

THE EATONTOWN SEWERAGE AUTHORITY  
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
AND  
INDEPENDENT AUDITOR'S REPORTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of The Eatontown Sewerage Authority, (the "Authority"), a component unit of the Borough of Eatontown, New Jersey, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Eatontown Sewerage Authority as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 8 and 28 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

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

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

*Oliwa & Company*

Freehold, New Jersey  
November 5, 2020

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of The Eatontown Sewerage Authority, (the "Authority"), a component unit of the Borough of Eatontown, New Jersey, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 5, 2020.

### **Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

We noted certain other internal control matters that we have reported to the management of the Authority, in a separate letter dated November 5, 2020.

## **Purpose of this Report**

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

*Oliwa & Company*

Freehold, New Jersey  
November 5, 2020

## Management's Discussion and Analysis

### **Overview of the Financial Statements**

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

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

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

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

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

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

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

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

## **Financial Highlights**

	2019	2018	2019 Over (Under) 2018
<b><u>Assets</u></b>			
Current assets	\$5,519,129	\$4,787,421	\$731,708
Capital assets	10,355,910	10,188,519	167,391
Deferred outflows of resources	193,330	266,832	(73,502)
<i>Total assets and deferred outflows of resources</i>	<u>\$16,068,369</u>	<u>\$15,242,772</u>	<u>\$825,597</u>
<b><u>Liabilities</u></b>			
Current liabilities	\$452,391	\$385,002	\$67,389
Long term liabilities	4,333,165	4,067,245	265,920
Deferred inflows of resources	377,297	369,537	377,297
<i>Total liabilities and deferred inflows of resources</i>	<u>\$5,162,853</u>	<u>\$4,821,784</u>	<u>\$710,606</u>
<b><u>Net Position</u></b>			
Capital assets - net	\$7,717,477	\$7,885,106	(\$167,629)
Restricted	646,922	116,192	530,730
Unrestricted	2,541,117	2,419,690	121,427
<i>Total net assets</i>	<u>\$10,905,516</u>	<u>\$10,420,988</u>	<u>\$484,528</u>
<b><u>Revenues</u></b>			
Sewer service charges	\$3,236,069	\$3,385,456	(\$149,387)
Connection fees	110,271	82,236	28,035
Interest	95,000	66,707	28,293
Penalties and other	85,235	58,725	26,510
<i>Total revenues</i>	<u>\$3,526,575</u>	<u>\$3,593,124</u>	<u>(\$66,549)</u>
<b><u>Expenses</u></b>			
Operating-			
Regional sewerage charges	\$1,808,910	\$2,055,150	(\$246,240)
Salaries and wages	370,689	419,394	(48,705)
Depreciation	254,705	267,116	(12,411)
Insurance	106,324	129,832	(23,508)
Other operating	105,221	119,638	(14,417)
Pension	92,086	92,469	(383)
Maintenance and repairs	72,836	71,985	851
Professional services	62,691	61,069	1,622
Post-employment healthcare	77,927	42,252	35,675
Payroll taxes	27,232	30,333	(3,101)
	<u>2,978,621</u>	<u>3,289,238</u>	<u>(310,617)</u>
Non-operating			
Interest	25,144	27,529	(2,385)
Bond issuance costs	38,282	-	38,282
	<u>63,426</u>	<u>27,529</u>	<u>35,897</u>
<i>Total expenses</i>	<u>\$3,042,047</u>	<u>\$3,316,767</u>	<u>(\$313,002)</u>



### **Capital Assets**

The following provides a summary analysis of capital assets at December 31, 2019 and 2018:

	2019	2018	2019 Over (Under) 2018
Capital assets	\$15,773,026	\$15,350,930	\$422,096
Less, accumulated depreciation	(5,417,116)	(5,162,411)	(254,705)
Net capital assets	<u>\$10,355,910</u>	<u>\$10,188,519</u>	<u>\$167,391</u>

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

### **Long-Term Debt**

The following provides a summary analysis of long-term debt at December 31, 2019 and 2018:

	2019	2018	2019 (Under) Over 2018
New Jersey Environmental Infrastructure Trust Fund loan payable	\$1,428,851	\$1,597,680	(\$168,829)
New Jersey Environmental Infrastructure Trust loan payable	640,000	692,000	(52,000)
Bonds payable	465,000	-	465,000
Total long-term debt	<u>\$2,533,851</u>	<u>\$2,289,680</u>	<u>(\$220,829)</u>

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

### **Financial Analysis**

The Authority realized net income in 2019 and 2018 of \$484,528 and \$276,357 respectively. Although the Authority's 2019 gross revenues were lower than prior year levels, the Authority realized a net income in 2019 due to overall decreases in expenses from 2018 levels.

