumps, Primary Settling Tanks, and Intermediate Settling Tanks; and the Plant No. 3 Wet Air Regeneration System and Dual Packed Carbon Tower Odor Control System were taken out of service at the Rancocas Road Water Pollution Control Facility. Also, the Plant No. 3 PAC/AS process was converted into a completely mixed activated sludge process.
  
- 2012        MHMUA received The New Jersey Department of Environmental Protection's Environmental Stewardship Initiative for its voluntary and proactive measures taken to go beyond compliance in an effort to improve the environment and ensure a sustainable future.
  
- 2018        On July 10, 2018, the Authority entered the bond market to refinance the outstanding maturities of its Sewer Revenue Bonds, Series of 1998 and Sewer Revenue Bonds, Series 2007 C. Simultaneously, the Authority released funds to defease the outstanding maturities of its Taxable Sewer Revenue bonds, 2009 Series A. The result of issuing the Series 2018 Refunding Bonds was a total debt service savings in excess of \$3.25 million. This is an approximate savings of \$160,000 annually over the next 20 years. This refunding transaction also reduced the final year of debt payments from the year 2038 to 2037.

## V. Responsibility and Control

The MHMUA has retained Brent W. Lee & Co., to prepare an independent audit of the financial statement for the year ending December 31, 2020. The MHMUA is responsible for furnishing financial statements and pertinent data for the auditor's review and analysis.

## VI. Financial Highlights

### A. Net Position

The MHMUA's net position for the year ended December 31, 2020 was \$42,052,861 which was an increase of \$5,920,097 from 2019. Net position consisted of \$19,260,335 of Net Investment in Capital Assets Net of Related Debt, \$2,836,810 Restricted for Debt Service Reserve, \$1,322,901 Restricted for Future Debt Service, \$1,300,000 Restricted for Renewal & Replacement, \$2,469,696 Restricted for Operating Reserve and \$14,863,119 of Unrestricted and Unreserved Net Position.

## STATEMENT OF NET POSITION

### ASSETS

|  |               |               |
|--|---------------|---------------|
| Current Assets:                                | <b>2020</b>   | <b>2019</b>   |
| Total Unrestricted Current Assets              | 9,487,872     | 9,051,025     |
| Total Restricted Current Assets                | 25,770,135    | 21,527,518    |
| Capital Assets:                                |               |               |
| Net Property, Plant and Equipment              | 45,152,048    | 46,856,381    |
| Total Assets                                   | 80,410,055    | 77,434,924    |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>           |               |               |
| Total Deferred Outflow of Resources            | 761,421       | 1,280,128     |
| Total Assets and Deferred Outflow of Resources | \$ 81,171,476 | \$ 78,715,052 |

### LIABILITIES

|  |            |            |
|--|------------|------------|
| Total Current Liabilities Payable From Unrestricted Assets   | 1,086,649  | 963,696    |
| Total Current Liabilities Payable From Restricted Assets     | 2,182,487  | 2,543,662  |
| Total Long-Term Liabilities Payable From Unrestricted Assets | 6,848,891  | 8,727,037  |
| Total Long-Term Liabilities Payable From Restricted Assets   | 23,993,906 | 25,994,706 |
| Total Liabilities  | 34,111,933 | 38,229,101 |

### DEFERRED INFLOW OF RESOURCES

|                                    |           |           |
|------------------------------------|-----------|-----------|
| Total Deferred Inflow of Resources | 5,006,682 | 4,323,557 |
|------------------------------------|-----------|-----------|

### NET POSITION

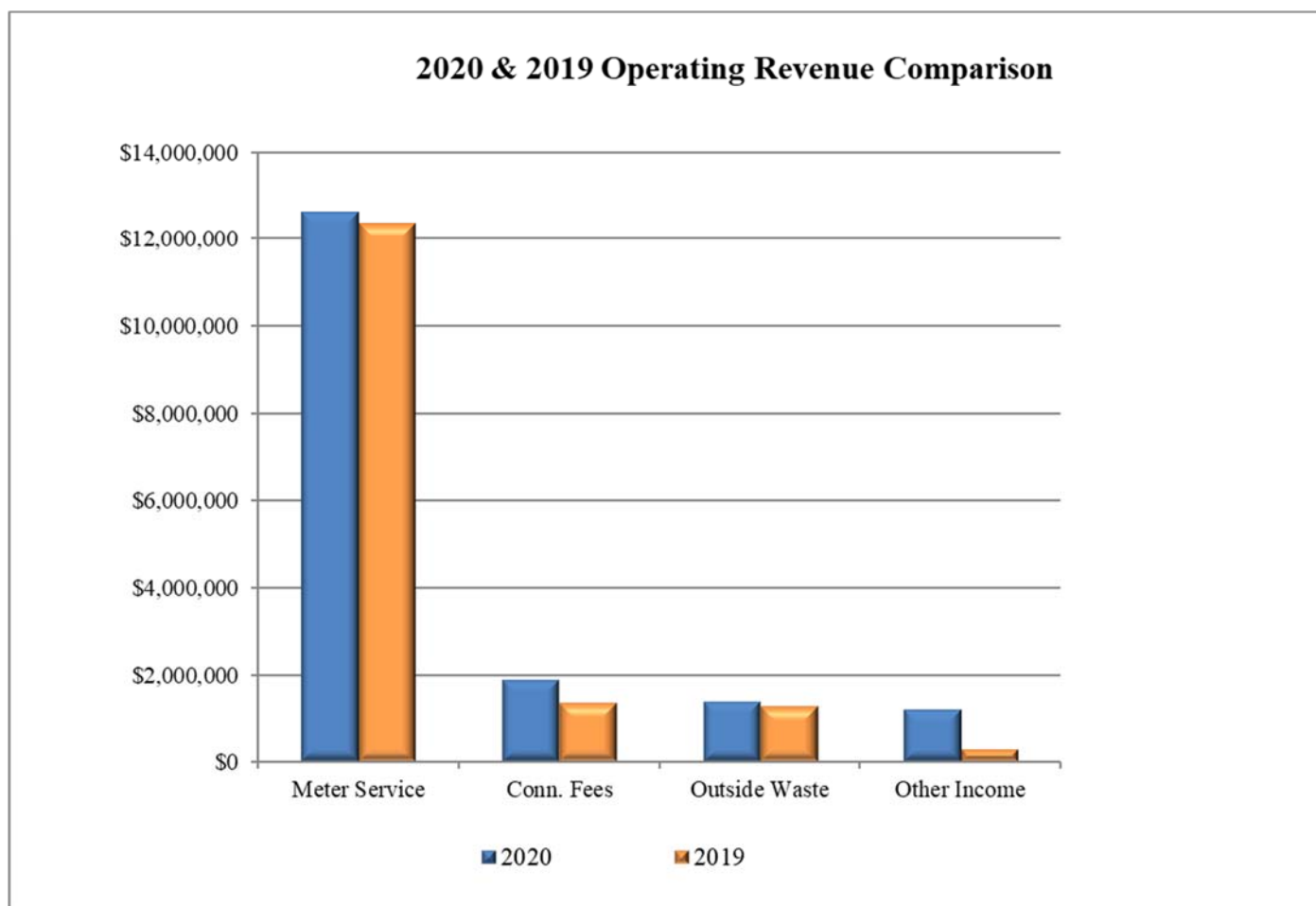
|  |               |               |
|--|---------------|---------------|
| Net Investment in Capital Assets, Net of Related Debt            | 19,260,335    | 19,029,318    |
| Restricted for:  |               |               |
| Future Debt Service  | 1,322,901     | 573,296       |
| Debt Service Reserve   | 2,836,810     | 2,836,810     |
| Renewal and Replacement  | 1,300,000     | 1,300,000     |
| Operating Reserve  | 2,469,696     | 2,454,124     |
| Unrestricted for:  |               |               |
| Unreserved   | 14,863,119    | 9,968,846     |
| Total Net Position   | 42,052,861    | 36,162,394    |
| Total Liabilities, Deferred Inflow of Resources and Net Position | \$ 81,171,476 | \$ 78,715,052 |

## B. Revenue

The major source of revenue for the MHMUA is meter service revenue based on the water consumption of residential and commercial ratepayers. Meter service revenue increased by 2% or \$255,254 from \$12,355,592 in 2019 to \$12,610,837 in 2020. Total revenues increased from 2019 to 2020 by an amount of \$1,802,278 or 12%. This is mainly attributable to the \$523,639 increase in connection fee revenue for 2020 and a \$953,746 increase in other income which consisted of JIF/HIF rebates and a reduction in Pension Liability. Interest income decreased as interest rates decreased during 2020.

### Operating Revenue 2020 & 2019

|                          | 2020          | 2019          |
|--------------------------|---------------|---------------|
| Operating Revenues:      |               |               |
| Meter Services           | \$ 12,610,837 | \$ 12,355,592 |
| Connection Fees          | 1,879,156     | 1,355,517     |
| Sludge and Septic Income | 1,372,731     | 1,268,423     |
| Interest Income          | 23,684        | 58,344        |
| Other                    | 1,176,509     | 222,763       |
| Total Operating Revenues | 17,062,917    | 15,260,639    |

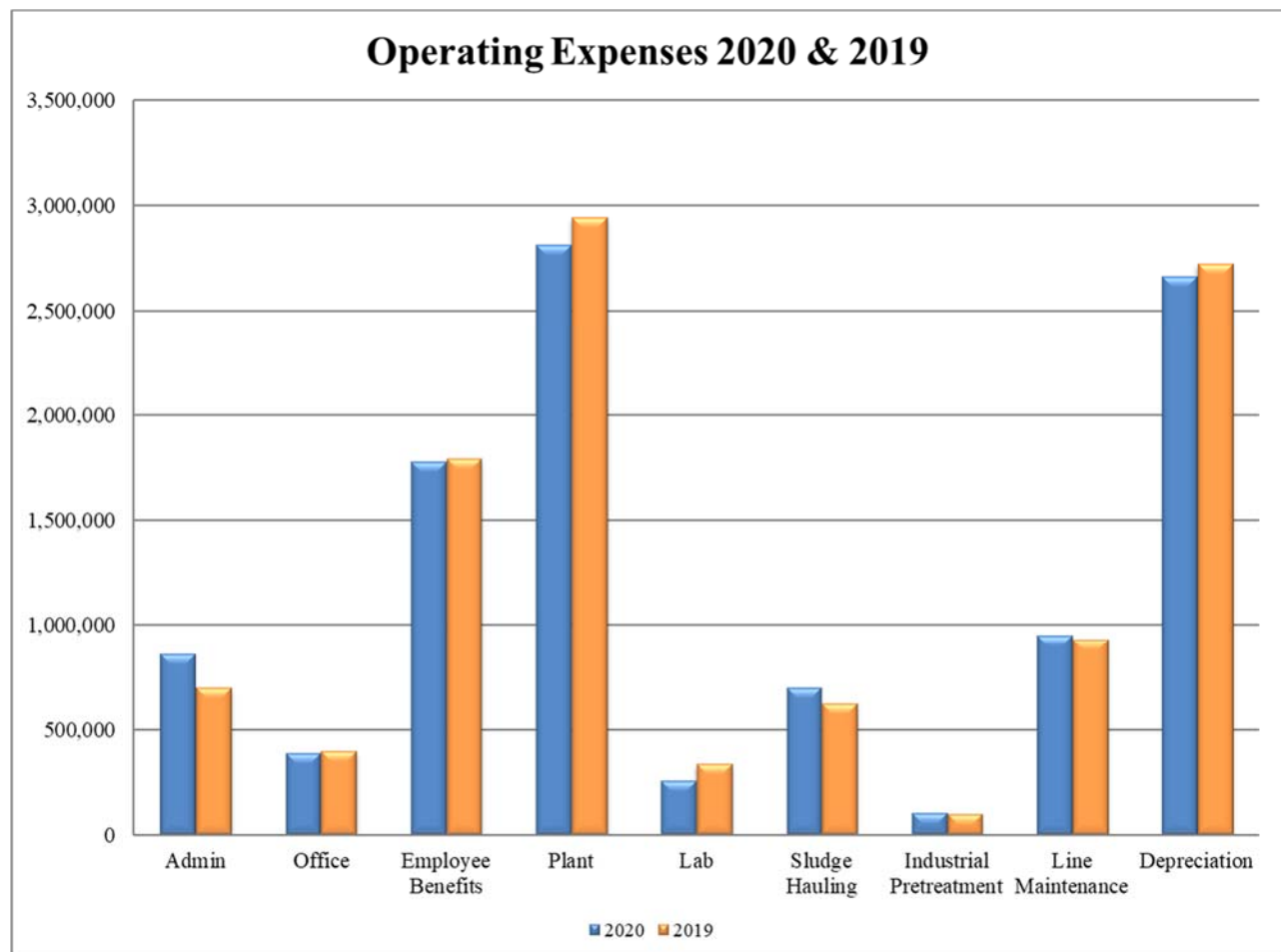


## C. Expenses

Total operating expenses decreased by 0.29% in 2020 for a total decrease of \$31,027. Plant expenses decreased by \$132,430 due primarily to a reallocation of staff costs to the administrative expense which increased by \$160,289 due to the reallocation. Lab expenses decreased by \$79,023 as the number of Lab staff decreased by 2 employees over the course of 2019 & 2020. Sludge Hauling increased by \$77,262 due to an increase in loads and hauling costs. Employee benefits decreased by 1% or \$14,281 which was expected based on staffing.

