

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY
COUNTY OF MORRIS, NEW JERSEY
REPORT ON EXAMINATION OF ACCOUNTS
FOR THE YEARS ENDED
NOVEMBER 30, 2020 AND 2019**

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman and Members of
The Pequannock, Lincoln Park and Fairfield
Sewerage Authority
P.O. Box 188, Lincoln Boulevard
Lincoln Park, New Jersey 07035

Report on the Financial Statements

We have audited the accompanying statements of net position of the Pequannock, Lincoln Park and Fairfield Sewerage Authority as of November 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 Pequannock, Lincoln Park and Fairfield Sewerage Authority as of November 30, 2020 and 2019, 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 schedule of funding progress for the OPEB plan, schedule of the Authority's proportionate share of the net pension liability and schedule of Authority contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2021 on our consideration of the Pequannock, Lincoln Park and Fairfield Sewerage 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 Pequannock, Lincoln Park and Fairfield Sewerage Authority's internal control over financial reporting and compliance.

Very truly yours,

Wielkatz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey

July 7, 2021



Required Supplementary Information - Part I

Management Discussion and Analysis

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Pequannock, Lincoln Park and Fairfield Sewerage Authority, we offer the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal years ended November 30, 2020 and 2019. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- The Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$55,196,547.16 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$52,116,761.71.
- Total net position are comprised of the following:
 - (1) Net investment in capital assets of \$38,987,041.35 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Restricted net position of \$85,548.94 restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$16,123,956.87 represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total liabilities of the Authority decreased by \$2,127,311.97 to \$30,050,730.40 during the fiscal year.

Overview of the Financial Statements

This annual report includes this management discussion, the independent auditor's report and the basic financial statements of the Authority. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The *Statement of Net Position* includes all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, and provides information about the nature and amounts of investments in resources (assets), the consumption of net position that is applicable to a future period (deferred outflows of resources), the acquisition of net position that is applicable to a future reporting period (deferred inflows of resources) and the obligations to Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Net Position*. This statement measures the results of the Authority's operations over the past year and can be used to determine whether the Authority has recovered all its costs through user fees and other charges, operational stability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. 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 what operational sources provided cash, what was the cash used for, and what was the change in cash balance during the reporting period.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. This supplementary information follows the notes to the financial statements.

Financial Analysis of the Authority

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better able to fulfill its mission as a result of this years activities?" The *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position* report information about the Authority's activities in a way that will help answer this question. These two statements report net position of the Authority and the changes in those assets. The reader can think of the Authority's net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider the non-financial factors such as changes in economic conditions, population growth, development, and new or changed government regulation.

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Net Position

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Authority as a whole.

The Authority's net position at fiscal year-end was \$55,196,547.16. This is a \$3,079,785.45 increase over last year's net position of \$52,116,761.71. A summary of the Authority's statement of net position is presented in the following table:

Condensed Statement of Net Position

| | <u>FY 2020</u> | <u>FY 2019</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|----------------------------------|----------------------|----------------------|--------------------------|---------------------------|
| Current and Other Assets | 24,499,287.31 | 22,910,773.81 | 1,588,513.50 | 6.93 |
| Capital Assets | <u>62,823,333.94</u> | <u>63,398,836.17</u> | <u>(575,502.23)</u> | (0.91) |
| Total Assets | <u>87,322,621.25</u> | <u>86,309,609.98</u> | <u>1,013,011.27</u> | 1.17 |
| Deferred Outflows of Resources | <u>962,843.25</u> | <u>1,033,957.94</u> | <u>(378,239.69)</u> | (36.58) |
| Long-term Debt Outstanding | 26,780,434.17 | 29,023,830.88 | (2,243,396.71) | (7.73) |
| Other Liabilities | <u>3,270,296.23</u> | <u>3,154,211.49</u> | <u>116,084.74</u> | 3.68 |
| Total Liabilities | <u>30,050,730.40</u> | <u>32,178,042.37</u> | <u>(2,127,311.97)</u> | (6.61) |
| Deferred Inflows of Resources | <u>3,038,186.94</u> | <u>3,048,763.84</u> | <u>(10,576.90)</u> | (0.35) |
| Net Investment in Capital Assets | 38,987,041.35 | 37,946,654.35 | 1,040,387.00 | 2.74 |
| Restricted | 85,548.94 | 82,234.93 | 3,314.01 | 4.03 |
| Unrestricted | <u>16,123,956.87</u> | <u>14,087,872.43</u> | <u>2,036,084.44</u> | 14.45 |
| Total Net Position | <u>55,196,547.16</u> | <u>52,116,761.71</u> | <u>3,079,785.45</u> | 5.91 |

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Net Position (Continued)

A summary of the Authority's prior year statement of net position is presented with comparative restated FY 2018 balances in the following table. This comparison has been restated to reflect the financial reporting requirements of GASB No. 75 and changes to deferred inflows of resources.

Condensed Statement of Net Position

| | <u>FY 2019</u> | <u>Restated FY 2018</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|----------------------------------|----------------------|-----------------------------|--------------------------|---------------------------|
| Current and Other Assets | 22,910,773.81 | 23,723,812.66 | (813,038.85) | (3.43) |
| Capital Assets | <u>63,398,836.17</u> | <u>61,902,207.33</u> | <u>1,496,628.84</u> | 2.42 |
| Total Assets | <u>86,309,609.98</u> | <u>85,626,019.99</u> | <u>683,589.99</u> | 0.80 |
| Deferred Outflows of Resources | <u>1,033,957.94</u> | <u>1,412,197.63</u> | <u>(378,239.69)</u> | (26.78) |
| Long-term Debt Outstanding | 29,023,830.88 | 31,212,144.25 | (2,188,313.37) | (7.01) |
| Other Liabilities | <u>3,154,211.49</u> | <u>3,018,154.95</u> | <u>136,056.54</u> | 4.51 |
| Total Liabilities | <u>32,178,042.37</u> | <u>34,230,299.20</u> | <u>(2,052,256.83)</u> | (6.00) |
| Deferred Inflows of Resources | <u>3,048,763.84</u> | <u>3,182,812.20</u> | <u>(134,048.36)</u> | (4.21) |
| Net Investment in Capital Assets | 37,946,654.35 | 36,049,227.56 | 1,897,426.79 | 5.26 |
| Restricted | 82,234.93 | 78,495.80 | 3,739.13 | 4.76 |
| Unrestricted | <u>14,087,872.43</u> | <u>13,497,382.86</u> | <u>590,489.57</u> | 4.37 |
| Total Net Position | <u>52,116,761.71</u> | <u>49,625,106.22</u> | <u>2,491,655.49</u> | 5.02 |