### **Major Increases and Decrease in Expenses**

The largest expense increase in 2019 was for post-employment healthcare (increased by \$35,675 from 2018). In addition, the Authority incurred \$38,282 of bond issuance costs relative to the issuance of \$465,000 of bonds with the Monmouth County Improvement Authority.

The largest expense decreases in 2019 were for regional sewerage charges (decreased by \$246,240 from 2018) and salaries and wages (decreased by \$48,705 from 2018).

### **Budgetary Highlights**

The Authority did not budget unrestricted net position to balance the 2019 budget. The actual result was an excess in revenues of \$555,196 as follows:

Unrestricted net position anticipated	\$0
Add:	
Expenses under budget	527,508
Revenues over budget	<u>27,688</u>
Excess in revenues	<u><u>\$555,196</u></u>

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

THE EATONTOWN SEWERAGE AUTHORITY  
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets:		
Unrestricted current assets-		
Cash and cash equivalents	\$4,673,201	\$4,457,713
Customer accounts receivable, net	131,015	140,824
Customer interest receivable, net	<u>7,641</u>	<u>7,142</u>
Total unrestricted current assets	<u>4,811,857</u>	<u>4,605,679</u>
Restricted current assets-		
Cash and cash equivalents	<u>707,272</u>	<u>181,742</u>
Total current assets	<u>5,519,129</u>	<u>4,787,421</u>
Noncurrent assets-		
Construction in progress	424,466	9,396
Property, plant, and equipment, net	<u>9,931,444</u>	<u>10,179,123</u>
Total noncurrent assets	<u>10,355,910</u>	<u>10,188,519</u>
Total assets	<u>15,875,039</u>	<u>14,975,940</u>
Deferred outflows of resources-		
Pension deferrals	<u>193,330</u>	<u>266,832</u>

(Continued)

See accompanying notes to financial statements

THE EATONTOWN SEWERAGE AUTHORITY  
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Liabilities:		
Current liabilities payable from unrestricted current assets-		
Accounts payable and accrued expenses	\$110,470	\$82,475
Prepaid revenue	<u>20,740</u>	<u>16,146</u>
Total current liabilities payable from unrestricted current assets	<u>131,210</u>	<u>98,621</u>
Current liabilities payable from restricted current assets-		
Loans payable	220,831	220,831
Bonds payable	40,000	-
Accrued interest payable	10,667	11,533
Developer deposits	<u>49,683</u>	<u>54,017</u>
Total current liabilities payable from restricted current assets	<u>321,181</u>	<u>286,381</u>
Total current liabilities	<u>452,391</u>	<u>385,002</u>
Noncurrent liabilities-		
Compensated Absences	55,080	83,716
Other post-employment benefits	967,313	927,297
Net pension liability	933,170	973,650
Bonds payable, net of unamortized premium	517,336	-
Loans payable, net of unamortized premium	<u>1,860,266</u>	<u>2,082,582</u>
Total noncurrent liabilities	<u>4,333,165</u>	<u>4,067,245</u>
Total liabilities	<u>4,785,556</u>	<u>4,452,247</u>
Deferred inflows of resources-		
Pension deferrals	<u>377,297</u>	<u>369,537</u>
Net Position:		
Net investment in capital assets	7,717,477	7,885,106
Restricted	646,922	116,192
Unrestricted	<u>2,541,117</u>	<u>2,419,690</u>
Total Net Position	<u>\$10,905,516</u>	<u>\$10,420,988</u>