### Operating Expenses 2020 & 2019

|                             | 2020       | 2019       |
|-----------------------------|------------|------------|
| Operating Expenses:         |            |            |
| Administrative              | 862,583    | 702,294    |
| Office                      | 387,544    | 396,028    |
| General - Employee Benefits | 1,780,383  | 1,794,664  |
| Plant                       | 2,816,347  | 2,948,777  |
| Laboratory                  | 258,783    | 337,806    |
| Sludge Hauling              | 702,158    | 624,896    |
| Industrial Pretreatment     | 106,340    | 101,977    |
| Line Maintenance            | 952,163    | 932,604    |
| Depreciation                | 2,666,826  | 2,725,108  |
| Total Operating Expenses    | 10,533,127 | 10,564,154 |



## **BASIC FINANCIAL STATEMENTS**

**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of Mount Holly Township, New Jersey)**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2020 AND 2019**

**ASSETS**

|  |                      |                      |
|--|----------------------|----------------------|
| Current Assets:                                | <b>2020</b>          | <b>2019</b>          |
| Unrestricted Assets:                           |                      |                      |
| Cash and Cash Equivalents                      | \$ 4,858,279         | \$ 4,205,350         |
| Accounts Receivable                            | 2,534,729            | 2,737,246            |
| Lien Receivable                                | 164,127              | 148,630              |
| Unbilled Service Charges                       | 1,874,918            | 1,896,495            |
| Prepaid Expenses                               | 12,134               | 12,023               |
| Inventory - Treatment Materials and Fuel       | 43,685               | 51,281               |
| Total Unrestricted Current Assets              | <u>9,487,872</u>     | <u>9,051,025</u>     |
| Restricted Assets:                             |                      |                      |
| Cash and Cash Equivalents                      | 24,043,675           | 18,608,313           |
| Investments                                    | 1,701,361            | 2,902,404            |
| Developers' Receivable                         | 25,099               | 16,801               |
| Total Restricted Current Assets                | <u>25,770,135</u>    | <u>21,527,518</u>    |
| Capital Assets:                                |                      |                      |
| Property, Plant and Equipment                  | 126,910,348          | 125,947,854          |
| Less: Accumulated Depreciation                 | <u>81,758,300</u>    | <u>79,091,473</u>    |
| Net Property, Plant and Equipment              | <u>45,152,048</u>    | <u>46,856,381</u>    |
| Total Assets                                   | <u>80,410,055</u>    | <u>77,434,924</u>    |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>           |                      |                      |
| Bond Discount, Net of Accumulated Amortization | 96,260               | 104,318              |
| Pension Deferred Outflow                       | 637,407              | 1,146,180            |
| OPEB Deferred Outflow                          | <u>27,754</u>        | <u>29,630</u>        |
| Total Deferred Outflow of Resources            | <u>761,421</u>       | <u>1,280,128</u>     |
| Total Assets and Deferred Outflow of Resources | <u>\$ 81,171,476</u> | <u>\$ 78,715,052</u> |

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



**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of Mount Holly Township, New Jersey)**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2020 AND 2019**

| <b>LIABILITIES</b>   | <b>2020</b>          | <b>2019</b>          |
|--|----------------------|----------------------|
| Current Liabilities Payable From Unrestricted Assets:            |                      |                      |
| Accounts Payable - Operations                                    | \$ 455,903           | \$ 320,339           |
| Accrued Liabilities  | 177,675              | 161,993              |
| Compensated Absences Payable                                     | 22,621               | 26,517               |
| Payroll Taxes Payable  | 2,641                | 2,726                |
| Sewer Overpayments   | 404                  | 653                  |
| Pension Payable  | 427,405              | 451,468              |
| Total Current Liabilities Payable From Unrestricted Assets       | <u>1,086,649</u>     | <u>963,696</u>       |
| Current Liabilities Payable From Restricted Assets:              |                      |                      |
| Developers' and Employees' Deposits                              | 117,885              | 112,228              |
| Contracts Payable  |                      | 417,567              |
| Accrued Interest Payable   | 166,795              | 181,510              |
| Bonds Payable - Current Portion                                  | 540,000              | 510,000              |
| Loan Payable - Current Portion                                   | 1,340,075            | 1,313,502            |
| Loan Payable - Summit Water Nexus - Current Portion              | 17,732               | 8,855                |
| Total Current Liabilities Payable From Restricted Assets         | <u>2,182,487</u>     | <u>2,543,662</u>     |
| Long-Term Liabilities Payable From Unrestricted Assets:          |                      |                      |
| Compensated Absences Payable                                     | 209,628              | 202,474              |
| Post Retirement Benefits Payable                                 | 695,404              | 633,800              |
| Net Pension Liability  | 5,943,859            | 7,890,763            |
| Total Long-Term Liabilities Payable From Unrestricted Assets     | <u>6,848,891</u>     | <u>8,727,037</u>     |
| Long-Term Liabilities Payable From Restricted Assets:            |                      |                      |
| Bonds Payable (Net of Unamortized Premium)                       | 15,392,039           | 16,043,886           |
| Loan Payable   | 8,592,968            | 9,933,043            |
| Loan Payable - Summit Water Nexus                                | 8,899                | 17,777               |
| Total Long-Term Liabilities Payable From Restricted Assets       | <u>23,993,906</u>    | <u>25,994,706</u>    |
| Total Liabilities  | <u>34,111,933</u>    | <u>38,229,101</u>    |
| <b>DEFERRED INFLOW OF RESOURCES</b>                              |                      |                      |
| Gain on Refunding of Debt  | 677,000              | 769,000              |
| Pension Deferred Inflows   | 4,329,682            | 3,554,557            |
| Total Deferred Inflow of Resources                               | <u>5,006,682</u>     | <u>4,323,557</u>     |
| <b>NET POSITION</b>  |                      |                      |
| Net Investment in Capital Assets                                 | 19,260,335           | 19,029,318           |
| Restricted for:  |                      |                      |
| Future Debt Service  | 1,322,901            | 573,296              |
| Debt Service Reserve   | 2,836,810            | 2,836,810            |
| Renewal and Replacement  | 1,300,000            | 1,300,000            |
| Operating Reserve  | 2,469,696            | 2,454,124            |
| Unrestricted for:  |                      |                      |
| Unreserved   | 14,863,119           | 9,968,846            |
| Total Net Position   | <u>42,052,861</u>    | <u>36,162,394</u>    |
| Total Liabilities, Deferred Inflow of Resources and Net Position | <u>\$ 81,171,476</u> | <u>\$ 78,715,052</u> |

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

**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of Mount Holly Township, New Jersey)**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

|   | <u>2020</u>          | <u>2019</u>          |
|---|----------------------|----------------------|
| Operating Revenues:                                     |                      |                      |
| Meter Services  | \$ 12,610,837        | \$ 12,355,592        |
| Connection Fees   | 1,879,156            | 1,355,517            |
| Sludge and Septic Income                                | 1,372,731            | 1,268,423            |
| Interest Income   | 23,684               | 58,344               |
| Other   | 1,176,509            | 222,763              |
|   | <u>17,062,917</u>    | <u>15,260,639</u>    |
| Total Operating Revenues                                |                      |                      |
| Operating Expenses:                                     |                      |                      |
| Administrative  | 862,583              | 702,294              |
| Office  | 387,544              | 396,028              |
| General - Employee Benefits                             | 1,780,383            | 1,794,664            |
| Plant   | 2,816,347            | 2,948,777            |
| Laboratory  | 258,783              | 337,806              |
| Sludge Hauling  | 702,158              | 624,896              |
| Industrial Pretreatment                                 | 106,340              | 101,977              |
| Line Maintenance  | 952,163              | 932,604              |
| Depreciation  | 2,666,826            | 2,725,108            |
|   | <u>10,533,127</u>    | <u>10,564,154</u>    |
| Total Operating Expenses                                |                      |                      |
| Operating Income  | <u>6,529,790</u>     | <u>4,696,485</u>     |
| Nonoperating Revenue/(Expenses):                        |                      |                      |
| Interest Income   | 101,248              | 344,709              |
| Gain/(Loss) on Sale or Disposal of Assets               | 3,345                | 28,839               |
| Unrealized Gain/(Loss) on Investment                    | 2,337                | 52,596               |
| Interest Expense  | (993,760)            | (1,048,520)          |
| Reserve for Future Unemployment                         | 4,619                | 4,685                |
| Amortization of Gain on Refunding Debt                  | 92,000               | 93,000               |
| Amortization of Premium/(Original Issue Discount)       | 103,788              | 103,788              |
|   | <u>(686,423)</u>     | <u>(420,903)</u>     |
| Total Nonoperating Revenue/(Expenses)                   |                      |                      |
| Income/(Loss) Before Capital Contributions              | 5,843,367            | 4,275,582            |
| Capital Contributions                                   | <u>47,100</u>        |                      |
| Change in Net Position                                  | 5,890,467            | 4,275,582            |
| Net Position - Beginning of Year, As Restated (Note 11) | <u>36,162,394</u>    | <u>31,886,812</u>    |
| Net Position - End of Year                              | <u>\$ 42,052,861</u> | <u>\$ 36,162,394</u> |

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

**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of Mount Holly Township, New Jersey)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

|  | <u>2020</u>                 | <u>2019</u>                 |
|--|-----------------------------|-----------------------------|
| Cash Flows From Operating Activities:                              |                             |                             |
| Receipts From Service Users  | \$ 17,263,216               | \$ 15,255,993               |
| Payments to Suppliers & Employees                                  | (8,743,403)                 | (7,653,670)                 |
| Net Cash Provided/(Used) by Operating Activities                   | <u>8,519,813</u>            | <u>7,602,323</u>            |
| Cash Flows From Investing Activities:                              |                             |                             |
| Interest on Investments  | 101,248                     | 344,709                     |
| (Purchase)/Maturities of Investments                               | 1,239,133                   | 2,212,534                   |
| Acquisition of Property, Plant & Equipment                         | (944,544)                   | (903,319)                   |
| Net Cash Provided by Investing Activities                          | <u>395,837</u>              | <u>1,653,924</u>            |
| Cash Flows From Financing Activities:                              |                             |                             |
| Principal Paid on Loans  | (1,313,502)                 | (1,288,741)                 |
| Principal Paid on Bonds  | (510,000)                   | (490,000)                   |
| Interest Paid  | (1,008,476)                 | (1,062,485)                 |
| Net Cash Provided/(Used) by Capital & Related Financing Activities | <u>(2,831,978)</u>          | <u>(2,841,226)</u>          |
| Cash Flows from Noncapital Financing Activities:                   |                             |                             |
| Unemployment Activity  | <u>4,619</u>                | <u>4,685</u>                |
| Net Cash Provided for Noncapital Financing Activities              | <u>4,619</u>                | <u>4,685</u>                |
| Net Increase in Cash & Cash Equivalents                            | 6,088,291                   | 6,419,706                   |
| Cash and Cash Equivalents at January 1                             | <u>22,813,663</u>           | <u>16,393,957</u>           |
| Cash and Cash Equivalents at December 1                            | <u><u>\$ 28,901,954</u></u> | <u><u>\$ 22,813,663</u></u> |

**Reconciliation of Net Income to Cash Provided/ (Used) by Operating Activities:**

|   |                            |                            |
|---|----------------------------|----------------------------|
| Operating Income/(Loss)   | \$ 6,529,790               | \$ 4,696,485               |
| Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities: |                            |                            |
| Operating Activities:   |                            |                            |
| Depreciation  | 2,666,826                  | 2,725,108                  |
| (Increase)/Decrease in Assets :   |                            |                            |
| Accounts Receivable   | 187,020                    | 100,936                    |
| Unbilled Service Charges  | 21,577                     | (105,143)                  |
| Prepaid Expenses  | (111)                      | (293)                      |
| Inventory   | 7,596                      | 16,471                     |
| Developers' Receivable  | (8,298)                    | (439)                      |
| Increase/(Decrease) in Liabilities:   |                            |                            |
| Accounts Payable  | (488,359)                  | (275,702)                  |
| Contracts Payable   | (417,567)                  | 417,567                    |
| Accrued Liability   | 15,682                     | 39,342                     |
| Developers' and Employees' Deposits   | <u>5,657</u>               | <u>(12,009)</u>            |
| Net Cash Provided/(Used) by Operating Activities  | <u><u>\$ 8,519,813</u></u> | <u><u>\$ 7,602,323</u></u> |

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of Mount Holly Township, New Jersey)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Mount Holly Municipal Utilities Authority have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

**A. Reporting Entity:**

The Authority was created by an ordinance adopted July 11, 1946, by the Township Committee of the Township of Mount Holly under the Sewerage Authorities Law, constituting Chapter 138 of the Pamphlet Laws of the 1946 of the State of New Jersey, approved April 23, 1946 and as amended by Revised Statutes Title 40 Chapter 14A, Sections 1 to 37.