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Net Position (Continued)

While the *Statement of Net Position* shows the change in financial position of net position, the *Statement of Revenues, Expenses and Changes in Net Position* provides answers as to the nature and source of these changes. As can be seen in the following table, net position increased by \$3,079,785.45.

**Condensed Statement of Revenues, Expenses
And Changes in Net Position**

| | <u>FY 2020</u> | <u>FY 2019</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|-----------------------------|----------------------|----------------------|--------------------------|---------------------------|
| Operating Revenues | 11,355,221.96 | 11,294,587.96 | 60,634.00 | 0.54 |
| Non-operating Revenues | <u>223,903.86</u> | <u>256,664.55</u> | <u>(32,760.69)</u> | (12.76) |
| Total Revenues | <u>11,579,125.82</u> | <u>11,551,252.51</u> | <u>27,873.31</u> | 0.24 |
| Depreciation | 1,424,886.59 | 1,268,789.85 | 156,096.74 | 12.30 |
| Other Operating Expense | 6,818,140.16 | 7,195,359.12 | (377,218.96) | (5.24) |
| Other Non-operating Expense | <u>256,313.62</u> | <u>595,448.05</u> | <u>(339,134.43)</u> | (56.95) |
| Total Expenses | <u>8,499,340.37</u> | <u>9,059,597.02</u> | <u>(560,256.65)</u> | (6.18) |
| Change in Net Position | 3,079,785.45 | 2,491,655.49 | 588,129.96 | 23.60 |
| Beginning Net Position | <u>52,116,761.71</u> | <u>49,625,106.22</u> | <u>2,491,655.49</u> | 5.02 |
| Ending Net Position | <u>55,196,547.16</u> | <u>52,116,761.71</u> | <u>3,079,785.45</u> | 5.91 |

The Authority's operating revenues increased by \$60,634.00 to \$11,355,221.96 in fiscal year 2020 from \$11,294,587.96 in 2019. Non-operating revenues decreased by \$32,760.69 to \$223,903.86 from \$256,664.55 largely due to a \$134,055.60 Homeland Security Grant realized in the 2019 fiscal year.

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Net Position (Continued)

A summary of the Authority's prior year statement of revenues, expenses and change in net assets is presented with comparative restated FY 2018 figures in the following table. This comparison has been restated to reflect the changes required by GASB No. 75.

**Condensed Statement of Revenues, Expenses
And Changes in Net Position**

| | <u>FY 2019</u> | <u>Restated FY 2018</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|-----------------------------|----------------------|-----------------------------|--------------------------|---------------------------|
| Operating Revenues | 11,294,587.96 | 11,181,322.60 | 113,265.36 | 1.01 |
| Non-operating Revenues | <u>256,664.55</u> | <u>129,847.09</u> | <u>126,817.46</u> | 97.67 |
| Total Revenues | <u>11,551,252.51</u> | <u>11,311,169.69</u> | <u>240,082.82</u> | 2.12 |
| Depreciation | 1,268,789.85 | 1,665,412.01 | (396,622.16) | (23.82) |
| Other Operating Expense | 7,195,359.12 | 7,202,100.08 | (6,740.96) | (0.09) |
| Other Non-operating Expense | <u>595,448.05</u> | <u>760,274.12</u> | <u>(164,826.07)</u> | (21.68) |
| Total Expenses | <u>9,059,597.02</u> | <u>9,627,786.21</u> | <u>(568,189.19)</u> | (5.90) |
| Change in Net Position | 2,491,655.49 | 1,683,383.48 | 808,272.01 | 48.01 |
| Beginning Net Position | <u>49,625,106.22</u> | <u>47,941,722.74</u> | <u>1,683,383.48</u> | 3.51 |
| Ending Net Position | <u>52,116,761.71</u> | <u>49,625,106.22</u> | <u>2,491,655.49</u> | 5.02 |

Budgetary Highlights

The State of New Jersey requires local authorities to prepare and adopt annual budgets in accordance with the Local Authorities Fiscal Control Law and regulations adopted by the Local Finance Board pursuant to this statute and codified as N.J.A.C. 5:31-1 et seq. The statutory budget was designed to demonstrate to the Bureau of Authority Regulation of the Division of Local Government Services that the cash flows of the Authority for the coming year will be sufficient to cover operating expenses, interest accruing on bonded indebtedness and cash payments of maturing bond and loan principal.