See accompanying notes to financial statements

THE EATONTOWN SEWERAGE AUTHORITY  
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Charges for services	\$3,236,069	\$3,385,456
Other operating revenues	<u>195,506</u>	<u>140,961</u>
Total operating revenues	<u>3,431,575</u>	<u>3,526,417</u>
Operating expenses:		
Regional sewerage charges	1,808,910	2,055,150
Salaries and wages	370,689	419,394
Depreciation	254,705	267,116
Insurance	106,324	129,832
Pension	92,086	92,469
Post-employment healthcare	77,927	42,252
Maintenance and repairs	72,836	71,985
Professional services	62,691	61,069
Electricity	33,603	32,259
Payroll taxes	27,232	30,333
Training, education, consultants and software	21,597	39,221
Office and telephone	19,592	21,736
Fuel and natural gas	11,640	12,144
Other	9,035	5,778
Plant supplies	5,864	3,260
Trustee and administrative fees and costs	<u>3,890</u>	<u>5,240</u>
Total operating expenses	<u>2,978,621</u>	<u>3,289,238</u>
Operating income	<u>452,954</u>	<u>237,179</u>
Nonoperating revenues (expenses):		
Interest income	95,000	66,707
Interest expense	(25,144)	(27,529)
Bond issuance costs	<u>(38,282)</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>31,574</u>	<u>39,178</u>
Change in net position	484,528	276,357
Net position - beginning	<u>10,420,988</u>	<u>10,144,631</u>
Net position - ending	<u><u>\$10,905,516</u></u>	<u><u>\$10,420,988</u></u>

See accompanying notes to financial statements

THE EATONTOWN SEWERAGE AUTHORITY  
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from customers	\$3,445,479	\$3,521,163
Cash payments for goods and services	(2,235,340)	(2,695,639)
Cash payments to employees	(408,419)	(408,977)
Net cash provided by operating activities	<u>801,720</u>	<u>416,547</u>
Cash flows from investing activities:		
Interest income	<u>95,000</u>	<u>66,707</u>
Cash flows from capital and related financing activities:		
Principal paid on loan maturities	(220,831)	(218,831)
Interest paid on loan	(27,498)	(30,059)
Developer deposits	(4,334)	(55,989)
Purchase of capital assets	(7,026)	(2,624)
Construction in progress payments	(415,070)	(90,609)
Bond and premium proceeds	557,339	-
Bond issuance costs	(38,282)	-
Net cash used by financing activities	<u>(155,702)</u>	<u>(398,112)</u>
Net increase in cash and cash equivalents	741,018	85,142
Cash and cash equivalents at beginning of year	<u>4,639,455</u>	<u>4,554,313</u>
Cash and cash equivalents at end of year	<u><u>\$5,380,473</u></u>	<u><u>\$4,639,455</u></u>
Reconciliation to statement of net position:		
Unrestricted	\$4,673,201	\$4,457,713
Restricted	<u>707,272</u>	<u>181,742</u>
	<u><u>\$5,380,473</u></u>	<u><u>\$4,639,455</u></u>

See accompanying notes to financial statements

THE EATONTOWN SEWERAGE AUTHORITY  
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$452,954	\$237,179
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	254,705	267,116
Changes in assets and liabilities:		
Decrease (increase) in customer accounts receivable	9,809	(2,421)
(Increase) decrease in customer interest receivable	(499)	1,407
Increase (decrease) in prepaid revenue	4,594	(4,240)
Increase (decrease) in accounts payable and accrued expenses	27,995	(146,639)
Decrease in net pension liability	(40,480)	(232,770)
Increase in other post-employment benefits	40,016	31,356
Decrease in compensated absences	(28,636)	(9,723)
Decrease in deferred outflows - pension deferrals	73,502	147,906
Increase in deferred inflows - pension deferrals	7,760	127,376
Net cash provided by operating activities	<u>\$801,720</u>	<u>\$416,547</u>
Supplemental disclosure of cash flow information:		
Noncash capital and related financing activities:		
Amortization of bond and loan premiums	<u>\$1,488</u>	<u>\$1,488</u>

See accompanying notes to financial statements

THE EATONTOWN SEWERAGE AUTHORITY  
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018

1. REPORTING ENTITY AND GENERAL

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF FINANCIAL STATEMENTS

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

CASH AND CASH EQUIVALENTS

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

BUDGET LAW AND ACCOUNTING

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

REVENUE RECOGNITION

The Authority recognizes revenue on the accrual basis as earned.