The Authority was established to provide for the public health and welfare, with all necessary or proper powers to acquire, construct, maintain, operate or improve works for the collection, treatment, purification or disposal of sewerage or other wastes and to provide for sewerage services designed to relieve pollution of the waters in, bordering or entering the Township of Mount Holly and the Participants – Eastampton, Hainesport, Lumberton, Westampton and portions of Moorestown in compliance with the Sewer Authority Act, the Federal Water Pollution Control Act, the Authority's covenants with bondholders and its regulations.

The 1978 Service Contract, as amended on December 30, 1998, with the Township of Mount Holly requires the Authority to perform its duties within the covenants of that contract and to pay an annual fee of \$30,000 to the Township for as long as the contract is in effect. In return the Township is obligated to advance payment for any deficiencies incurred by the Authority with respect to debt service requirements until such time as the Authority can make repayment.

The Authority is a component unit of the Township of Mount Holly as described in Governmental Accounting Standards Board Statement No. 14 due to the existence of a service contract between the Authority and the Township. These financial statements would be either blended or discreetly present as part of the Township's financial statements if the Township reported using generally accepted accounting principles applicable to governmental entities.

The New Jersey Department of Environmental Protection (DEP) in accordance with the New Jersey Water Pollution Control Act regulates the Authority. The Authority operates under a New Jersey Pollutant Discharge Elimination System Permit. The current permit took effect on April 1, 2016 and expires March 31, 2021. The Authority is operated in accordance with regulations of the State of New Jersey, Department of Community Affairs, and Division of Local Government Services.

**B. Basis of Presentation**

The financial statements of the Authority have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles ("GAAP") applicable to enterprise funds of state and local governments.

**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of Mount Holly Township, New Jersey)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation (continued):**

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 enterprise where the intent of the governing body is that the cost (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 revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements:

The following GASB Statements became effective for the year ended December 31, 2020:

Statement 83, *Certain Asset Retirement Obligations*. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. Statement 83 is effective for the reporting period beginning after June 15, 2018 but has been extended by one year. Management does not expect this statement to have a material impact on the Authority's financial statements.

Statement 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placement*. The statement will improve financial reporting users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. Management does not expect this statement to have a material impact on the Authority's financial statements.

Statement 90, *Majority Equity Interests – an amendment of GASB statements 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Management does not expect this statement to have a material impact on the Authority's financial statements.

**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of Mount Holly Township, New Jersey)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation (continued):**

Recently Issued Accounting Pronouncements

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

Statement No. 87, *Leases*. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. Statement No. 87 is effective for reporting periods beginning after June 15, 2021. Management has not yet determined the potential impact on the Authority's financial statements.

Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Management has not yet determined the potential impact on the Authority's financial statements.

Statement 91, *Conduit Debt Obligations*. This statement will provide financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. Management does not expect this statement to have a material impact on the Authority's financial statements.

Statement 92, *Omnibus 2020*. The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. Management does not expect this statement to have a material impact on the Authority's financial statements.

Statement 93, *Replacement of Interbank Offered Rates*. This Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The requirements of this statement are effective for reporting periods beginning after June 15, 2021. Management does not expect this statement to have a material impact on the Authority's financial statements.

**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of Mount Holly Township, New Jersey)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Budgetary Data:**

The Mount Holly Municipal Utilities Authority must adopt an annual budget in accordance with *N.J.A.C.5:31-2*. *N.J.A.C.5:31-2* requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the year.

The legal level of budgetary control is established at the detail shown on the Statement of Revenue, Expenses and Changes in Net Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected.

**D. Prepaid Items:**

Prepaid balances are for payments made by the Authority in the current year for insurance coverage and computer software maintenance in the subsequent fiscal year.

**E. Inventory:**

Inventory consists of fuel and chemicals for the treatment of sewage and sludge and is stated at cost determined on a first-in, first-out basis.

**F. Contributed Capital:**

Contributed Capital consists primarily of sewer lines and pumping stations constructed by local developers and donated to the Authority. These items are recorded at estimated fair market value. The sewer lines and pumping stations are recorded as contributed capital in the period received.

The following is a reconciliation of the Contributed Capital account for 2020 and 2019:

|   | <u>2020</u>         | <u>2019</u>         |
|---|---------------------|---------------------|
| Balance at January 1,                   | \$48,615,172        | \$48,615,172        |
| Additions                               | <u>47,100</u>       | <u>-</u>            |
| Balance at December 31,                 | 48,662,272          | 48,615,172          |
| Accumulated Depreciation                | <u>(43,340,234)</u> | <u>(42,203,454)</u> |
| Net Contributed Capital at December 31, | <u>\$ 5,322,038</u> | <u>\$ 6,411,718</u> |

**G. Capital Assets:**

Property, Plant and equipment owned by the Authority are recorded at cost or, if contributed property, at their fair market value at the time of contribution and includes certain infrastructure assets such as the sanitary sewerage lines. Repairs and maintenance are recorded as expenses. The Authority capitalized interest on significant capital projects that are expected to be under construction for more than one year.



**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of Mount Holly Township, New Jersey)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

|   |             |
|---|-------------|
| Treatment Plants, Pumping Stations & Other Structures | 20-50 years |
| Office Equipment                                      | 5-20 years  |
| Rolling Equipment                                     | 5-20 years  |
| Plant Equipment                                       | 10-20 years |

**H. Compensated Absences**

Authority employees are granted vacation and sick leave in varying amounts under the Authority's personnel policies. In the event of termination, an employee is reimbursed for accumulated vacation at their current rate of pay. Payment for accumulated sick days is available to employees who reach retirement age under the state pension system. Upon retirement, an employee shall be reimbursed for fifty percent of accumulated unused sick leave up to a maximum payment of \$10,000 for union supervisors and \$7,500 for regular union workers.

The total compensated absences liability is recorded as an expense. A current liability is recorded for the value of the accrual. The amount of accrual for compensated absences as of December 31, 2020 and 2019 is as follows:

|               | <u>2020</u>      |                 | <u>2019</u>      |                 |
|---------------|------------------|-----------------|------------------|-----------------|
|               | <u>Accrued</u>   | <u>Payroll</u>  | <u>Accrued</u>   | <u>Payroll</u>  |
|               | <u>Salaries</u>  | <u>Taxes</u>    | <u>Salaries</u>  | <u>Taxes</u>    |
| Sick Time     | \$ 63,750        | \$ 4,877        | \$ 57,433        | \$ 4,394        |
| Vacation Time | <u>151,995</u>   | <u>11,627</u>   | <u>155,285</u>   | <u>11,879</u>   |
| Total         | <u>\$215,745</u> | <u>\$16,504</u> | <u>\$212,718</u> | <u>\$16,273</u> |

**I. Revenues and Unbilled Services:**

Revenues include connection fees and user consumption charges payable by residential and commercial customers in the Townships of Mount Holly, Eastampton, Hainesport, Lumberton, Westampton and portions of Moorestown charged in accordance with the Service Agreements between the Townships and the Authority. Unbilled services are determined from metered and sludge sewerage services billed in the following year for services rendered through December 31 of the preceding year.

In accordance with the Authority's 1978 Service Contract with Mount Holly as amended as of December 30, 1998 five-sixths (5/6) of all connection fee income received by the Authority is applied solely to debt service on the Authority bonded debt. The remaining one-sixth (1/6) is allocated to unbonded system improvements.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Bond Discounts/Premiums:**

Bond premiums and discounts are deferred and amortized over the term of the bonds using straight line method.

|               | <b>2020<br/>Amortization</b> | <b>Accumulated<br/>Amortization</b> | <b>Unamortized<br/>Balance</b> |
|---------------|------------------------------|-------------------------------------|--------------------------------|
| Bond Discount | \$ 8,059                     | \$ 64,912                           | \$ 96,260                      |
| Bond Premium  | \$ 111,847                   | \$ 479,898                          | \$1,757,039                    |

**K. Net Position**

Net Position is distributed into the following two categories:

**Restricted** – represents earnings that are set aside as required by the Authority’s Bond Resolution. Reserved net position include amounts set aside for renewals and replacements, debt service reserve, future debt service, operating reserve and future arbitrage payments when applicable.

**Unrestricted** – represents cumulative earnings that are currently available and may be appropriated for any lawful purpose.

**L. Unrestricted and Restricted Accounts**

In accordance with the bond resolution, the Authority has established the following funds:

1. **Revenue Fund** – All revenues collected by the Authority are to be deposited daily, if practical, in the name of the trustee in this fund.
2. **Operating Fund** – Transfers are to be made from the revenue fund to the operating fund to pay all necessary amounts for the operating, maintenance, or repair of the sewer systems. The balance in the operating fund shall not be less than three whole months or more than six whole months of the Annual Budget adopted by the Authority.
3. **Debt Service Fund** – To accumulate funds for the payment of principal and interest on bonds coming due during the current fiscal year.
4. **Debt Reserve Fund** – To accumulate funds to equal the greatest amount of each respective debt service due in any future year. The current bond reserve requirement is \$2,836,810.

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**NOTE 2: CASH AND CASH EQUIVALENTS**

The Authority is governed by the deposit and investment limitations of New Jersey state law. The Deposits and investments held at December 31, 2020 and 2019, and reported at fair value are as follows:

| <u>Type</u>     | <b>2020</b><br><b>Carrying</b><br><b><u>Value</u></b> | <b>2019</b><br><b>Carrying</b><br><b><u>Value</u></b> |
|-----------------|---|---|
| <b>Deposits</b> |   |   |
| Demand Deposits | \$28,901,954  | \$22,813,663  |
| Investments     | <u>1,701,361</u>                                      | <u>2,902,404</u>                                      |
| Total Deposits  | <u>\$30,603,315</u>                                   | <u>\$25,716,067</u>                                   |

**Reconciliation of Statements of Net Position**

Current:

Unrestricted Assets:

|                           |              |              |
|---------------------------|--------------|--------------|
| Cash and Cash Equivalents | \$ 4,858,279 | \$ 4,205,350 |
|---------------------------|--------------|--------------|

Restricted Assets:

|                           |            |            |
|---------------------------|------------|------------|
| Cash and Cash Equivalents | 24,043,675 | 18,608,313 |
|---------------------------|------------|------------|

|             |                  |                  |
|-------------|------------------|------------------|
| Investments | <u>1,701,361</u> | <u>2,902,404</u> |
|-------------|------------------|------------------|

|       |                     |                     |
|-------|---------------------|---------------------|
| Total | <u>\$30,603,315</u> | <u>\$25,716,067</u> |
|-------|---------------------|---------------------|

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2020 and 2019, the Authority's bank balance of \$30,768,449 and \$25,661,053 respectively, was insured or collateralized as follows:

**NOTE 3: INVESTMENTS**

|   | <b>2020</b>          | <b>2019</b>          |
|---|----------------------|----------------------|
| Insured   | \$ 502,750           | \$ 501,850           |
| Collateralized in the Authority's name<br>under GUDPA | <u>30,265,699</u>    | <u>25,159,203</u>    |
| Total   | <u>\$ 30,768,449</u> | <u>\$ 25,661,053</u> |

**A. Custodial Credit Risk**

For an investment, custodial credit risk is a risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. All of the Authority's investments are held in the name of the Authority and are collateralized by GUDPA.

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**NOTE 3: INVESTMENTS (continued):**

**B. Investment Interest Rate Risk** – The Authority has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investment held at December 31, 2019 and 2018 are provided in the above schedule.

**C. Investment Credit Risk** – The Authority has an investment policy established in Cash Management Plan:

1. Pursuant to N.J. S.A. 40A:5-15.1, the Authority hereby authorizes the following type of securities to be purchased on its behalf:
  - a. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
  - b. Government money market mutual funds;
  - c. Any obligation that a federal agency or 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 obligations bear a fixed rate of interest not dependent on any index or other external factor;
  - d. Bonds or other obligations of the Authority or bonds or other obligations of the local unit or units within which the Authority is located;
  - e. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Authority;
  - f. Local Governments investment pools;
  - g. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
  - h. Agreements for the repurchase of fully collateralized securities with certain limitations.
1. (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of subsection A herein;
  - (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.

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**NOTE 3: INVESTMENTS (continued):**

2. Any investment instruments in which the security is not physically held by the Authority shall be covered by a third-party custodial agreement which shall provide for the designation of such investments in the name of the Authority and prevent unauthorized use of such investments;
3. Purchase of investment securities shall be executed by the "delivery versus payment" method to ensure that securities are either received by the Authority or a third party custodian prior to or upon the release of the Authority's funds.
4. Any investments not purchased and redeemed directly from the issuer, government money market mutual fund, local government investment pool, or the State of New Jersey Cash Management Fund, shall be purchased and deemed through the use of a national or State bank located within this State or through a broker-dealer which, at the time of purchase or redemption, has been registered continuously for a period of at least two years pursuant to section 9 of P.L.1967, c. 93 (C.49:3-56) and has at least \$25 million in capital stock (or equivalent capitalization if not a corporation), surplus reserves for contingencies and undivided profits, or through a securities dealer who makes primary markets in U.S. Government securities and reports daily to the Federal Reserve Bank of New York its position in and borrowing on such U.S. Government securities.