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Budgetary Highlights (Continued)

The following tables provides a FY 2020 and FY 2019 budget comparison:

**Budget vs. Actual
FY 2020**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|----------------------------|-----------------------------|----------------------|---------------------|
| Revenues: | | | |
| Operating | <u>11,814,350.00</u> | <u>11,854,635.53</u> | <u>40,285.53</u> |
| Expenses: | | | |
| Operating | 7,420,280.00 | 5,734,081.20 | 1,686,198.80 |
| Non-Operating | <u>4,394,070.00</u> | <u>4,296,293.28</u> | <u>97,776.72</u> |
| | <u>11,814,350.00</u> | <u>10,030,374.48</u> | <u>1,783,975.52</u> |
| Income Before Depreciation | <u> </u> | <u>1,824,261.05</u> | <u>1,824,261.05</u> |

**Budget vs. Actual
FY 2019**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|----------------------------|-----------------------------|----------------------|---------------------|
| Revenues: | | | |
| Operating | <u>11,499,252.00</u> | <u>11,651,155.29</u> | <u>151,903.29</u> |
| Expenses: | | | |
| Operating | 7,107,600.00 | 6,034,901.64 | 1,072,698.36 |
| Non-Operating | <u>4,391,652.00</u> | <u>4,342,350.20</u> | <u>49,301.80</u> |
| | <u>11,499,252.00</u> | <u>10,377,251.84</u> | <u>1,122,000.16</u> |
| Income Before Depreciation | <u> </u> | <u>1,273,903.45</u> | <u>1,273,903.45</u> |

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2020, the Authority had invested \$100,636,396.79 in property, plant and equipment. Included in that amount is \$8,452,050.00 of capital that was contributed to the Authority in the form of federal and state grants and other property. The Authority's net property, plant and equipment at fiscal year end was \$62,823,333.94. This is a decrease of \$575,502.23 under last year's net property, plant and equipment of \$63,398,836.17. A summary of the Authority's capital assets is presented in the following table:

Capital Assets

| | <u>FY 2020</u> | <u>FY 2019</u> | <u>Dollar Change</u> |
|--|------------------------|------------------------|--------------------------|
| Land | 277,580.51 | 277,580.51 | 0.00 |
| Buildings/Force Mains/Interceptors | 70,788,470.76 | 70,728,283.76 | 60,187.00 |
| Vehicles and Equipment | <u>29,570,345.52</u> | <u>29,526,145.52</u> | <u>44,200.00</u> |
| Total Property, Plant and Equipment | 100,636,396.79 | 100,532,009.79 | 104,387.00 |
| Less: Accumulated Depreciation | <u>(60,834,483.22)</u> | <u>(59,409,596.63)</u> | <u>(1,424,886.59)</u> |
| Net Property, Plant and Equipment | 39,801,913.57 | 41,122,413.16 | (1,320,499.59) |
| Construction in Progress | <u>23,021,420.37</u> | <u>22,276,423.01</u> | <u>744,997.36</u> |
| Total Capital Assets | <u>62,823,333.94</u> | <u>63,398,836.17</u> | <u>(575,502.23)</u> |

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

The Authority's ongoing five year capital plan is reviewed each year by the Authority's consulting engineer. Notable future capital improvements are listed below:

| | |
|--------------------------|----------------------|
| Pumping Station Projects | 3,380,000.00 |
| Pipeline Projects | 10,985,000.00 |
| Treatment Plant Projects | <u>16,670,000.00</u> |
| | <u>31,035,000.00</u> |

Debt Administration

As of November 30, 2020, the Authority had outstanding New Jersey Wastewater Treatment Trust Loans in the amount of \$22,588,557.46. The debt service schedule goes out to 2034. Interest rates range from 0.00% to 5.00%. Full details of the specific bond issues outstanding are found in Note 6 to the financial statements and the supplementary schedules.

Economic Factors, Future Years' Budgets and Rates

The Commissioners and management of the Authority consider many factors when preparing each year's budget and annual charges. Two of the main factors are growth in the Authority's system and new regulations issued by the State and Federal governments.

Contacting the Authority

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Pequannock, Lincoln Park and Fairfield Sewerage Authority, P.O. Box 188, Lincoln Park, New Jersey 07035.

Financial Statements

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY
STATEMENT OF NET POSITION
NOVEMBER 30,**

| <u>ASSETS</u> | <u>2020</u> | <u>2019</u> |
|--|-------------------------|-------------------------|
| Current Assets: | | |
| Unrestricted: | | |
| Cash and Cash Equivalents | \$ 24,413,238.37 | \$ 22,824,038.87 |
| Petty Cash | 500.00 | 500.00 |
| Accounts Receivable | - | 4,000.01 |
| | <hr/> | <hr/> |
| Total Unrestricted | 24,413,738.37 | 22,828,538.88 |
| | <hr/> | <hr/> |
| Restricted: | | |
| Unemployment Compensation: | | |
| Cash and Cash Equivalents | 85,548.94 | 79,709.15 |
| Due from State of New Jersey | - | 2,525.78 |
| | <hr/> | <hr/> |
| Total Restricted Assets | 85,548.94 | 82,234.93 |
| | <hr/> | <hr/> |
| Capital Assets: | | |
| Land | 277,580.51 | 277,580.51 |
| Building, Force Mains and Interceptors | 70,788,470.76 | 70,728,283.76 |
| Vehicles and Equipment | 29,570,345.52 | 29,526,145.52 |
| Less: Accumulated Depreciation | (60,834,483.22) | (59,409,596.63) |
| Construction in Progress | 23,021,420.37 | 22,276,423.01 |
| | <hr/> | <hr/> |
| Total Capital Assets | 62,823,333.94 | 63,398,836.17 |
| | <hr/> | <hr/> |
| TOTAL ASSETS | \$ 87,322,621.25 | \$ 86,309,609.98 |
| | <hr/> | <hr/> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | |
| Deferred Outflows: | | |
| Deferred Pension-Related Costs | \$ 925,856.00 | \$ 992,861.00 |
| Deferred Loss on Refunding of Bonds | 36,987.25 | 41,096.94 |
| | <hr/> | <hr/> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | \$ 962,843.25 | \$ 1,033,957.94 |
| | <hr/> | <hr/> |

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

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY
STATEMENT OF NET POSITION
NOVEMBER 30,**