NOTES TO FINANCIAL STATEMENTS (Continued)  
YEARS ENDED DECEMBER 31, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PROPERTY, PLANT, AND EQUIPMENT

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

RESTRICTED ACCOUNTS

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

NET POSITION PRESENTATION

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

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

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

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

LONG-TERM OBLIGATIONS

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

LOAN PREMIUMS

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

NOTES TO FINANCIAL STATEMENTS (Continued)  
YEARS ENDED DECEMBER 31, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

3. CAPITAL ASSETS

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

Capital asset activity of the Authority for 2019 and 2018 was as follows:

	Balance December 31, 2018	Additions	Transfers	Balance December 31, 2019
Construction in Progress	\$9,396	\$415,070		\$424,466
Property, plant, and equipment	15,341,534	7,026		15,348,560
	15,350,930	422,096	-	15,773,026
Less, accumulated depreciation	(5,162,411)	(254,705)	-	(5,417,116)
Capital assets, net	<u>\$10,188,519</u>	<u>\$167,391</u>	<u>-</u>	<u>\$10,355,910</u>
	Balance December 31, 2017	Additions	Transfers	Balance December 31, 2018
Construction in Progress	\$439,461	\$90,609	(\$520,674)	\$9,396
Property, plant, and equipment	14,818,236	2,624	520,674	15,341,534
	15,257,697	93,233	-	15,350,930
Less, accumulated depreciation	(4,895,295)	(267,116)	-	(5,162,411)
Capital assets, net	<u>\$10,362,402</u>	<u>(\$173,883)</u>	<u>-</u>	<u>\$10,188,519</u>

NOTES TO FINANCIAL STATEMENTS (Continued)  
YEARS ENDED DECEMBER 31, 2019 AND 2018

4. CASH AND CASH EQUIVALENTS

New Jersey Authorities are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey Authorities. The Authority is protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA") a supplemental insurance program set forth by the New Jersey Legislature to protect deposits of Authority's. The program is administered by the Commissioner of the New Jersey Department of Banking and Insurance.

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

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

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's formal policy regarding custodial credit risk is to deposit all of its funds in public depositories protected from loss under the provisions of GUDPA. Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. As of December 31, 2019 and 2018, the Authority's bank balances were exposed to custodial credit risk as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
GUDPA Insured and Collateralized with Securities Held by Pledging Financial Institutions	<u>\$4,138,666</u>	<u>\$3,423,665</u>

In addition, as of December 31, 2019 and 2018, the Authority had \$754,132 and \$737,595, respectively, on deposit in the New Jersey Cash Management Fund (the "Fund"). The operations of this Fund are governed by the provisions of the State Investment Council Regulations for the purpose of determining authorized investments.

NOTES TO FINANCIAL STATEMENTS (Continued)  
YEARS ENDED DECEMBER 31, 2019 AND 2018

5. COMPONENT UNIT STATUS OF THE AUTHORITY

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

6. LONG-TERM DEBT

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

At December 31, 2019 loans payable are summarized as follows:

Loans	Issued Amount	Interest Rate (%)	Matures	Amount Outstanding
New Jersey Environmental Infrastructure Trust Fund Loan	\$3,060,880	0.00	2020-2028	\$1,428,851
New Jersey Environmental Infrastructure Trust Loan	1,080,000	3.00-5.00	2020-2029	640,000
Add, unamortized premium				12,246
Total loans payable				2,081,097
Less, loans payable - current				(220,831)
Long-term loans payable				<u>\$1,860,266</u>

The following table summarizes debt service requirements for outstanding loans at December 31, 2019:

Year	Principal	Interest	Total
2020	\$220,831	\$25,600	\$246,431
2021	224,831	23,520	248,351
2022	225,831	21,280	247,111
2023	230,831	19,000	249,831
2024	230,831	16,520	247,351
2025	234,831	14,040	248,871
2026	234,831	11,400	246,231
2027	240,831	8,760	249,591
2028	149,203	5,880	155,083
2029	76,000	3,040	79,040
	<u>\$2,068,851</u>	<u>\$149,040</u>	<u>\$2,217,891</u>

NOTES TO FINANCIAL STATEMENTS (Continued)  
YEARS ENDED DECEMBER 31, 2019 AND 2018

6. LONG-TERM DEBT (CONTINUED)

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

The following table summarizes debt service requirements for outstanding bonds at December 31, 2019:

Year	Principal	Interest	Total
2020	\$40,000	\$21,454	\$61,454
2021	40,000	21,250	61,250
2022	40,000	19,250	59,250
2023	45,000	17,250	62,250
2024	45,000	15,000	60,000
2025	45,000	12,750	57,750
2026	50,000	10,500	60,500
2027	50,000	8,000	58,000
2028	55,000	5,500	60,500
2029	55,000	2,750	57,750
	<u>\$465,000</u>	<u>\$133,704</u>	<u>\$598,704</u>

Changes in Outstanding Long-Term Debt

Long-Term Debt transactions for the year ended December 31, 2019 and 2018 are summarized as follows:

	Balance December 31, 2018	Additions/ Adjustments	Reductions	Balance December 31, 2019	Amounts due within one year
New Jersey Environmental Infrastructure Trust Fund loan payable	\$1,597,680	\$2	\$168,831	\$1,428,851	\$168,831
New Jersey Environmental Infrastructure Trust loan payable	692,000		52,000	640,000	52,000
Unamortized loan premium	13,734		1,488	12,246	-
Bonds payable		465,000		465,000	40,000
Unamortized bond premium		92,336		92,336	-
	<u>\$2,303,414</u>	<u>\$557,338</u>	<u>\$222,319</u>	<u>\$2,638,433</u>	<u>\$220,831</u>
	December 31, 2017	Additions	Reductions	December 31, 2018	Amounts due within one year
New Jersey Environmental Infrastructure Trust Fund loan payable	\$1,766,511		\$168,831	\$1,597,680	\$168,831
New Jersey Environmental Infrastructure Trust loan payable	742,000		50,000	692,000	52,000
Unamortized premium	15,222		1,488	13,734	-
	<u>\$2,523,733</u>	<u>-</u>	<u>\$220,319</u>	<u>\$2,303,414</u>	<u>\$220,831</u>

NOTES TO FINANCIAL STATEMENTS (Continued)  
YEARS ENDED DECEMBER 31, 2019 AND 2018

7. PENSION PLAN

Description of System

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

Defined Contribution Retirement Program

The Defined Contribution Retirement Program ("DCRP") is a cost-sharing multiple employer defined contribution pension fund which was established in 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. DCRP provides eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage.

Employee contributions to DCRP are five and one-half percent (5.50%) of base wages. Member contributions are matched by a three percent (3.00%) employer contribution. The Authority's contributions for December 31, 2019 and 2018 were \$825 and \$642, respectively.

Funding Policy

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

Public Employees' Retirement System (PERS)

At June 30, 2019, the State reported a net pension liability of \$933,170 for the Authority's proportionate share of the total net pension liability. The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Authority's proportion was 0.00517896 percent, which was an increase of 0.0023394 percent from its proportion measured as of June 30, 2018.

At June 30, 2019 and 2018, the State recognized an actuarially determined pension expense of \$91,261 and \$91,699, respectively, for the Authority's proportionate share of the total pension expense. The Authority's actual pension contributions by the Authority for December 31, 2019 and 2018 were \$50,376 and \$49,187, respectively.

NOTES TO FINANCIAL STATEMENTS (Continued)  
YEARS ENDED DECEMBER 31, 2019 AND 2018

7. PENSION PLAN (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

At June 30, 2019 and 2018, the State reported deferred inflows of resources and deferred outflows of resources related to PERS from the following sources:

	2019		2018	
	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	\$4,122	\$16,749	\$5,020	\$18,568
Changes of assumptions	323,900	93,180	311,322	160,441
Net difference between projected and actual earnings on pension plan investments	14,730		9,133	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	34,545	83,401	44,062	87,823
	<u>\$377,297</u>	<u>\$193,330</u>	<u>\$369,537</u>	<u>\$266,832</u>

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

Year Ending December 31,	Amount
2020	(\$21,291)
2021	(69,069)
2022	(61,674)
2023	(28,959)
2024	(2,974)
	<u>(\$183,967)</u>

NOTES TO FINANCIAL STATEMENTS (Continued)  
YEARS ENDED DECEMBER 31, 2019 AND 2018

7. PENSION PLAN (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. These actuarial valuations used the following actuarial assumptions:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Inflation Rate		2.25%
Price	2.75%	
Wage	3.25%	
Salary Increases		
Through 2026	2.00% - 6.00%	1.65% - 4.15%
Thereafter	3.00% - 7.00%	2.65% - 5.15%
Investment Rate of Return	7.00%	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