As of December 31, 2020 and 2019, the Authority had the following investments and maturities:

| <u><b>Investment</b></u>      | <u><b>2020</b></u><br><u><b>Fair Value</b></u> | <u><b>2019</b></u><br><u><b>Fair Value</b></u> |
|-------------------------------|--|--|
| <b>Government Obligations</b> | <u><b>\$ 1,701,361</b></u>                     | <u><b>\$2,902,404</b></u>                      |

**NOTE 4: ACCOUNTS RECEIVABLE:**

Accounts receivable at December 31, 2020 and 2019 consisted of the following:

|                                 | <u><b>2020</b></u>        | <u><b>2019</b></u>        |
|---------------------------------|---------------------------|---------------------------|
| Accounts Receivable – Customers | \$2,534,729               | \$2,737,246               |
| Lien Receivable                 | <u>164,127</u>            | <u>148,630</u>            |
| Total                           | <u><b>\$2,698,856</b></u> | <u><b>\$2,885,876</b></u> |

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**NOTE 5: CAPITAL ASSETS:**

The following is a summary of changes in the Authority's property, plant and equipment for the years ended December 31, 2020 and 2019:

| <u>Description</u>                       | <u>Balance<br/>December 31,<br/>2019</u> | <u>Additions</u> | <u>Adjust/<br/>Deletions</u> | <u>Balance<br/>December 31,<br/>2020</u> |
|--|--|------------------|------------------------------|--|
| Land                                     | \$ 908,612                               |                  |                              | \$ 908,612                               |
| <u>Capital Assets Being Depreciated:</u> |  |                  |                              |  |
| Buildings & Improvements                 | 113,508,890                              | 188,681          |                              | 113,697,571                              |
| Equipment                                | 3,084,361                                | 692,418          |                              | 3,776,779                                |
| Engineering & Other Costs                | 8,445,991                                | 81,395           |                              | 8,527,386                                |
| Total Assets Being Depreciated           | 125,039,242                              | 962,494          | -                            | 126,001,736                              |
| <u>Less: Accumulated Depreciation:</u>   |  |                  |                              |  |
| Building & Improvements                  | (69,528,902)                             | (2,507,105)      |                              | (72,036,007)                             |
| Equipment                                | (1,862,068)                              | (122,307)        |                              | (1,984,375)                              |
| Engineering & Other Costs                | (7,700,503)                              | (37,415)         |                              | (7,737,918)                              |
| Total Accumulated Depreciation           | (79,091,473)                             | (2,666,827)      | -                            | (81,758,300)                             |
| Net Capital Assets Being Depreciated     | 45,947,769                               | (1,704,333)      | -                            | 44,243,436                               |
| Total Capital Assets                     | \$ 46,856,381                            | (1,704,333)      | -                            | \$ 45,152,048                            |

| <u>Description</u>                       | <u>Balance<br/>December 31,<br/>2018</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance<br/>December 31,<br/>2019</u> |
|--|--|------------------|------------------|--|
| Land                                     | \$ 908,612                               |                  |                  | \$ 908,612                               |
| <u>Capital Assets Being Depreciated:</u> |  |                  |                  |  |
| Buildings & Improvements                 | 113,111,645                              | 417,567          | (20,322)         | 113,508,890                              |
| Equipment                                | 2,730,717                                | 333,322          | 20,322           | 3,084,361                                |
| Engineering & Other Costs                | 8,264,723                                | 181,268          |                  | 8,445,991                                |
| Total Property, Plant & Equipment        | 124,107,085                              | 932,157          | -                | 125,039,242                              |
| <u>Less: Accumulated Depreciation:</u>   |  |                  |                  |  |
| Building & Improvements                  | (66,915,938)                             | (2,612,964)      |                  | (69,528,902)                             |
| Equipment                                | (1,782,689)                              | (79,379)         |                  | (1,862,068)                              |
| Engineering & Other Costs                | (7,667,738)                              | (32,765)         |                  | (7,700,503)                              |
| Total Accumulated Depreciation           | (76,366,365)                             | (2,725,108)      |                  | (79,091,473)                             |
| Net Capital Assets Being Depreciated     | 47,740,720                               | (1,792,951)      |                  | 45,947,769                               |
| Total Capital Assets                     | \$ 48,649,332                            | (1,792,951)      | -                | \$ 46,856,381                            |

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**NOTE 6: LONG-TERM DEBT**

**Outstanding Debt**

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

|                              | Balance<br>12/31/2019 | Issued           | Retired               | Balance<br>12/31/2020 | Amounts<br>Due Within<br>One Year |
|------------------------------|-----------------------|------------------|-----------------------|-----------------------|-----------------------------------|
| Bonds Payable                | \$ 14,685,000         |                  | \$ (510,000)          | \$ 14,175,000         | \$ 540,000                        |
| Unamortized Bond Premium     | 1,868,886             |                  | (111,847)             | 1,757,039             | 111,847                           |
| Post Retirement Benefits     | 633,800               | 61,604           | -                     | 695,404               | -                                 |
| Loan Payable - PSE&G         | 26,632                | -                |                       | 26,632                | 17,732                            |
| Loan Payable                 | 11,246,545            | -                | (1,313,502)           | 9,933,043             | 1,340,075                         |
| Net Pension Liability        | 8,342,231             |                  | (1,970,967)           | 6,371,264             | 427,405                           |
| <b>Long Term Liabilities</b> | <b>\$ 36,803,094</b>  | <b>\$ 61,604</b> | <b>\$ (3,906,316)</b> | <b>\$ 32,958,382</b>  | <b>\$ 2,437,059</b>               |

|                              | Balance<br>12/31/2018 | Issued           | Adjustment/<br>Retired | Balance<br>12/31/2019 | Amounts<br>Due Within<br>One Year |
|------------------------------|-----------------------|------------------|------------------------|-----------------------|-----------------------------------|
| Bonds Payable                | \$ 15,175,000         |                  | \$ (490,000)           | \$ 14,685,000         | \$ 510,000                        |
| Unamortized Bond Premium     | 1,980,733             |                  | (111,847)              | 1,868,886             | 111,847                           |
| Post Retirement Benfits      | 303,538               | 35,841           |                        | 339,379               | -                                 |
| Loan Payable - PSE&G         | 35,465                | -                | (8,833)                | 26,632                | 8,855                             |
| Loan Payable                 | 12,526,453            | -                | (1,279,908)            | 11,246,545            | 1,313,502                         |
| Net Pension Liability        | 8,979,132             | -                | (636,901)              | 8,342,231             | 451,468                           |
| <b>Long Term Liabilities</b> | <b>\$ 39,000,321</b>  | <b>\$ 35,841</b> | <b>\$ (2,527,489)</b>  | <b>\$ 36,508,673</b>  | <b>\$ 2,395,672</b>               |

**A. 2018 Sewer Revenue Refunding Bonds – Series of 2018:**

On July 10, 2018 the Authority issued the 2018 Sewer Revenue Refunding Bonds, Series of 2018. The proceeds of the 2018 Bonds will be used to: (i) currently refund all of the Authority's outstanding Sewer Revenue Bonds, Series of 1998, maturing on December 1 in the years 2018 through and including 2028, in the principal amount of \$3,510,000 (1998 Refunded Bonds), for the purpose of achieving debt service savings; (ii) currently refund all of the Authority's outstanding Sewer Revenue Bonds, 2007 Series C, maturing on December 1 in the years 2018 through and including 2037, in the principal amount of \$12,610,000 (2007C Refunded Bonds, and together with the 1998 Refunded Bonds, the Refunded Bonds), for the purpose of achieving debt service savings; (iii) fund a required deposit to the Debt Service Reserve Fund pursuant to the Resolution; and (iv) pay certain costs associated with the issuance of the 2018 Bonds.

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**NOTE 6: LONG-TERM DEBT (continued):**

**A. 2018 Sewer Revenue Refunding Bonds – Series of 2018 continued):**

The amount of the Sewer Revenue Refunding Bonds was \$15,710,000 and the Bonds were delivered July 24, 2018.

| <u>Issue</u>                          | <u>Initial<br/>Date of<br/>Issue</u> | <u>Date of<br/>Final<br/>Maturity</u> | <u>Interest<br/>Rate</u> | <u>Original<br/>Issue<br/>Amount</u> | <u>Principal<br/>Balance<br/>Outstanding</u> |
|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------|--------------------------------------|--|
| 2018 Sewer Revenue<br>Refunding Bonds | 07/24/2018                           | 12/1/2037                             | 3.375% to<br>5.00%       | <u>\$15,710,000</u>                  | <u>\$14,175,000</u>                          |

The following summary detailing the schedule of outstanding bonds by year and the annual debt principal and interest requirements for each:

| <u>Year Ending<br/>December 31,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        | <u>Rate of<br/>Interest</u> |
|-------------------------------------|---------------------|---------------------|---------------------|-----------------------------|
| 2021                                | \$ 540,000          | 693,881             | 1,233,881           | 5.0%                        |
| 2022                                | 565,000             | 666,881             | 1,231,881           | 5.0%                        |
| 2023                                | 590,000             | 638,631             | 1,228,631           | 5.0%                        |
| 2024                                | 625,000             | 609,131             | 1,234,131           | 5.0%                        |
| 2025                                | 650,000             | 577,881             | 1,227,881           | 5.0%                        |
| 2026                                | 685,000             | 545,381             | 1,230,381           | 5.0%                        |
| 2027                                | 725,000             | 511,131             | 1,236,131           | 5.0%                        |
| 2028                                | 1,905,000           | 474,881             | 2,379,881           | 5.0%                        |
| 2029                                | 1,675,000           | 379,631             | 2,054,631           | 5.0%                        |
| 2030                                | 650,000             | 295,881             | 945,881             | 5.0%                        |
| 2031                                | 685,000             | 263,381             | 948,381             | 5.0%                        |
| 2032                                | 720,000             | 229,131             | 949,131             | 5.0%                        |
| 2033                                | 755,000             | 193,131             | 948,131             | 5.0%                        |
| 2034                                | 790,000             | 155,381             | 945,381             | 5.0%                        |
| 2035                                | 830,000             | 115,881             | 945,881             | 5.0%                        |
| 2036                                | 870,000             | 74,381              | 944,381             | 5.0%                        |
| 2037                                | 915,000             | 30,881              | 945,881             | 3.375%                      |
| Total                               | <u>\$14,175,000</u> | <u>\$ 6,455,477</u> | <u>\$20,630,477</u> |                             |

Pursuant to an Escrow Deposit Agreement to be dated the date of issuance of the 2018 Bond (Escrow Agreement), by and between the Authority and the Trustee, as escrow agent (Escrow Agent), the proceeds of the 2018 Bonds shall be sufficient to optionally redeem on August 28, 2018 (Redemption Date) the Refunded Bonds at a Redemption Price equal to 100% of the principal amount thereof, plus interest accrued thereon to the Redemption Date. All moneys deposited in the Escrow Fund for the payment of the Refunded Bonds will be pledged solely and irrevocably for the benefit of the holders of the Refunded Bonds. These funds are expected to pay off the \$2,040,000 aggregate principal and applicable interest of the Sewer Revenue Bonds, Series 2009A by the end of December 2019.



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**NOTE 6: LONG-TERM DEBT (continued):**

**A. 2018 Sewer Revenue Refunding Bonds – Series of 2018 continued):**

**Redemption Provisions**

The 2018 Bonds maturing prior to December 1, 2026 are not subject to redemption prior to their stated maturity dates. The 2018 Bonds maturing on and after December 1, 2026 are subject to redemption prior to their stated maturity dates at the option of the Authority, upon notice as set forth below, as a whole or in part (and, if in part, such maturities as the Authority shall determine and within any such maturity by lot) on any date on or after December 1, 2025, at a redemption price equal to 100% of the principal amount of 2018 Bonds to be redeemed, plus accrued interest to the redemption date.

**Notice of Redemption**

Notice of redemption shall be given by mailing first class mail in a sealed envelope with postage pre-paid not less than thirty (30) days nor more than sixty (60) days prior to the redemption date to the owner of every 2018 Bond of which all or a portion is to be redeemed at his or her last address, if any, appearing on the registration books of the Paying Agent. So long as the 2018 Bonds are issued in book-entry-only form, all notices of redemption will be only to the Depository Trust Company (DTC), the securities depository for the 2018 Bonds or any successor, and will not be sent to the beneficial owners of the 2018 Bonds. Failure of an owner of the 2018 Bonds to receive such notice or of DTC to advise any participant or any failure of a participant to notify any beneficial owner of the 2018 Bonds shall not affect the validity of any proceedings for the redemption of 2018 Bonds. Such notice shall specify: (i) the series and maturity of the 2018 Bonds to be redeemed; (ii) the redemption date and the place or places where amounts that are due and payable upon such redemption will be payable; (iii) if less than all of the 2018 Bonds are to be redeemed, the letters and numbers or other distinguishing marks of the 2018 Bonds to be redeemed; (iv) in the case of a 2018 Bond to be redeemed in part only, the portion of the principal amount thereof to be redeemed; (v) that on the redemption date there shall become due and payable with respect to each 2018 Bond or portion thereof to be redeemed the redemption price; and (vi) that from after the redemption date interest on such 2018 Bond or portion thereof to be redeemed shall cease to accrue and be payable.