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------------|--------------------------------|
| <u>LIABILITIES</u> | | |
| Current Liabilities: | | |
| Payable From Unrestricted Assets: | | |
| Accounts Payable - Operations | \$ 224,749.24 | \$ 260,718.44 |
| Accounts Payable - Renewal and Replacement | 335,652.00 | 598,286.57 |
| Accrued Interest on NJEIT Bonds | 119,263.85 | 128,752.98 |
| Bonds Payable - Current Portion | 1,906,566.70 | 1,867,103.98 |
| Accounts Payable - Pension Related | 320,500.00 | 270,500.00 |
| | <u>2,906,731.79</u> | <u>3,125,361.97</u> |
| Payable From Restricted Assets: | | |
| Accounts Payable - Construction | 363,564.44 | 28,849.52 |
| | <u>363,564.44</u> | <u>28,849.52</u> |
| Total Current Liabilities | <u>3,270,296.23</u> | <u>3,154,211.49</u> |
| Non-Current Liabilities: | | |
| Accumulated Sick and Vacation Time | 461,824.41 | 409,283.42 |
| Net Pension Liability | 4,676,142.00 | 5,032,495.00 |
| Other Post-Retirement Benefit Obligation | 960,477.00 | 993,495.00 |
| Long Term Portion of Bonds Payable | 20,681,990.76 | 22,588,557.46 |
| Total Non-Current Liabilities | <u>26,780,434.17</u> | <u>29,023,830.88</u> |
| Total Liabilities | \$ <u>30,050,730.40</u> | \$ <u>32,178,042.37</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | |
| Deferred Inflows: | | |
| Deferred Pension-Related Inflows | \$ 2,117,029.00 | \$ 2,039,996.04 |
| Deferred Gain on Refunded Bonds | 152,783.18 | 175,622.04 |
| Unamortized Bond Premiums, Net Amortization | 768,374.76 | 833,145.76 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | \$ <u>3,038,186.94</u> | \$ <u>3,048,763.84</u> |

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

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY
STATEMENT OF NET POSITION
NOVEMBER 30,**

| | <u>2020</u> | <u>2019</u> |
|-------------------------------------|--------------------------------|--------------------------------|
| <u>NET POSITION</u> | | |
| Net Investment in Capital Assets | \$ 38,987,041.35 | \$ 37,946,654.35 |
| Restricted for: | | |
| Unemployment Compensation Insurance | 85,548.94 | 82,234.93 |
| Unrestricted: | | |
| Designated | 13,010,521.08 | 12,540,223.23 |
| Undesignated | <u>3,113,435.79</u> | <u>1,547,649.20</u> |
| TOTAL NET POSITION | \$ <u>55,196,547.16</u> | \$ <u>52,116,761.71</u> |

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

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
NOVEMBER 30,**

EXHIBIT B

| | <u>2020</u> | <u>2019</u> |
|--|--------------------------------|--------------------------------|
| Operating Revenue: | | |
| Service Agreements | \$ 11,181,851.00 | \$ 11,075,150.00 |
| Interest - Unrestricted | 91,730.50 | 156,576.22 |
| Interest - Restricted | 586.43 | 1,034.67 |
| Miscellaneous | <u>81,054.03</u> | <u>61,827.07</u> |
| Total Operating Revenue | <u>11,355,221.96</u> | <u>11,294,587.96</u> |
| Operating Expenses: | | |
| Salaries and Wages | 2,228,641.26 | 2,295,912.88 |
| Other Expenses | 3,343,124.90 | 3,689,374.24 |
| Renewal and Replacement Fund | 1,246,374.00 | 1,210,072.00 |
| Depreciation Expense | <u>1,424,886.59</u> | <u>1,268,789.85</u> |
| Total Operating Expenses | <u>8,243,026.75</u> | <u>8,464,148.97</u> |
| Operating Income | <u>3,112,195.21</u> | <u>2,830,438.99</u> |
| Non-Operating Revenue (Expenses): | | |
| Interest Income | 67,256.86 | 119,904.49 |
| Interest Expense and Amortization | (199,315.13) | (303,423.94) |
| Accumulated Sick and Vacation | (52,540.99) | (2,459.61) |
| Other Post-Retirement Benefit Expense, Net Contributions | 33,018.00 | (41,937.00) |
| Homeland Security Grant Program | 15,944.40 | 134,055.60 |
| Renewal and Replacement Fund - Net | 104,957.02 | (247,627.50) |
| Cyber Security/Recovery | (4,457.50) | - |
| Unemployment Insurance - Net | <u>2,727.58</u> | <u>2,704.46</u> |
| Non-Operating Income (Loss) | <u>(32,409.76)</u> | <u>(338,783.50)</u> |
| Change In Net Position | 3,079,785.45 | 2,491,655.49 |
| Net Position - December 1, | <u>52,116,761.71</u> | <u>49,625,106.22</u> |
| Net Position - November 30 | <u><u>\$ 55,196,547.16</u></u> | <u><u>\$ 52,116,761.71</u></u> |

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

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED
NOVEMBER 30,**

EXHIBIT C
Page 1 of 2

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------------|--------------------------------|
| Cash Flows from Operating Activities: | | |
| Cash Received from Customers | \$ 11,266,905.04 | \$ 11,132,977.06 |
| Cash Paid to Vendors and Employees | (7,157,361.69) | (6,844,391.90) |
| Interest Received | <u>159,573.79</u> | <u>277,515.38</u> |
| Net Cash from Operating Activities | <u>4,269,117.14</u> | <u>4,566,100.54</u> |
| Cash Flows from Financing Activities: | | |
| Receivable from NJEIT | - | 1,905,461.00 |
| Capital Expenditures | (514,669.44) | (3,142,823.38) |
| Interest Payment on Bonds | (292,304.43) | (397,487.69) |
| Principal Payment on Bonds | <u>(1,867,103.98)</u> | <u>(1,845,354.11)</u> |
| Net Cash Flows from Financing Activities | <u>(2,674,077.85)</u> | <u>(3,480,204.18)</u> |
| Net Increase/(Decrease) in Cash and Cash Equivalents | <u>1,595,039.29</u> | <u>1,085,896.36</u> |
| Cash and Cash Equivalents at Beginning of Year | <u>22,904,248.02</u> | <u>21,818,351.66</u> |
| Cash and Cash Equivalents at End of Year | <u><u>\$ 24,499,287.31</u></u> | <u><u>\$ 22,904,248.02</u></u> |
| Classified As: | | |
| Unrestricted | 24,413,738.37 | 22,824,538.87 |
| Restricted: | | |
| Unemployment Compensation | <u>85,548.94</u> | <u>79,709.15</u> |
| | <u><u>\$ 24,499,287.31</u></u> | <u><u>\$ 22,904,248.02</u></u> |