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



NOTES TO FINANCIAL STATEMENTS (Continued)  
YEARS ENDED DECEMBER 31, 2019 AND 2018

7. PENSION PLAN (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 and June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2019</u>		<u>June 30, 2018</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%	5.00%	5.51%
Cash Equivalents	5.00%	2.00%	5.50%	1.00%
U.S. Treasuries	5.00%	2.68%	3.00%	1.87%
Investment Grade Credit	10.00%	4.25%	10.00%	3.78%
High Yield	2.00%	5.37%	2.50%	6.82%
Private Credit	6.00%	7.92%	-	-
Real Assets	2.50%	9.31%	-	-
Real Estate	7.50%	8.33%	-	-
U.S. Equities	28.00%	8.26%	30.00%	8.19%
Non-U.S. Developed Markets Equity	12.50%	9.00%	11.50%	9.00%
Emerging Market Equities	6.50%	11.37%	6.50%	11.64%
Private Equity	12.00%	10.85%	-	-
Global Diversified Credit	-	-	5.00%	7.10%
Credit Oriented Hedge Funds	-	-	1.00%	6.60%
Debt Related Private Equity	-	-	2.00%	10.63%
Debt Related Real Estate	-	-	1.00%	6.61%
Private Real Asset	-	-	2.50%	11.83%
Equity Related Real Estate	-	-	6.25%	9.23%
Buyouts/Venture Capital	-	-	8.25%	13.08%
	<u>100.00%</u>		<u>100.00%</u>	

NOTES TO FINANCIAL STATEMENTS (Continued)  
YEARS ENDED DECEMBER 31, 2019 AND 2018

7. PENSION PLAN (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.28% and 5.66% as of June 30, 2019 and 2018, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% and 3.87% as of June 30, 2019 and 2018, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the actuarially determined contributions. 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 through 2057. 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, 2019, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease 5.28%	At Current Discount Rate 6.28%	1% Increase 7.28%
Authority's proportionate share of the pension liability	\$1,178,745	\$933,170	\$726,238

Pension plan fiduciary net position

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

8. COMPENSATED ABSENCES

The Authority permits its employees to accumulate unused sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. The unused sick pay accumulates indefinitely and after fifteen years of service employees will be paid for one-half of their total accumulated unused sick pay, not to exceed 100 days and not to exceed the maximum allowed by the State at the time the employee resigns or retires. The estimated current costs of such unpaid sick pay at December 31, 2019 and 2018 were \$55,080 and \$83,716 respectively.

NOTES TO FINANCIAL STATEMENTS (Continued)  
YEARS ENDED DECEMBER 31, 2019 AND 2018

9. POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description

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

Summary of Benefits

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

Employees Covered by Benefit Terms

Retired employees	2
Active employees	5
	<u>7</u>

Contributions

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

Net Other Postemployment Benefits (OPEB) Liability

The Authority's total OPEB liability of \$967,313 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The OPEB liability in the December 31, 2019 actuarial valuation was determined using the following economic actuarial assumptions, an inflation rate of 2.50%, salary increases of 2.50% and various healthcare cost trend rates of 5.80% decreasing to an ultimate rate of 5.00% in 2026. Mortality rates were based on the RP 2000 Combined Healthy Male Mortality Rates set forward three years. The actual assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2019 to December 31, 2019.

NOTES TO FINANCIAL STATEMENTS (Continued)  
YEARS ENDED DECEMBER 31, 2019 AND 2018

9. POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Discount Rate

The discount rate under GASB 75 should be the single rate that reflects (a) the long-term expected rate of return on plan investments that are expected to be used to finance the benefit payments, to the extent that the plan's fiduciary net position is projected to be significant to make projected benefit payments and the assets are expected to be invested using a strategy to achieve that return and (b) a yield or index rate for 20 year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or an equivalent quality of another scale) to the extent that the conditions in (a) are not met. The discount rate of 4.10% was used for determining the total OPEB liability at December 31, 2019 and was based on the Bond Buyer 20 Index.

Changes in the Total OPEB Liability

Balance January 1, 2019	\$927,297
Changes for the year:	
Service Cost	37,861
Interest Cost	36,796
Benefits Paid	(34,641)
Balance December 31, 2019	<u>\$967,313</u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2019 and the preceding two years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2019	\$74,687	46.38%	\$967,313
12/31/2018	74,687	12.44%	927,297
12/31/2017	84,989	0.00%	710,461

NOTES TO FINANCIAL STATEMENTS (Continued)  
YEARS ENDED DECEMBER 31, 2019 AND 2018

9. POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

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

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

	December 31, 2019		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	3.10%	4.10%	5.10%
Net OPEB Liability	\$1,003,886	\$967,313	\$941,104

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

	December 31, 2019		
	1%	Healthcare	1%
	Decrease	Cost Trend Rate	Increase
Net OPEB Liability	\$948,206	\$967,313	\$992,353

10. SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions occurring from December 31, 2019 through the date the financial statements were issued, November 5, 2020, for possible disclosure and recognition in the accompanying financial statements.