**B. New Jersey Environmental Infrastructure Trust and Fund Loan- Construction Project**

The Authority has determined there exists a need within its service area to undertake various capital improvements to its System, including reconstruction of its central treatment plant and rehabilitation of various water mains, all as more particularly describe in the report prepared therefore by the Authority's Consulting Engineer as further defined in that certain Loan Agreement to be entered into between the Authority and the New Jersey Wastewater Treatment Trust and that certain Loan Agreement to be entered into between the Authority and the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection, all pursuant to the 2007 New Jersey Environmental Infrastructure Trust financing program; and on November 9, 2006, the Authority adopted a note resolution pursuant to which the Authority has heretofore issued its Project Notes, Series 2006 to temporarily finance a portion of the 2007 Project; and on July 12, 2007, the Authority adopted a note resolution pursuant to which the Authority will issue its Project Notes, Series 2007 to temporarily finance a portion of the 2007 Project; and the Authority has determined to finance a portion of the acquisition, construction, renovation or installation of the 2007 Project with the proceeds of a loan to be made by each of the Trust and the State pursuant to the Trust Loan Agreement and the Fund Loan Agreement, respectively. During 2015 the Authority did not utilize the entire Trust funding portion of the 2007A NJEIT Loan and the New Jersey Infrastructure Trust

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**NOTE 6: LONG-TERM DEBT (continued):**

**B. New Jersey Environmental Infrastructure Trust and Fund Loan- Construction Project (continued):**

forgave and refunded bonds, Series 2015A-R1, to the Authority that resulted in a \$1,036,000 gain on refunding of bonds amortized over twelve years.

The following summary details the schedule of outstanding loans by year and the annual loan principal requirement for each:

| <u>Year</u> | <u>NJEIT TRUST LOAN</u> |                    | <u>Rate of Interest</u> | <u>NJEIT FUND LOAN</u> | <u>TOTAL</u>        |
|-------------|-------------------------|--------------------|-------------------------|------------------------|---------------------|
|             | <u>Principal</u>        | <u>Interest</u>    |                         | <u>Principal</u>       | <u>Principal</u>    |
| 2021        | 616,000                 | 259,238            | 5.0%                    | 625,329                | 1,241,329           |
| 2022        | 646,000                 | 223,988            | 5.0%                    | 625,167                | 1,271,167           |
| 2023        | 681,000                 | 186,988            | 4.2%                    | 627,113                | 1,308,113           |
| 2024        | 713,000                 | 153,838            | 4.5%                    | 625,070                | 1,338,070           |
| 2025        | 751,000                 | 117,388            | 4.5%                    | 627,372                | 1,378,372           |
| 2026        | 786,000                 | 79,138             | 4.5%                    | 625,264                | 1,411,264           |
| 2027        | <u>825,000</u>          | <u>39,312</u>      | 4.2%                    | <u>625,378</u>         | <u>1,450,378</u>    |
| Total       | <u>\$ 5,018,000</u>     | <u>\$1,059,890</u> |                         | <u>\$ 4,380,693</u>    | <u>\$ 9,398,693</u> |

**C. New Jersey Environmental Infrastructure Trust and Fund Loan- Edward Street Pump Station**

On March 10, 2011, the Authority borrowed \$1,950,000 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust. The "Fund" (Federal Funds) portion of the Bond Issue, \$1, 470, 000, was issued with no interest rate. The remaining Bonds mature semi- annually from August 1, 2011 through August 1, 2029 at maturities ranging from \$49,831 to \$74,746. On May 24, 2012, \$399,363 was de-obligated by the State of New Jersey from the NJEIT Fund Loan.

The "Loan" (State Funds) portion of the Bond Issue, \$480,000, the remaining bonds mature annually from August 1, 2011 through 2029 at annual maturities ranging from \$15,000 to \$35,000 and bear interest at rates ranging from 3.00% to 5.00%.

The following summary details the schedule of outstanding loans by year and annual loan principal requirement for each:

| <u>Year</u> | <u>NJEIT TRUST LOAN</u> |                 | <u>Rate of Interest</u> | <u>NJEIT FUND LOAN</u> | <u>TOTAL</u>     |
|-------------|-------------------------|-----------------|-------------------------|------------------------|------------------|
|             | <u>Principal</u>        | <u>Interest</u> |                         | <u>Principal</u>       | <u>Principal</u> |
| 2021        | 24,000                  | 10,440          | 3.0%                    | 74,746                 | 98,746           |

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**NOTE 6: LONG-TERM DEBT (continued):**

**C. New Jersey Environmental Infrastructure Trust and Fund Loan- Edward Street Pump Station (continued):**

|             | <u>NJEIT TRUST LOAN</u> |                  |                             | <u>NJEIT FUND<br/>LOAN</u> | <u>TOTAL</u>      |
|-------------|-------------------------|------------------|-----------------------------|----------------------------|-------------------|
| <u>Year</u> | <u>Principal</u>        | <u>Interest</u>  | <u>Rate of<br/>Interest</u> | <u>Principal</u>           | <u>Principal</u>  |
| 2022        | 24,000                  | 9,480            | 4.0%                        | 74,746                     | 98,746            |
| 2023        | 29,000                  | 8,520            | 4.0%                        | 74,746                     | 103,746           |
| 2024        | 29,000                  | 7,360            | 4.0%                        | 49,112                     | 78,112            |
| 2025        | 28,000                  | 6,200            | 4.0%                        | -                          | 28,000            |
| 2026        | 28,000                  | 5,080            | 4.0%                        | -                          | 28,000            |
| 2027        | 33,000                  | 3,960            | 4.0%                        | -                          | 33,000            |
| 2028        | 33,000                  | 2,640            | 4.0%                        | -                          | 33,000            |
| 2027        | <u>33,000</u>           | <u>1,320</u>     | 4.0%                        | <u>-</u>                   | <u>33,000</u>     |
| Total       | <u>\$26,000</u>         | <u>\$ 55,000</u> |                             | <u>\$273,350</u>           | <u>\$ 534,350</u> |

**D. Loan Payable – Summit Water Nexus**

On September 13, 2012, the Authority entered into loan agreement to finance a portion of additional expenditures needed to upgraded utilities owned by Public Service Electric & Gas in order to properly operate the solar energy system as part of the Solar Power Purchase Agreement. The total cost of the upgrade was \$246,000, and the cost was to be split equally between the Authority, Vanguard Energy Partners LLC and Summit Water Nexus, Mount Holly, LLC. The payments are to be made to Summit Water Nexus as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u>  |
|-------------|------------------|-----------------|---------------|
| 2020/2021   | \$ 17,732        | 111             | 11,843        |
| 2022        | <u>8,899</u>     | <u>22</u>       | <u>8,921</u>  |
| Total       | <u>\$ 26,631</u> | <u>133</u>      | <u>26,764</u> |

**NOTE 7: PENSION NOTE**

**Description of System and Vesting**

All eligible authority employees participate in the contributory defined benefit public employee retirement system established by state statute. The Public Employees Retirement System (PERS) is sponsored and administered by the State of New Jersey and considered a cost-sharing multiple employer plan.

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**NOTE 7: PENSION NOTE (continued):**

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system.

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

The vesting and benefit provisions are set by N.J.S.A. 43:15A. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for PERS:

| <b><u>Tier</u></b> | <b><u>Definition</u></b> |
|--------------------|--------------------------|
|--------------------|--------------------------|

- |   |  |
|---|--|
| 1 | Members who were enrolled prior to July 1, 2007  |
| 2 | Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008 |
| 3 | Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010 |
| 4 | Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011          |
| 5 | Members who were eligible to enroll on or after June 28, 2011                              |

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit 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.

At December 31, 2020 the Authority reported a liability of \$6,371,264 for its proportionate share of the net pension liability as 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 that date. The authority elected to record \$427,405 as current pension liability from the above amount. 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 authorities, actuarially determined. At June 30, 2020, the authority's proportion was .0390698086% which slightly decreased by .00723% from its proportion measured as of June 30, 2019.

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 PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as

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**NOTE 7: PENSION NOTE (continued):**

they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the year ended December 31, 2020 and 2019 the Authority recognized pension expense of \$191,802 and \$280,662, respectively. At December 31, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

|  | <u>December 31, 2020</u>                     |   | <u>December 31, 2019</u>                     |   |
|--|--|---|--|---|
|  | <u>Deferred<br/>Outflow of<br/>Resources</u> | <u>Deferred<br/>Inflow of<br/>Resources</u> | <u>Deferred<br/>Outflow of<br/>Resources</u> | <u>Deferred<br/>Inflow of<br/>Resources</u> |
| Difference Between Expected<br>and Actual Experience   | 116,010                                      | 22,532                                      | \$ 149,732                                   | 36,852                                      |
| Changes of Assumptions   | 206,691                                      | 2,667,709                                   | 883,002                                      | 2,895,562                                   |
| Net Difference Between Projected<br>and Actual Earnings on Pension<br>Plan Investments                               | 217,775                                      |   |  | 131,685                                     |
| Changes in Proportion and Differences<br>Between Authority Contributions and<br>Proportionate Share of Contributions | 96,931                                       | 1,639,441                                   | 163,446                                      | 490,458                                     |
| Authority Contributions Subsequent to<br>The Measurement Date  | <u>-</u>                                     | <u>-</u>                                    | <u>-</u>                                     | <u>-</u>                                    |
|  | <u>\$ 637,407</u>                            | <u>\$4,329,682</u>                          | <u>\$1,146,180</u>                           | <u>\$3,554,557</u>                          |

\$637,407 and \$1,146,180 will be reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the years ended December 31, 2020 and 2019 respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as shown below. The amounts represent the Authority's proportionate share of deferred outflows of resources and deferred inflows of resources.

| Year ended December 31 : |    |                    | Year ended December 31 : |    |                    |
|--------------------------|----|--------------------|--------------------------|----|--------------------|
| 2021                     | \$ | (711,605)          | 2020                     | \$ | (453,021)          |
| 2022                     |    | (711,605)          | 2021                     |    | (453,021)          |
| 2023                     |    | (711,605)          | 2022                     |    | (453,021)          |
| 2024                     |    | (711,604)          | 2023                     |    | (453,021)          |
| 2025                     |    | (711,604)          | 2024                     |    | (453,021)          |
| Thereafter               |    | <u>(134,252)</u>   | Thereafter               |    | <u>(143,272)</u>   |
| Total                    | \$ | <u>(3,692,275)</u> | Total                    | \$ | <u>(2,408,377)</u> |

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**NOTE 7: PENSION NOTE (continued):**

*Additional Information*

Collective local balances at December 31, 2020 and 2019 are as follows

|   | <u>12/31/2020</u> | <u>12/31/2019</u> |
|---|-------------------|-------------------|
| Collective Deferred outflows of resources | \$ 637,407        | \$ 1,146,180      |
| Collective Deferred inflows of resources  | 4,329,682         | 3,554,557         |
| Collective net pension liability          | 6,371,264         | 8,342,231         |
| Authority's Proportion                    | 0.03907%          | 0.04630%          |

*Actuarial Assumptions*

The total pension liability in the June 30, 2020 and 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

| <u>2020</u>       |                              | <u>2019</u>       |                              |
|-------------------|------------------------------|-------------------|------------------------------|
| Inflation Rate    |                              | Inflation Rate    |                              |
| Price             | 2.75%                        | Price             | 2.75%                        |
| Wage              | 3.25%                        | Wage              | 3.25%                        |
| Salary Increases: | 2.00 – 6.00%                 | Salary Increases: | 2.00 – 6.00%                 |
| Through 2026      | Based on Years<br>of Service | Through 2026      | Based on Years<br>of Service |
| Thereafter        | 3.00 – 7.00%                 | Thereafter        | 3.00 – 7.00%                 |
|                   | Based on Years<br>of Service |                   | Based on Years<br>of Service |

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 plan investments (7% 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's target asset allocation as of June 30, 2019 and 2018 are summarized in the following tables:

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**NOTE 7: PENSION NOTE (continued):**

| Asset Class                      | 2020 Target<br>Allocation | 2020 Long-Term<br>Expected Real<br>Rate of<br>Return |
|----------------------------------|---------------------------|--|
| U.S. Equity                      | 27.00%                    | 7.71%  |
| Non-U.S. Developed Market Equity | 13.50%                    | 8.57%  |
| Emerging Market Equity           | 5.50%                     | 10.23%   |
| Private Equity                   | 13.00%                    | 11.42%   |
| Real Estate                      | 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%                     | .500%  |
| U.S. Treasuries                  | 5.00%                     | 1.94%  |
| Risk Mitigation Strategies       | 3.00%                     | 103.40%  |

| Asset Class                       | 2019 Target<br>Allocation | 2019 Long-Term<br>Expected Real<br>Rate of<br>Return |
|-----------------------------------|---------------------------|--|
| Risk Mitigation Strategies        | 3.00%                     | 4.67%  |
| Cash Equivalents                  | 5.00%                     | 2.00%  |
| U.S. Treasuries                   | 5.00%                     | 2.68%  |
| Investment Grade Credit           | 10.00%                    | 4.25%  |
| High Yield                        | 2.00%                     | 5.37%  |
| Private Credit                    | 6.00%                     | 7.92%  |
| Real Assets                       | 2.50%                     | .9.31%   |
| Real Estate                       | 7.50%                     | 8.33%  |
| US Equity                         | 28.00%                    | 8.26%  |
| Non-U.S. Developed Markets Equity | 12.50%                    | 8.26%  |
| Emerging Markets Equity           | 6.50%                     | 11.37%   |
| Private Equity                    | 12.00%                    | 10.85%   |

***Discount Rate***

The discount rate used to measure the total pension liability was 7.00% and 6.28% as of June 30, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that

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**NOTE 7: PENSION NOTE (continued):**

contributions from employers and the non-employer contributing entity will be made based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

| <b>2020</b>   |                                   |   |                                   |
|---|-----------------------------------|---|-----------------------------------|
|   | <u>At 1%<br/>Decrease (6.00%)</u> | <u>At Current<br/>Discount<br/>Rate (7.00%)</u> | <u>At 1%<br/>Increase (8.00%)</u> |
| Authority's Proportionate<br>Share of Net Pension Liability | \$ 8,020,358                      | \$ 6,371,264                                    | \$ 4,971,962                      |

| <b>2019</b>   |                                   |   |                                   |
|---|-----------------------------------|---|-----------------------------------|
|   | <u>At 1%<br/>Decrease (5.28%)</u> | <u>At Current<br/>Discount<br/>Rate (6.28%)</u> | <u>At 1%<br/>Increase (7.28%)</u> |
| Authority's Proportionate<br>Share of Net Pension Liability | \$ 10,537,593                     | \$ 8,342,231                                    | \$ 6,492,327                      |

**Contribution Requirements**

The contribution policy is set by *N.J.S.A.43:15A*, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and *N.J.S.A.18:66*, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provide for employee contributions of 7.50%, effective October 1, 2018 of employees' annual compensation as defined. Employers are required to contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums. The Authority's contributions to P.E.R.S. for the years ending December 31, 2020 and 2019 was \$427,404 and \$450,347 respectively.