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

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED
NOVEMBER 30,**

EXHIBIT C
Page 2 of 2

| | <u>2020</u> | <u>2019</u> |
|--|------------------------|------------------------|
| Reconciliation of Net Income to Net Cash Provided by Operating Activities: | | |
| Net Operating Income / (Loss) | 3,112,195.21 | 2,830,438.99 |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: | | |
| Depreciation | 1,424,886.59 | 1,268,789.85 |
| Other Interest Income | 67,256.86 | 119,904.49 |
| Renewal and Replacement Expenditures - Net | 104,957.02 | (247,627.50) |
| Homeland Security Grant | 15,944.40 | 134,055.60 |
| Net Loss Due to Cybersecurity Breach | (4,457.50) | - |
| Unemployment Insurance - Net | 2,727.58 | 2,704.46 |
| Decrease / (Increase) in Accounts Receivable | 4,000.01 | (4,000.01) |
| Decrease / (Increase) in Due from State of New Jersey | 2,525.78 | (2,525.78) |
| Increase / (Decrease) in Payables | (460,918.81) | 464,360.44 |
| Total Adjustments | <u>1,156,921.93</u> | <u>1,735,661.55</u> |
| Net Cash Provided by Operating Activities | <u>\$ 4,269,117.14</u> | <u>\$ 4,566,100.54</u> |

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

Notes to Financial Statements

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019

1. GENERAL

The Authority was created by virtue of parallel ordinances adopted by The Township of Pequannock, The Borough of Lincoln Park and The Township of Fairfield in accordance with the provisions of the Sewerage Authorities Law (Chapter 138 of Pamphlet Laws of 1946 of the State of New Jersey, as amended and supplemented).

This was accomplished by Ordinance #70-21 adopted November 10, 1970 by The Township of Pequannock, Ordinance #70-26 adopted January 4, 1971 by The Borough of Lincoln Park and Ordinance #477 adopted November 2, 1970 by the Township of Fairfield. The Pequannock River Basin Regional Sewerage Authority (PRBRSA) became a member of Pequannock, Lincoln Park and Fairfield Sewerage Authority as of December 15, 1987, upon acceptance and completion of the new interceptor - Southern Portion.

The Authority has entered into service agreements with the participating governmental units. Under the terms of the service agreements the participants are to pay annual charges for Sewer Main, Treatment Plant, Operations, Administrative Expenses and Deficiencies. Annual charges are computed in order to provide sufficient revenue to pay or provide for expenses of the Authority with respect to the System including those related to the administration, operation, maintenance and repair thereof, payment of principal (including Sinking Fund Installments) or Redemption Price of and interest on Bonds and any reserves required with respect to the Bonds. Any other monies available to the Authority for application to the aforementioned purposes are also considered in the computations.

The user charge system as adopted by the participating municipalities has been reviewed and approved by the United States Environmental Protection Agency.

The agreements became effective upon their executions and remain in full force. At any time after five years from the date of these agreements and upon two years notice to the Authority, original participants may withdraw, following payment in full of all its obligations to the Authority, including its bonds. A five year written notice is applicable to the Pequannock River Basin Regional Sewerage Authority agreement.

As a public body, under existing statutes, the Authority is exempt from both Federal and State taxes.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies:

A. Basis of Presentation

The financial statements of the Pequannock, Lincoln Park and Fairfield Sewerage Authority have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to enterprise funds of state and local governmental units. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, accountability or other purposes. The Governmental Accounting Standards Board GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant of the Authority's accounting policies are described below.

On December 1, 2012, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which amends the net asset reporting requirement of Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows from resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The classifications of net position are defined as follows:

- *Net investment in capital assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are any significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather that portion of the debt is included in the same net position component as the unspent proceeds.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

A. Basis of Presentation, (continued)

- *Restricted* - This component of net position consists of constraints placed on net position used through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

B. Reporting Entity

The Authority's financial statements include the accounts of all authority operations. The primary criterion for including activities within the Authority's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

Based on this criteria, the Authority is a legally separate organization and has no component units.

C. Risks of Loss

The Authority purchases commercial insurance policies on an annual basis to handle risks of loss associated with property, auto, liability, workers compensation, flood damage, and employee crime coverage. Any potential liability of the Authority with respect to loss claims would be equal to the deductibles associated with the policies and an event, which may exceed policy coverage limits.

D. Grants

Contributions received from Federal and State grants are recorded in the period received. Grants externally restricted for non-operating purposes are recorded as a change in invested in capital assets, net of related debt.

E. Inventory

Inventory of materials and supplies are not material and therefore are recorded as expenses at the time of purchase. The cost of inventories is not included on the balance sheet.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

F. Property, Plant and Equipment

Property, plant and equipment is stated at cost which includes direct construction costs and other expenditures related to construction.

System construction costs are charged to construction in progress until such time as given segments of the system are completed and put into operation.

Depreciation is determined on a straight-line basis for all plant and equipment. Depreciation is provided over the following estimated useful lives:

| | |
|------------------------------|-----------|
| Building and improvement | 75 years |
| Sewer mains and interceptors | 75 years |
| Pump stations | 75 years |
| P.R.B.R.S.A. interceptor | 40 years |
| Other equipment | 40 years |
| Dechlorification Facility | 20 years |
| Vehicles | 1-5 years |
| Second Incinerator | 15 years |

Depreciation on assets acquired with grants-in-aid and contributed capital assets is recorded as a reduction of contributed capital.