Coronavirus (COVID-19) Pandemic

In early 2020, the Coronavirus (COVID-19) pandemic caused significant economic volatility and uncertainty throughout the United States and the world, and continues to evolve. The Authority's management is closely monitoring its operations, liquidity, and resources to minimize the current and future impact of COVID-19 upon its activities. As of November 5, 2020, the date of issuance of these financial statements, given the uncertainty of the potential spread or mitigation of COVID-19, management cannot reasonably estimate the full financial impact of the pandemic upon the Authority's operations.

THE EATONTOWN SEWERAGE AUTHORITY  
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN  
SCHEDULE OF REVENUES AND EXPENDITURES  
COMPARED TO BUDGET (BUDGETARY BASIS)  
YEAR ENDED DECEMBER 31, 2019

	<u>ORIGINAL BUDGET</u>	<u>ACTUAL</u>
<u>Revenues</u>		
Sewer service charges	\$3,408,887	\$3,236,069
Connection fees	25,000	110,271
Penalties and other	30,000	76,511
Interest income	35,000	95,000
Application fees	-	8,724
Total revenues	<u>\$3,498,887</u>	<u>\$3,526,575</u>
 <u>Expenditures</u>		
<u>Administration</u>		
Salaries and wages	\$193,000	\$141,253
Legal	20,000	13,780
Payroll taxes	16,920	10,377
Pension	24,814	34,993
Accounting	6,000	3,900
Computer consultant and software	21,800	20,505
Auditing	20,000	15,173
Trustee and administrative fees	5,240	3,890
Employee training	7,800	1,092
Insurance - general	1,500	1,359
Insurance - health	52,683	41,659
Engineer	35,000	29,838
Office supplies and postage	32,500	7,426
Telephone	10,400	7,883
Advertising fees	1,500	770
Miscellaneous	4,950	5,038
Employee consultant	2,000	-
Post-employment healthcare	39,055	29,612
	<u>495,162</u>	<u>368,548</u>

THE EATONTOWN SEWERAGE AUTHORITY  
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN  
SCHEDULE OF REVENUES AND EXPENDITURES  
COMPARED TO BUDGET (BUDGETARY BASIS) - CONTINUED  
YEAR ENDED DECEMBER 31, 2019

	ORIGINAL BUDGET	ACTUAL
<u>Expenditures (continued)</u>		
Cost of Providing Services		
Salaries and wages	\$227,000	\$229,436
Payroll taxes	18,080	16,855
Insurance - general	26,500	24,007
Insurance - health	61,964	39,299
Telephone	4,600	4,283
Electricity	38,000	33,603
Fuel	6,500	4,147
Natural gas	10,000	7,493
Plant supplies	5,500	5,864
Water	1,000	280
Miscellaneous	2,950	2,947
Repairs and maintenance	78,000	72,836
Regional sewerage charges	2,200,000	1,808,910
Post-employment healthcare	45,935	48,315
Pension	29,185	57,093
	<u>2,755,214</u>	<u>2,355,368</u>
 Total administration and cost of of providing services	 <u>3,250,376</u>	 <u>2,723,916</u>
 Principal payments on debt service in lieu of depreciation	 <u>220,831</u>	 <u>220,831</u>
 Interest payments on debt	 <u>27,680</u>	 <u>26,632</u>
 Total expenditures	 3,498,887	 2,971,379
 (Unrestricted net assets utilized)/ excess revenues	 <u>-</u>	 <u>555,196</u>
 Net Total Appropriations	 <u><u>\$3,498,887</u></u>	 <u><u>\$3,526,575</u></u>

THE EATONTOWN SEWERAGE AUTHORITY  
A COMPONENT UNIT OF THE BOROUGH OF EATONTOWN  
SCHEDULE OF REVENUES AND EXPENDITURES  
COMPARED TO BUDGET (BUDGETARY BASIS) - CONTINUED  
YEAR ENDED DECEMBER 31, 2019

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

Excess in Revenues	\$555,196
Add back:	
Principal payments on debt service in lieu of depreciation	220,831
Amortization of bond and loan premiums	1,488
Deduct:	
Depreciation	(254,705)
Bond issuance costs	(38,282)
Change in net position	<u>\$484,528</u>
Change in Net Position per Statement of Revenues, Expenses and Changes in Net Position	<u>\$484,528</u>



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

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2019

None