Additional detailed information about the pension plan is available in the separately issued State of New Jersey Public Employees' Retirement System – Schedules of Employer Allocations and Schedules of Pension Amounts by Employer at <http://www.nj.gov/treasury/pensions/gasb-68-rpts.shtml>



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**NOTE 8: JOINT INSURANCE FUND**

The Mount Holly Municipal Utilities Authority is a member of the New Jersey Utility Authorities Joint Insurance Fund (NJUA). The NJUA Fund provides lines of coverage to the Mount Holly Municipal Utilities Authority as follows:

|   | <b><u>MUA</u></b><br><b><u>Deductible</u></b> | <b><u>JIF</u></b> | <b><u>MEL</u></b> | <b><u>Excess</u></b><br><b><u>Coverage</u></b> |
|---|---|-------------------|-------------------|--|
| (A) Worker's Compensation (each claim)            | None  | \$300,000         | \$700,000         |  |
| (B) Property Coverage (each loss)                 | Varies  |                   |                   | \$150,000,000                                  |
| (C) Boiler & Machinery (each loss)                | Varies  |                   |                   | \$150,000,000                                  |
| (D) General Liability (each occurrence)           | None  | 300,000           | 700,000           | 10,000,000                                     |
| (E) Auto Liability (each occurrence)              | None  | 300,000           | 700,000           | 10,000,000                                     |
| (F) Public Officials/Employment Practices         | Varies  | 2,000,000         |                   |  |
| (G) Employee Dishonesty & Faithful<br>Performance | 1,000   | 50,000            | 950,000           |  |

**NOTE 9: RETIREE HEALTH BENEFIT COVERAGE**

The Authority provides health care benefits to its eligible retired employees. In order for a retiree to be eligible to receive retirement benefits from the Authority the following conditions must be met:

- A. Retire with 30 or more years of service with the Authority.
- B. Retiree must be 55 years or older at the time of retirement.

Eligible retirees meeting the above requirements cannot have hospitalization insurance from another source. Retiree health benefits terminate when the retired employee is eligible for Medicare or dies. Employees receiving retiree health benefits must notify the Authority in writing, with proof of enrollment, when they become eligible for Medicare Parts A and B. The maximum contribution by the Authority for retiree health benefits is \$8,500 for union supervisors and \$8,500 for regular union workers per year per retiree.

As a result of implementing GASB statement No. 75 *Accounting and Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans* ("OPEB") the Authority has hired an independent actuarial firm, Cirkel Actuarial Consulting, LLC, to calculate their annual OPEB costs and unfunded accrued liability as required by GASB 75. (This actuarial report was not audited and the Authority does not plan on having an audit performed on this report). The actuarial cost method used to determine the Plan's funding requirements is the "Entry Age Normal Funding" method. Under this method, the cost of each individual's health benefit is allocated on a level percent of payroll between the time employment starts (entry age) and the assumed retirement date. The goal is to spread the cost over the career of the member as a level percentage of payroll. In addition, a normal cost is determined as the actuarial present value of the portion of projected benefits, which is allocated to service in the current plan year for each active participant under the assumed retirement age. The normal cost amount is expected to increase annually at the discount rate, currently 2.12%.

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**NOTE 9: RETIREE HEALTH BENEFIT COVERAGE (continued):**

**Basis of Valuation**

The valuation has been conducted based on census, plan design and financial information provided by the Fund. Census includes two (2) retirees currently receiving retiree benefits, and forty-two (42) active participants of whom three (3) are eligible to retire as of the valuation date. The average age of the active population is forty-six (46) and the average age of the retirees is sixty (60).

Actuarial assumptions were selected with the intention of satisfying the requirements of New Jersey Local Finance Notice 2007-15 in addition to *Statement of Governmental Accounting Standard No. 75*.

Demographic assumptions were selected based on those used by the State Division of Pensions and Benefits in calculating pension benefits taken from the July 1, 2019 report from Cheiron. While some assumptions were simplified to reflect the smaller population, and to simplify the valuation process, the valuation results reasonably conform to the requirements of LFN 2007-15.

Health care (economic) assumptions were selected based on those used by the State Health Benefits Program in calculating SHBP member OPEB requirements taken from June 30, 2019 report from Aon Consultants.

**Results of Valuation**

*Total OPEB Liability and OPEB Liability*

The total OPEB Liability (TOL) is the actuarial accrued liability. The Net OPEB Liability (NOL) is the TOL less the Fiduciary Net Position (assets). Since there are no assets to offset the liability, the two are equal. The components of the Net OPEB Liability as of December 31, 2020, are as follows:

|                             |              |
|-----------------------------|--------------|
| Total OPEB Liability        | \$695,404    |
| Plan Fiduciary Net Position | <u>- 0 -</u> |
| Net OPEB Liability          | \$695,404    |
| Net Position/OPEB Liability | 0%           |

*Total OPEB Expense*

The Total OPEB Expense (TOE) is the measurement of annual cost based on the actuarial funding method utilized. It is comprised of the Service Cost (normal cost) which is the portion of future liabilities attributable to the measurement year, plus the recognized portion of the experience gain or loss, and interest on the NOL during the year.

*Sensitivity – Impact of 1% Change in Discount Rate*

Actuarial measurements are sensitive to changes in actuarial assumptions and where actual experience differs from assumptions. If the discount rate were to increase 1% per annum, the NOL would decrease and

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**NOTE 9: RETIREE HEALTH BENEFIT COVERAGE (continued):**

if it were to decrease by 1% the NOL would increase. The following presents the net OPEB liability as of December 31, 2020 calculated using the discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

|                                | <u>At 1%</u><br><u>Decrease (1.12%)</u> | <u>Current</u><br><u>Discount</u><br><u>Rate (2.12%)</u> | <u>At 1%</u><br><u>Increase (3.12%)</u> |
|--------------------------------|---|--|---|
| Authority's Net OPEB Liability | \$713,416                               | \$695,404  | \$678,614                               |

*Sensitivity of 1% Change in Trend Rate*

Actuarial measurements are sensitive to changes in actuarial assumptions and where actual experience differs from assumptions. If medical trend were to increase 1% per annum, the NOL would increase and if were to decrease by 1% the NOL would decrease. The following presents the net OPEB liability as of December 31, 2020 calculated using the healthcare trend rate:

|                                | <u>At 1%</u><br><u>Decrease (1.00%)</u> | <u>Current</u><br><u>Healthcare Cost</u><br><u>Trend Rate</u> | <u>At 1%</u><br><u>Increase (1.00%)</u> |
|--------------------------------|---|---|---|
| Authority's Net OPEB Liability | N/A                                     | \$695,404   | N/A                                     |

**Key Actuarial Assumptions**

|                           |  |
|---------------------------|--|
| Mortality                 | RP 2000 Combined healthy male mortality rates set forward one year and adjusted for generational improvement.        |
| Turnover                  | NJ State pensions ultimate withdraw rates – prior to benefits eligibility.   |
| Assumed Retirement Age    | At first eligible after age 55 and completion of 30 years of service benefits end at age 65.                         |
| Full Attribution Period   | Service to assumed retirement age.   |
| Annual Discount Rate      | 2.74% Based on the Bond Buyer 20 Index December 31, 2019<br>2.12% Based on the Bond Buyer 20 Index December 31, 2020 |
| CPI Increase              | 2.5%   |
| Rate of Salary Increase   | 2.5%   |
| Medical Trend             | None   |
| Medical Cost Aging Factor | NJ SHBP medical morbidity rates  |

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**NOTE 9: RETIREE HEALTH BENEFIT COVERAGE (continued):**

**Deferred Outflows of Resources and Deferred Inflows of Resources**

The amounts reported as a deferred outflow of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for December 31, 2020 respectively as follows:

| Year ended December 31,: |                 |
|--------------------------|-----------------|
| 2021                     | \$ 1,876        |
| 2022                     | 1,876           |
| 2023                     | 1,876           |
| 2024                     | 1,876           |
| 2025                     | 1,876           |
| Thereafter               | <u>18,374</u>   |
| Total                    | <u>\$27,754</u> |

The valuation projects the cost to the Authority of providing medical benefits to employees who remain in the medical plan after retirement (post-employment coverage). Mt. Holly MUA contributes a maximum amount towards the health plan per employee per year based on the employee's position. We elected to use for this valuation the maximum contribution costs based on 100% of future retirees participating in the post-employment benefit plan.

The Authority currently has two eligible retired employee receiving retirement benefits. The net Other Post-Employment Benefit obligation to the Authority to provide benefits to the retirees for the year ended December 31, 2020 was \$695,404. The Authority paid \$17,000 in 2020 for retiree health benefits.

**NOTE 10: UNRESTRICTED NET POSITION APPROPRIATED**

2020 Unrestricted Net Position amounts to \$14,863,119. Of that amount, \$338,000 was appropriated for payment to Mount Holly Township in the 2021 budget.

**NOTE 11: RETRICTIVE RESTATEMENT OF NET POSITION**

The Authority adopted GASB No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pension during the 2020 fiscal year as required by the pronouncement. The pronouncement requires the Authority to record its proportional share of the Other Postemployment Benefits (OPEB) liability on the face of its financial statements as of December 31, 2019 and to record related OPEB expense in accordance with the pronouncement. In order to correctly reflect OPEB expense in accordance with GASB No. 75, the beginning Net Position of the Authority was adjusted to reflect the beginning balance of the OPEB liability. Since the measurement date of the OPEB liability is December 31, 2019, the restatement adjustments to Net Position relate to the beginning OPEB liability measured as of January 1, 2019 as follows:

**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of Mount Holly Township, New Jersey)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 and 2019**

**NOTE 11: RETRICTIVE RESTATEMENT OF NET POSITION (Continued):**

|   |                      |
|---|----------------------|
| Net Position – Per Exhibit B, Beginning of Year, January 1, 2019                  | \$ 32,151,603        |
| Restatement of:   |                      |
| Deferred Outflow of Resources   | 29,630               |
| OPEB Liability  | <u>(294,421)</u>     |
| Net Position - Per Exhibit B, Beginning of Year, January 1, 2019<br>(As Restated) | <u>\$ 31,886,812</u> |

**NOTE 12: SERVICE ORGANIZATION’S SAS 70 AND SSAE 16 REQUIREMENT**

The Authority utilizes NJ American Water Company, Inc. to provide consumption data of the Authority’s customers’ water usage. This data is used to bill the customers of the Authority, as sewer charges are based on the amount of water consumed. Statement of Auditing Standards (SAS) 70 and Statement on Standards for Attestation Engagements (SSAE) 16 requires the Authority to receive an internal control report from service organizations providing such services mentioned above. The Authority has requested an internal control report from NJ American Water Company, Inc. and they have refused to accommodate the Authority’s request.