Property, plant and equipment has been recorded by major categories, there are no formal property records being maintained. The Authority does not maintain a formal inventory of plant, property and equipment.

Example: All equipment which was included with the initial construction of the treatment facility was lumped together as one item of equipment. Proper accounting for fixed assets requires the labeling of each individual asset and the itemization in the property records.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

F. Property, Plant and Equipment, (continued)

The Authority has established the following procedures for capitalized fixed assets:

1. All expenditures made out of the general and construction fund relating to the purchase of new facilities which in the aggregate exceed the then current state bid limit, should be capitalized and recorded as such in the Authority's books and records; and
2. All expenditures made out of the operating (EPA) Renewal and Replacement line item or any other operating or administrative line item should continue to be expensed and recorded as such in the Authority's books and records.

The Authority's management established the useful lives of property, plant and equipment based on the expenditures made out of the Renewal and Replacement budgeted line item adding additional longevity to the asset.

The Authority purchased, at a cost of \$1,067,562.00, various fixtures, machinery, equipment, and sanitary sewer facilities from the Township of Fairfield in which at the time of purchase, had a cost of \$4,162,119.00 to the Township of Fairfield. The \$3,094,557.00 difference between the purchase price and the costs to the Township of Fairfield represents costs financed by grants to the Township of Fairfield. These assets are recorded on the Authority's records at the initial cost of \$1,067,562.00.

During fiscal year 2002, the Two Bridges Sewerage Authority reached a settlement in the action titled "The Pequannock, Lincoln Park and Fairfield Sewerage Authority v. Spectraserv, Inc. et al" under which the Authority received the sum of \$2,112,500.00 as reimbursement for costs incurred for its Second Incinerator Project. As a result of this reimbursement, the cost of the Second Incinerator Project in the Authority's property, plant and equipment has been reduced by the amount of the settlement and the depreciation has been recalculated based on this adjusted cost.

G. Deferred Outflows and Deferred Inflows of Resources

The Statement of Net Position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

G. Deferred Outflows and Deferred Inflows of Resources, (continued)

Transactions are classified as deferred outflows of resources and deferred inflow of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Authority is required to report the following as deferred outflows of resources and deferred inflows of resources:

Defined Benefit Pension Plans - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Authority's proportion of expenses and liabilities to the pension as a whole, differences between the Authority's pension contribution and its proportionate share of contributions, and the Authority's pension contributions subsequent to the pension valuation measurement date.

Deferred Gain or Loss on Refunding of Bonds - Deferred gain or loss on refunding arising from the issuance of refunding bonds, is recorded as a deferred outflow of resources or deferred inflow of resources. The deferred gain or loss is amortized over the life of the bonds in a systematic and rational method as a component of amortization expense.

Bond Premiums - Bond premiums arising from the issuance of long-term debt (bonds) are amortized over the life of the bonds, in a systematic and rational method, from the issue date to maturity as a component of amortization expense.

H. Restricted Accounts

The Authority has also established the following restricted account:

Unemployment Compensation Insurance Account:

Employee and employer contributions are transferred to this account for payment of unemployment compensation claims paid by the State Department of Labor and billed to the Authority.

I. Operating Fund Budget

The budget amounts included in the statement of budget revenues and statement of budget expenditures were approved in accordance with the requirements of the "Local Finance Board" of the State of New Jersey, and were adopted by the Commissioners after legal advertisement and public hearing.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

J. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management currently uses estimates to determine the useful life of depreciable assets. Actual results could differ from those estimates.

K. Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

L. Recent Accounting Pronouncements

In May 2020, the Government Accounting Standards Board issued GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 83, *Certain Asset Retirement Obligations*; Statement No. 84, *Fiduciary Activities*; Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; Statement No. 90, *Majority Equity Interests*; Statement No. 91, *Conduit Debt Obligations*; Statement No. 92, *Omnibus 2020*; Statement No. 93, *Replacement of Interbank Offered Rates*; Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*; Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*; Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*; Implementation Guide No. 2019-2, *Fiduciary Activities*. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87, *Leases*; Implementation Guide No. 2019-3, *Leases*. The requirements of this Statement are effective immediately.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

L. Recent Accounting Pronouncements, (continued)

In May 2020, the Government Accounting Standards Board issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The Authority is still determining the effects, if any, this statement will have on future financial statements.

In June 2020, the Government Accounting Standards Board issued GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

L. Recent Accounting Pronouncements, (continued)

reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents includes change funds, petty cash, amounts in deposits, and short term investments with original maturities of three months or less.

The Pequannock, Lincoln Park and Fairfield Sewerage Authority had the following cash and cash equivalents as of November 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|------------------------|------------------------|
| Cash on Hand | \$500.00 | \$500.00 |
| Checking and Savings Accounts | <u>24,498,787.31</u> | <u>22,903,748.02</u> |
| | <u>\$24,499,287.31</u> | <u>\$22,904,248.02</u> |
| Restricted Accounts | \$85,548.94 | \$79,709.15 |
| Unrestricted Accounts | <u>24,413,738.37</u> | <u>22,824,538.87</u> |
| | <u>\$24,499,287.31</u> | <u>\$22,904,248.02</u> |

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(continued)

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS, (continued)

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Authority's policy is based on New Jersey statutes requiring cash be deposited only in New Jersey based on banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in a qualified investment established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of November 30, 2020, \$-0- of the Authority's bank balance of \$24,533,010.59 was exposed to custodial risk.

Credit Risk

New Jersey Statutes 40A:5-15.1(a) limits municipal investment maturities to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or the local unit or school districts of which the local unit is part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk

The Authority places no limit on the amount it may invest in any one issuer.

4. NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

The Authority issued bonds in 2015 through the Trust to finance the improvement to the treatment facilities. The proceeds of the Bonds are held by the Trust until the Authority expends funds on the project. The Authority then submits for reimbursement of these expenditures from the Trust. The Authority received all remaining amounts of funds from the Trust as of last fiscal year ending November 30, 2019. The Authority no longer has any remaining amounts to be received.

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NOTES TO FINANCIAL STATEMENTS
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(continued)

5. PROPERTY, PLANT AND EQUIPMENT

Reference is made to Note 2 for information related to property. A summary of property, plant and equipment as of November 30, 2020 and 2019 is as follows:

| | <u>Balance</u> <u>Nov. 30, 2019</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>Nov. 30, 2020</u> |
|-------------------------------------|--|-----------------------|--------------------|--|
| Land | \$277,580.51 | \$ | \$ | \$277,580.51 |
| Buildings/Force Mains, Interceptors | 70,728,283.76 | 60,187.00 | | 70,788,470.76 |
| Vehicles and Equipment | <u>29,526,145.52</u> | <u>44,200.00</u> | <u> </u> | <u>29,570,345.52</u> |
| Total Property, Plant and Equipment | 100,532,009.79 | 104,387.00 | 0.00 | 100,636,396.79 |
| Less: Accumulated Depreciation | <u>(59,409,596.63)</u> | <u>(1,424,886.59)</u> | <u> </u> | <u>(60,834,483.22)</u> |
| Net Property, Plant and Equipment | 41,122,413.16 | (1,320,499.59) | 0.00 | 39,801,913.57 |
| Construction in Progress | <u>22,276,423.01</u> | <u>805,184.36</u> | <u>60,187.00</u> | <u>23,021,420.37</u> |
| Net Property, Plant and Equipment | <u>\$63,398,836.17</u> | <u>(\$515,315.23)</u> | <u>\$60,187.00</u> | <u>\$62,823,333.94</u> |

| | <u>Balance</u> <u>Nov. 30, 2018</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>Nov. 30, 2019</u> |
|-------------------------------------|--|-----------------------|-----------------------|--|
| Land | \$277,580.51 | \$ | \$ | \$277,580.51 |
| Buildings/Force Mains, Interceptors | 64,725,498.88 | 6,002,784.88 | | 70,728,283.76 |
| Vehicles and Equipment | <u>29,519,761.52</u> | <u>30,365.00</u> | <u>23,981.00</u> | <u>29,526,145.52</u> |
| Total Property, Plant and Equipment | 94,522,840.91 | 6,033,149.88 | 23,981.00 | 100,532,009.79 |
| Less: Accumulated Depreciation | <u>(58,164,787.78)</u> | <u>(1,268,789.85)</u> | <u>(23,981.00)</u> | <u>(59,409,596.63)</u> |
| Net Property, Plant and Equipment | 36,358,053.13 | 4,764,360.03 | 0.00 | 41,122,413.16 |
| Construction in Progress | <u>25,544,154.20</u> | <u>2,735,053.69</u> | <u>6,002,784.88</u> | <u>22,276,423.01</u> |
| Net Property, Plant and Equipment | <u>\$61,902,207.33</u> | <u>\$7,499,413.72</u> | <u>\$6,002,784.88</u> | <u>\$63,398,836.17</u> |

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(continued)

6. BONDS PAYABLE

The following is a summary of the Authority's long-term debt transactions for the fiscal year ended November 30, 2020:

| | Interest Rate | Amount Issued | Balance 11/30/2019 | Payments | Balance 11/30/2020 |
|---------------------------------------|------------------|------------------|------------------------|-----------------------|------------------------|
| 2006 Series A | 4.00-5.00% | \$4,815,000.00 | \$2,187,812.78 | \$276,233.48 | \$1,911,579.30 |
| 2006 Series B | 0.00% | 4,504,363.00 | 1,681,501.98 | 248,922.47 | 1,432,579.51 |
| 2010 Series - Trust (UV) | 3.00-5.00% | 1,730,000.00 | 1,062,000.00 | 90,000.00 | 972,000.00 |
| 2009 Series - Fund (UV) | 0.00% | 1,669,000.00 | 927,222.08 | 92,722.21 | 834,499.87 |
| 2010 Series - Trust (UV Supplemental) | 5.00% | 550,000.00 | 341,000.00 | 23,000.00 | 318,000.00 |
| 2010 Series - Fund (UV Supplemental) | 0.00% | 1,673,250.00 | 968,723.76 | 88,065.78 | 880,657.98 |
| 2015 Series A1 - Trust | 4.00-5.00% | 6,295,000.00 | 5,390,000.00 | 255,000.00 | 5,135,000.00 |
| 2015 Series A1 - Fund | 0.00% | 15,070,041.00 | 11,897,400.84 | 793,160.04 | 11,104,240.80 |
| | | | <u>\$24,455,661.44</u> | <u>\$1,867,103.98</u> | <u>\$22,588,557.46</u> |
| Due Within One Year | | | 1,867,103.98 | | 1,906,566.70 |
| Long-Term Debt | | | <u>22,588,557.46</u> | | <u>20,681,990.76</u> |
| | | | <u>\$24,455,661.44</u> | | <u>\$22,588,557.46</u> |

Presented below is a summary of debt service requirements to maturity.