**NOTE 13: SUBSEQUENT EVENTS**

The Mount Holly Municipal Utilities Authority has evaluated all other subsequent events occurring after December 31, 2020 through the date of June 18, 2021, which is the date the financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY INFORMATION – PART II**

**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of Mount Holly Township, New Jersey)**  
**SCHEDULE OF OPERATING REVENUES AND COST FUNDED BY**  
**OPERATING REVENUES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(With Comparative Totals for the Year Ended December 31, 2019)**

|                                 | DECEMBER 31, 2020  |                   |               | DECEMBER 31, 2019  |                   |               |
|---------------------------------|--------------------|-------------------|---------------|--------------------|-------------------|---------------|
|                                 | ORIGINAL<br>BUDGET | AMENDED<br>BUDGET | ACTUAL        | ORIGINAL<br>BUDGET | AMENDED<br>BUDGET | ACTUAL        |
| Revenues:                       |                    |                   |               |                    |                   |               |
| Meter Services                  | \$ 12,425,000      | \$ 12,425,000     | \$ 12,610,837 | \$ 12,425,000      | \$ 12,425,000     | \$ 12,355,592 |
| Connection Fees                 | 400,000            | 400,000           | 1,879,156     | 400,000            | 400,000           | 1,355,517     |
| Sludge & Septic Income          | 994,500            | 994,500           | 1,372,731     | 974,000            | 974,000           | 1,268,423     |
| Interest Income                 | 20,950             | 20,950            | 23,684        | 12,000             | 12,000            | 58,344        |
| Other                           | 119,550            | 119,550           | 1,176,509     | 118,000            | 118,000           | 222,763       |
| Total Revenues                  | 13,960,000         | 13,960,000        | 17,062,917    | 13,929,000         | 13,929,000        | 15,260,639    |
| Operating Expenses:             |                    |                   |               |                    |                   |               |
| Administrative:                 |                    |                   |               |                    |                   |               |
| Salaries                        | 662,500            | 662,500           | 636,158       | 637,500            | 637,500           | 489,678       |
| Professional Fees               | 151,000            | 151,000           | 119,078       | 153,750            | 153,750           | 132,056       |
| Trustee Fees                    | 10,000             | 10,000            | 7,350         | 18,000             | 18,000            | 7,350         |
| Computer Expenses               | 25,000             | 25,000            | 49,633        | 25,000             | 25,000            | 20,862        |
| Travel                          | 12,500             | 12,500            | 909           | 10,000             | 10,000            | 2,043         |
| Other Expenses                  | 63,500             | 63,500            | 49,455        | 75,500             | 75,500            | 50,305        |
| Total Administrative Expense    | 924,500            | 924,500           | 862,583       | 919,750            | 919,750           | 702,294       |
| Office:                         |                    |                   |               |                    |                   |               |
| Municipal Appropriation         | 338,000            | 338,000           | 338,000       | 338,000            | 338,000           | 338,000       |
| Utility Expenses                | 18,500             | 18,500            | 5,013         | 23,000             | 23,000            | 6,276         |
| Telephone Expenses              | 15,000             | 15,000            | 11,238        | 12,000             | 12,000            | 16,825        |
| Repair and Maintenance          | 5,000              | 5,000             | 1,714         | 5,000              | 5,000             | 867           |
| Supplies                        | 16,000             | 16,000            | 8,353         | 16,000             | 16,000            | 6,270         |
| Postage                         | 34,000             | 34,000            | 23,226        | 32,000             | 32,000            | 27,790        |
| Total Office Expense            | 426,500            | 426,500           | 387,544       | 426,000            | 426,000           | 396,028       |
| General - Employee Benefits:    |                    |                   |               |                    |                   |               |
| Employee Taxes                  | 346,300            | 346,300           | 232,416       | 346,300            | 346,300           | 246,135       |
| Pension                         | 530,000            | 530,000           | 191,802       | 530,000            | 530,000           | 280,662       |
| Insurance Expenses              | 342,000            | 342,000           | 280,602       | 325,000            | 325,000           | 258,935       |
| Health Benefits                 | 1,369,345          | 1,369,345         | 1,075,563     | 1,376,850          | 1,376,850         | 1,008,932     |
| Total General-Employee Benefits | 2,587,645          | 2,587,645         | 1,780,383     | 2,578,150          | 2,578,150         | 1,794,664     |
| Plant:                          |                    |                   |               |                    |                   |               |
| Salaries                        | 2,350,000          | 2,350,000         | 1,861,354     | 2,450,000          | 2,450,000         | 2,019,072     |
| Professional Fees               | 10,000             | 10,000            |               | 10,000             | 10,000            | 5,500         |
| Contracted Services             | 97,500             | 97,500            | 73,275        | 97,500             | 97,500            | 61,233        |
| Utilities Expense               | 577,500            | 577,500           | 361,711       | 577,500            | 577,500           | 428,729       |
| Telephone Expense               | 20,000             | 20,000            | 13,056        | 20,000             | 20,000            | 11,396        |
| Repair & Maintenance            | 145,000            | 145,000           | 137,992       | 145,000            | 145,000           | 96,663        |
| Supplies                        | 82,200             | 82,200            | 35,759        | 82,188             | 82,188            | 33,752        |
| Other Expenses                  | 85,700             | 85,700            | 55,560        | 82,700             | 82,700            | 37,724        |
| Travel                          | 20,000             | 20,000            | 1,878         | 15,000             | 15,000            | 11,982        |
| Small Tools/Equipment           | 45,000             | 45,000            | 29,377        | 40,000             | 40,000            | 20,913        |



**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of Mount Holly Township, New Jersey)**  
**SCHEDULE OF OPERATING REVENUES AND COST FUNDED BY**  
**OPERATING REVENUES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(With Comparative Totals for the Year Ended December 31, 2019)**

|  | DECEMBER 31, 2020  |                   |           | DECEMBER 31, 2019  |                   |           |
|--|--------------------|-------------------|-----------|--------------------|-------------------|-----------|
|  | ORIGINAL<br>BUDGET | AMENDED<br>BUDGET | ACTUAL    | ORIGINAL<br>BUDGET | AMENDED<br>BUDGET | ACTUAL    |
| Operating Expenses (continued):        |                    |                   |           |                    |                   |           |
| Plant (continued):                     |                    |                   |           |                    |                   |           |
| License Fees                           | 32,500             | 32,500            | 25,922    | 32,500             | 32,500            | 24,561    |
| Chemicals                              | 238,500            | 238,500           | 183,290   | 233,500            | 233,500           | 152,929   |
| Hauling Expense                        | 70,000             | 70,000            | 37,173    | 70,000             | 70,000            | 44,323    |
| Total Plant Expenses                   | 3,773,900          | 3,773,900         | 2,816,347 | 3,855,888          | 3,855,888         | 2,948,777 |
| Laboratory:                            |                    |                   |           |                    |                   |           |
| Salaries                               | 320,000            | 320,000           | 203,074   | 320,000            | 320,000           | 269,729   |
| Contracted Services                    | 34,250             | 34,250            | 20,280    | 31,750             | 31,750            | 26,091    |
| Repair & Maintenance                   | 13,000             | 13,000            | 5,083     | 12,000             | 12,000            | 8,359     |
| Supplies                               | 34,500             | 34,500            | 27,824    | 32,000             | 32,000            | 29,868    |
| Other Expenses                         | 1,250              | 1,250             | 607       | 1,250              | 1,250             | 1,054     |
| Travel                                 | 800                | 800               |           | 800                | 800               | 544       |
| Small Tools/Equipment                  | 2,000              | 2,000             |           | 2,000              | 2,000             | 246       |
| License Fees                           | 1,700              | 1,700             | 1,915     | 1,500              | 1,500             | 1,915     |
| Total Laboratory Expenses              | 407,500            | 407,500           | 258,783   | 401,300            | 401,300           | 337,806   |
| Sludge Hauling:                        |                    |                   |           |                    |                   |           |
| Hauling Expense                        | 680,000            | 680,000           | 702,158   | 630,000            | 630,000           | 624,896   |
| Total Sludge Hauling Expense           | 680,000            | 680,000           | 702,158   | 630,000            | 630,000           | 624,896   |
| Industrial Pretreatment:               |                    |                   |           |                    |                   |           |
| Salaries                               | 110,000            | 110,000           | 106,071   | 107,000            | 107,000           | 101,732   |
| Telephone Expense                      | 500                | 500               | 269       | 500                | 500               | 245       |
| Other Expenses                         | 1,250              | 1,250             |           | 1,250              | 1,250             |           |
| Travel                                 | 1,000              | 1,000             |           | 1,000              | 1,000             |           |
| Total Industrial Pretreatment Expenses | 112,750            | 112,750           | 106,340   | 109,750            | 109,750           | 101,977   |
| Line Maintenance:                      |                    |                   |           |                    |                   |           |
| Salaries                               | 600,000            | 600,000           | 534,899   | 575,000            | 575,000           | 527,014   |
| Contracted Services                    | 52,000             | 52,000            | 52,782    | 50,000             | 50,000            | 48,775    |
| Utilities Expense                      | 324,000            | 324,000           | 173,186   | 324,000            | 324,000           | 178,358   |
| Telephone Expense                      | 15,000             | 15,000            | 1,373     | 15,000             | 15,000            | 2,207     |
| Repair & Maintenance                   | 112,000            | 112,000           | 91,566    | 102,000            | 102,000           | 79,665    |
| Supplies                               | 1,450              | 1,450             |           | 1,450              | 1,450             |           |
| Other Expenses                         | 28,250             | 28,250            | 5,381     | 27,000             | 27,000            | 6,232     |
| Travel                                 | 5,000              | 5,000             | 552       | 5,000              | 5,000             | 1,763     |
| Small Tools/Equipment                  | 11,500             | 11,500            | 387       | 10,500             | 10,500            | 9,654     |
| License Fees                           | 2,500              | 2,500             | 3,540     | 1,500              | 1,500             | 1,640     |
| Chemicals                              | 90,000             | 90,000            | 88,497    | 90,000             | 90,000            | 77,296    |
| Total Plant Expenses                   | 1,241,700          | 1,241,700         | 952,163   | 1,201,450          | 1,201,450         | 932,604   |
| Total Operating Expenses               | 10,154,495         | 10,154,495        | 7,866,301 | 10,122,288         | 10,122,288        | 7,839,046 |

**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of Mount Holly Township, New Jersey)**  
**SCHEDULE OF OPERATING REVENUES AND COST FUNDED BY**  
**OPERATING REVENUES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(With Comparative Totals for the Year Ended December 31, 2019)**

|  | DECEMBER 31, 2020   |                     |                     | DECEMBER 31, 2019   |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|  | ORIGINAL<br>BUDGET  | AFTER<br>TRANSFERS  | ACTUAL              | ORIGINAL<br>BUDGET  | AFTER<br>TRANSFERS  | ACTUAL              |
| Non-operating Expenses:  |                     |                     |                     |                     |                     |                     |
| Interest Paid  | 1,011,148           | 1,011,148           | 993,760             | 1,064,971           | 1,064,971           | 1,048,520           |
| Debt Service   | 1,832,357           | 1,832,357           | 1,823,502           | 1,779,741           | 1,779,741           | 1,769,908           |
| Total Non-operating Expenses   | 2,843,505           | 2,843,505           | 2,817,262           | 2,844,712           | 2,844,712           | 2,818,428           |
| Capital Outlay and Reserves:   |                     |                     |                     |                     |                     |                     |
| Renewal and Replacement  | 1,300,000           | 1,300,000           |                     | 1,300,000           | 1,300,000           |                     |
| Total Capital Outlay and Reserves  | 1,300,000           | 1,300,000           | -                   | 1,300,000           | 1,300,000           | -                   |
| Total Expenses   | 14,298,000          | 14,298,000          | 10,683,563          | 14,267,000          | 14,267,000          | 10,657,474          |
| Total Expenses & Other Cost<br>Funded by Operating Revenues                                | <u>\$ (338,000)</u> | <u>\$ (338,000)</u> | \$ 6,379,354        | <u>\$ (338,000)</u> | <u>\$ (338,000)</u> | \$ 4,603,165        |
| Plus:  |                     |                     |                     |                     |                     |                     |
| Adjustment for interest accrued  |                     |                     |                     |                     |                     |                     |
| Debt Service   |                     |                     | 1,823,502           |                     |                     | 1,769,908           |
| Amortization premium/ (bond costs) , net   |                     |                     | 103,788             |                     |                     | 103,788             |
| Interest Income  |                     |                     | 101,248             |                     |                     | 344,709             |
| Reserve for future Unemployment  |                     |                     | 4,619               |                     |                     | 4,685               |
| Amortization of Gain on Refunding NJEIT Loan   |                     |                     | 92,000              |                     |                     | 93,000              |
| Capital Contributions  |                     |                     | 47,100              |                     |                     |                     |
| Less:  |                     |                     |                     |                     |                     |                     |
| Depreciation   |                     |                     | (2,666,826)         |                     |                     | (2,725,108)         |
| Unrealized gain /(loss) on investments   |                     |                     | 2,337               |                     |                     | 52,596              |
| Cost of Bond Issuance Expenses   |                     |                     |                     |                     |                     |                     |
| Unemployment reimbursement   |                     |                     |                     |                     |                     |                     |
| Gain/(Loss) on disposal of asset   |                     |                     | <u>3,345</u>        |                     |                     | <u>28,839</u>       |
| Change in net position per Statements of<br>Revenue , Expenses and Changes in Net Position |                     |                     | <u>\$ 5,890,467</u> |                     |                     | <u>\$ 4,275,582</u> |

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**REQUIRED SUPPLEMENTARY INFORMATION – PART III**

**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY - PERS \***

|  | Measurement Date |             |             |              |              |              |             |             |
|--|------------------|-------------|-------------|--------------|--------------|--------------|-------------|-------------|
|  | <u>2020</u>      | <u>2019</u> | <u>2018</u> | <u>2017</u>  | <u>2016</u>  | <u>2015</u>  | <u>2014</u> | <u>2013</u> |
| Authority's Proportion of the Net Pension Liability (Asset)                | 0.03876%         | 0.04598%    | 0.04237%    | 0.04846%     | 0.04878%     | 0.04916%     | 0.04767%    | 0.04936%    |
| Authority's Proportionate Share of the Net Pension Liability (Asset)       | \$6,371,264      | \$8,342,231 | \$8,342,231 | \$11,279,906 | \$14,447,152 | \$11,036,397 | \$8,924,296 | 9,434,272   |
| Authority's covered employee payroll                                       | \$2,960,759      | \$3,049,993 | \$3,164,622 | \$3,135,676  | \$3,234,111  | \$3,228,957  | \$3,316,429 | \$3,263,544 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 58.32%           | 56.27%      | 53.60%      | 48.10%       | 31.20%       | 52.08%       | 47.92%      | 48.72%      |

**SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS - PERS  
SCHEDULE OF CONTRIBUTIONS \***

|   | Measurement Date |             |             |             |             |             |             |             |
|---|------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|   | 2020             | 2019        | 2018        | 2017        | 2016        | 2015        | 2014        | 2013        |
| Actuarially Determined Contribution                                   | \$427,404        | \$450,347   | \$453,609   | \$448,898   | \$433,352   | \$422,681   | \$392,948   | \$371,941   |
| Contributions in relation to the Actuarially Determined Contributions | 427,404          | 450,347     | 453,609     | 448,898     | 433,352     | 422,681     | 392,948     | 371,941     |
|   | \$0              | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         |
| Covered-Employee Payroll  | \$2,960,759      | \$2,961,265 | \$3,175,945 | \$3,135,676 | \$3,234,111 | \$3,228,957 | \$3,316,429 | \$3,263,544 |
| Contributions as a Percentage of Covered - Employee Payroll           | 14.436%          | 15.208%     | 14.283%     | 14.316%     | 13.399%     | 13.090%     | 11.849%     | 11.397%     |

\* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.

SCHEDULE 4

**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF NET OPEB LIABILITY AND RELATED RATIOS \***

Last 10 Fiscal Years\*

|   | 2020         |
|---|--------------|
| Proportion of the Net OPEB liability  | 0.000000%    |
| Authority's Net OPEB liability  | \$ 695,404   |
| Authority's covered employee payroll  | \$ 3,109,905 |
| Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll | 22.36%       |
| Plan Fiduciary Net Position as a % of total OPEB liability  | 0.00%        |

\* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2020**

**Public Employees' Retirement System (PERS)**

**Changes in Benefit Terms** - None.

**Changes in Assumptions** - The discount rate changed from 6.28% as of June 30, 2019, to 7.00% as of June 30, 2020.

**Other Postemployment Benefits (OPEB)**

**Changes in Benefit Terms** - None.

**Change in Allocation Methodology** - The actuarial cost method used to determine the Plan's funding requirements changed from a Projected Unit Credit method to an Entry Age Normal Funding method.



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## **OTHER SUPPLEMENTAL INFORMATION**

**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY  
SCHEDULE OF REVENUE BONDS PAYABLE  
FOR THE YEAR ENDED DECEMBER 31, 2020**

| PURPOSE                                       | ORIGINAL |               | INTEREST<br>RATE | MATURITIES |            | BALANCE<br>DECEMBER 31,<br>2019 | ISSUED | DECREASED | BALANCE<br>DECEMBER 31,<br>2020 |
|---|----------|---------------|------------------|------------|------------|---------------------------------|--------|-----------|---------------------------------|
|   | DATE     | AMOUNT        |                  | DATE       | AMOUNT     |                                 |        |           |                                 |
| Sewer Revenue Refunding<br>Bonds, Series 2018 | 07/24/18 | \$ 15,710,000 | 5.00%            | 2021       | \$ 540,000 |                                 |        |           |                                 |
|   |          |               | 5.00%            | 2022       | 565,000    |                                 |        |           |                                 |
|   |          |               | 5.00%            | 2023       | 590,000    |                                 |        |           |                                 |
|   |          |               | 5.00%            | 2024       | 625,000    |                                 |        |           |                                 |
|   |          |               | 5.00%            | 2025       | 650,000    |                                 |        |           |                                 |
|   |          |               | 5.00%            | 2026       | 685,000    |                                 |        |           |                                 |
|   |          |               | 5.00%            | 2027       | 725,000    |                                 |        |           |                                 |
|   |          |               | 5.00%            | 2028       | 1,905,000  |                                 |        |           |                                 |
|   |          |               | 5.00%            | 2029       | 1,675,000  |                                 |        |           |                                 |
|   |          |               | 5.00%            | 2030       | 650,000    |                                 |        |           |                                 |
|   |          |               | 5.00%            | 2031       | 685,000    |                                 |        |           |                                 |
|   |          |               | 5.00%            | 2032       | 720,000    |                                 |        |           |                                 |
|   |          |               | 5.00%            | 2033       | 755,000    |                                 |        |           |                                 |
|   |          |               | 5.00%            | 2034       | 790,000    |                                 |        |           |                                 |
|   |          |               | 5.00%            | 2035       | 830,000    |                                 |        |           |                                 |
|   |          |               | 5.00%            | 2036       | 870,000    |                                 |        |           |                                 |
|   |          |               | 5.00%            | 2037       | 915,000    |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
|   |          |               |                  |            |            |                                 |        |           |                                 |
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**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF LOANS PAYABLE**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

| PURPOSE   | ORIGINAL |                  | INTEREST<br>RATE | MATURITIES |            | BALANCE<br>DECEMBER 31,<br>2019 | ISSUED | DECREASED | BALANCE<br>DECEMBER 31,<br>2020 |
|---|----------|------------------|------------------|------------|------------|---------------------------------|--------|-----------|---------------------------------|
|   | DATE     | AMOUNT           |                  | DATE       | AMOUNT     |                                 |        |           |                                 |
| 2007 New Jersey<br>Environmental Infrastructure<br>Trust Loan | 11/09/06 | 12,160,000       | 5.000%           | 8/1/21     | \$ 616,000 |                                 |        |           |                                 |
|   |          |                  |                  | 8/1/22     | 646,000    |                                 |        |           |                                 |
|   |          |                  |                  | 8/1/23     | 681,000    |                                 |        |           |                                 |
|   |          |                  |                  | 8/1/24     | 713,000    |                                 |        |           |                                 |
|   |          |                  |                  | 8/1/25     | 751,000    |                                 |        |           |                                 |
|   |          |                  |                  | 8/1/26     | 786,000    |                                 |        |           |                                 |
|   |          |                  |                  | 8/1/27     | 825,000    |                                 |        |           |                                 |
|   |          | <u>5,018,000</u> | \$ 5,606,000     |            | 588,000    | \$ 5,018,000                    |        |           |                                 |
| 2007 New Jersey<br>Environmental Infrastructure<br>Fund Loan  | 11/09/06 | 12,177,025       | N/A              | 8/1/21     | \$ 625,329 |                                 |        |           |                                 |
|   |          |                  |                  | 8/1/22     | 625,167    |                                 |        |           |                                 |
|   |          |                  |                  | 8/1/23     | 627,113    |                                 |        |           |                                 |
|   |          |                  |                  | 8/1/24     | 625,070    |                                 |        |           |                                 |
|   |          |                  |                  | 8/1/25     | 627,372    |                                 |        |           |                                 |
|   |          |                  |                  | 8/1/26     | 625,264    |                                 |        |           |                                 |
|   |          |                  |                  | 8/1/27     | 625,378    |                                 |        |           |                                 |
|   |          | <u>4,380,693</u> | \$ 5,007,449     |            | 626,756    | \$ 4,380,693                    |        |           |                                 |

**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF LOANS PAYABLE**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

| PURPOSE   | ORIGINAL |           | INTEREST<br>RATE | MATURITIES        |                | BALANCE<br>DECEMBER 31,<br>2019 | ISSUED | DECREASED  | BALANCE<br>DECEMBER 31,<br>2020 |                      |          |                  |                     |  |  |  |  |
|---|----------|-----------|------------------|-------------------|----------------|---------------------------------|--------|------------|---------------------------------|----------------------|----------|------------------|---------------------|--|--|--|--|
|   | DATE     | AMOUNT    |                  | DATE              | AMOUNT         |                                 |        |            |                                 |                      |          |                  |                     |  |  |  |  |
| 2010 New Jersey<br>Environmental Infrastructure<br>Trust Loan | 03/10/11 | 480,000   | 4.000%           | 8/1/21            | \$ 24,000      |                                 |        |            |                                 |                      |          |                  |                     |  |  |  |  |
|   |          |           | 4.000%           | 8/1/22            | 24,000         |                                 |        |            |                                 |                      |          |                  |                     |  |  |  |  |
|   |          |           | 5.000%           | 8/1/23            | 29,000         |                                 |        |            |                                 |                      |          |                  |                     |  |  |  |  |
|   |          |           | 5.000%           | 8/1/24            | 29,000         |                                 |        |            |                                 |                      |          |                  |                     |  |  |  |  |
|   |          |           | 4.250%           | 8/1/25            | 28,000         |                                 |        |            |                                 |                      |          |                  |                     |  |  |  |  |
|   |          |           | 4.500%           | 8/1/26            | 28,000         |                                 |        |            |                                 |                      |          |                  |                     |  |  |  |  |
|   |          |           | 4.500%           | 8/1/27            | 33,000         |                                 |        |            |                                 |                      |          |                  |                     |  |  |  |  |
|   |          |           | 4.500%           | 8/1/28            | 33,000         |                                 |        |            |                                 |                      |          |                  |                     |  |  |  |  |
|   |          |           | 4.250%           | 8/1/29            | 33,000         |                                 |        |            |                                 |                      |          |                  |                     |  |  |  |  |
|   |          |           |                  |                   | <u>261,000</u> | \$ 285,000                      | 24,000 | \$ 261,000 |                                 |                      |          |                  |                     |  |  |  |  |
| 2010 New Jersey<br>Environmental Infrastructure<br>Fund Loan  | 03/10/11 | 1,470,000 | N/A              | 8/1/21            | \$ 74,746      |                                 |        |            |                                 |                      |          |                  |                     |  |  |  |  |
|   |          |           |                  | 8/1/22            | 74,746         |                                 |        |            |                                 |                      |          |                  |                     |  |  |  |  |
|   |          |           |                  | 8/1/23            | 74,746         |                                 |        |            |                                 |                      |          |                  |                     |  |  |  |  |
|   |          |           |                  | 8/1/24            | 49,112         |                                 |        |            |                                 |                      |          |                  |                     |  |  |  |  |
|   |          |           |                  |                   | <u>273,350</u> |                                 |        |            |                                 | 348,096              | 74,746   | 273,350          |                     |  |  |  |  |
|   |          |           |                  | Total             |                |                                 |        |            |                                 | <u>\$ 11,246,545</u> | <u>-</u> | <u>1,313,502</u> | <u>\$ 9,933,043</u> |  |  |  |  |
|   |          |           |                  | Less:             |                |                                 |        |            |                                 |                      |          |                  |                     |  |  |  |  |
|   |          |           |                  | S/T Loans Payable |                |                                 |        |            |                                 | 1,340,075            |          |                  |                     |  |  |  |  |
| Total L/T Loans Payable                                       |          |           |                  |                   |                | \$ 8,592,968                    |        |            |                                 |                      |          |                  |                     |  |  |  |  |

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## **GENERAL COMMENTS AND RECOMMENDATIONS**



**BRENT W. LEE & CO., LLC**  
Certified Public Accounting Firm

To the Chairman and Members of the  
Mount Holly Municipal Utilities Authority  
Mount Holly, New Jersey 08060

I have audited the financial accounts and transactions of the Mount Holly Municipal Utilities Authority in the County of Burlington for the year ended December 31, 2020. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

### **GENERAL COMMENTS**

#### ***Contracts and Agreements Required to be advertised by (N.J.S.A.40A:11-4)***

*N.J.S.A.40A:11-4* - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$40,000 except by contract or agreement.

It is pointed out that the Members of the Authority have the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

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

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The minutes indicate that bids were requested by public advertising for the following:

Chemicals and Vector Truck,



### ***Contracts and Agreements Requiring Solicitation of Quotations***

The examination of expenditures did not reveal any instances where individual payments, contracts or agreements in excess of \$6,000 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

### **Collection of Service Revenue**

It appears from an examination of the billing records that service revenue was collected in accordance with the Authority's policy.

### **Collection of Interest on Delinquent Service Fees**

Sewer usage is billed in four cycles on a quarterly basis, with one cycle billed monthly. Bills not paid within four weeks of the billing date are considered delinquent. Delinquent accounts are charged interest at a rate of 1 ½% per month until such service charge, and the interest thereon, shall be fully paid to the Authority.

### **Examination of Bills**

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

### **Property, Plant and Equipment**

The property, plant and equipment subsidiary ledger was maintained properly and a reconciliation between the physical and perpetual inventory records was performed at year-end.

### **Follow-up on Prior Years' Findings**

In accordance with government auditing standards, my procedures included a review of all prior year findings. Corrective action had been taken on all prior year findings.

### **Acknowledgment**

I received the complete cooperation of all officials and employees of the Authority and I greatly appreciate the courtesies extended to the members of the audit team.



Brent W. Lee  
Certified Public Accountant

June 18, 2021