| Fiscal Year | Principal | Interest | Total |
|----------------|------------------------|-----------------------|------------------------|
| 2021 | \$1,906,566.70 | \$352,042.21 | \$2,258,608.91 |
| 2022 | 1,925,126.07 | 321,811.19 | 2,246,937.26 |
| 2023 | 1,959,238.83 | 290,671.83 | 2,249,910.66 |
| 2024 | 1,979,193.79 | 258,069.23 | 2,237,263.02 |
| 2025 | 2,031,077.13 | 226,609.54 | 2,257,686.67 |
| 2026 | 1,994,644.23 | 190,750.86 | 2,185,395.09 |
| 2027 | 1,479,948.03 | 153,405.00 | 1,633,353.03 |
| 2028 | 1,503,948.03 | 133,005.00 | 1,636,953.03 |
| 2029 | 1,523,948.25 | 111,625.00 | 1,635,573.25 |
| 2030 | 1,327,226.24 | 89,445.00 | 1,416,671.24 |
| 2031 | 1,213,160.04 | 71,400.00 | 1,284,560.04 |
| 2032 | 1,228,160.04 | 54,600.00 | 1,282,760.04 |
| 2033 | 1,248,160.04 | 37,200.00 | 1,285,360.04 |
| 2034 | <u>1,268,160.04</u> | <u>19,000.00</u> | <u>1,287,160.04</u> |
| | <u>\$22,588,557.46</u> | <u>\$2,309,634.86</u> | <u>\$24,898,192.32</u> |

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(continued)

6. BONDS PAYABLE, (continued)

On November 9, 2006, the Authority issued \$9,319,363 Series 2006 A and B Subordinate Bonds through the New Jersey Environmental Infrastructure Trust Program. These bonds were used for the improvement, modification and upgrade of the Central Pumping Station, the South Side Pumping Station and the Pine Brook Road Pumping Station. In 2012, the \$139,342 unspent portion of the 2006 USEPA receivable was defeased against the Series 2006 A and B bond principal. In 2018, the NJEIT refunded these bonds that resulted in a principal savings credit of \$158,299.76.

On March 10, 2010, the Authority issued \$1,730,000 Series 2010 - Trust (UV) and \$5,008,000 Series 2009 - Fund (UV) Subordinate Bonds through the New Jersey Infrastructure Trust Program. Of the original \$5,008,000 in Series 2009 - Fund (UV) bonds, \$3,339,000 of principal was forgiven through the American Recovery and Reinvestment Act of 2009 (ARRA), leaving \$1,669,000 principal outstanding. These bonds are being used for the construction of an ultraviolet (UV) disinfection system, installation of a polymer system, installation of a standby generator for the new UV disinfection, effluent pumping and post aeration equipment. In 2017, the NJEIT refunded these bonds that resulted in a principal savings credit of \$63,000.00.

On December 2, 2010, the Authority issued \$550,000 Series 2010B - Trust (UV Supplemental) and \$1,673,250 Series 2010A - Fund (UV Supplemental) Subordinate Bonds through the New Jersey Infrastructure Trust Program. These bonds are being used for the construction of an ultraviolet (UV) disinfection system, installation of a polymer system, installation of a standby generator for new UV disinfection, effluent pumping and post aeration equipment. In 2016, the NJEIT refunded these bonds that resulted in a principal savings credit of \$34,000.00.

On May 28, 2015, the Authority issued \$6,295,000 Series 2015A-1 - Trust and \$20,183,091 Series 2015A-1 - Fund Subordinate Bonds through the New Jersey Infrastructure Trust Program. Of the original \$20,183,091 in 2015A-1 - Fund bonds, \$5,113,050 of principal was forgiven through the New Jersey Infrastructure Trust Program. These bonds are being used for the construction and improvements to the wastewater treatment plant and the pump stations.

7. PENSION

Description of Plans:

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

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(continued)

7. PENSION PLAN, (continued)

Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

| <u>Tier</u> | <u>Definition</u> |
|-------------|--|
| 1 | Members who were enrolled prior to July 1, 2007 |
| 2 | Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008 |
| 3 | Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010 |
| 4 | Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011 |
| 5 | Members who were eligible to enroll on or after June 28, 2011 |

Service retirement benefits of $1/55^{\text{th}}$ of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of $1/60^{\text{th}}$ of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 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.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(continued)

7. PENSION PLAN, (continued)

Defined Contribution Retirement Program

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

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

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

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 7.5% for PERS. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS. In the PERS, the employer contribution includes funding for post-retirement medical premiums.

The Authority's contribution to PERS, equal to the required contributions for each year, were as follows::

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(continued)

7. PENSION PLAN, (continued)

Three Year Trend Information for PERS

| <u>Year</u> | <u>Annual</u> | <u>Percentage</u> |
|-----------------------|--------------------------|---------------------------|
| <u>Funding</u> | <u>Pension</u> | <u>of APC</u> |
| | <u>Cost (APC)</u> | <u>Contributed</u> |
| 11/30/20 | \$272,609.00 | 100% |
| 11/30/19 | 275,362.52 | 100% |
| 11/30/18 | 266,661.44 | 100% |

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68

Public Employees Retirement System (PERS)

At November 30, 2020 and 2019, the Authority reported a liability of \$4,676,142.00 and \$5,032,495.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2020, the Authority's proportion was 0.0286749966 percent, which was an increase of 0.0007453696 percent from its proportion measured as of June 30, 2019.

For the years ended November 30, 2020 and 2019, the Authority recognized pension expense of \$136,025.00 and \$248,073.00, respectively. At November 30, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Deferred Outflows of Resources: | | |
| Changes of assumptions | \$311,533.00 | \$502,513.00 |
| Net difference between projected and actual earnings on pension plan investments | 85,145.00 | 129,521.00 |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | 208,678.00 | 90,327.00 |
| Authority contributions subsequent to the measurement date | <u>320,500.00</u> | <u>270,500.00</u> |
| Total | <u>\$925,856.00</u> | <u>\$992,861.00</u> |

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(continued)

7. **PENSION PLAN, (continued)**

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

| | <u>2020</u> | <u>2019</u> |
|--|-----------------------------|-----------------------|
| Deferred Inflows of Resources: | | |
| Changes of assumptions | \$1,957,945.00 | \$1,746,763.00 |
| Net difference between projected and actual earnings on pension plan investments | 16,537.00 | 79,440.00 |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | 142,547.00 | 229,142.00 |
| Other deferred pension adjustments | <u> </u> | <u>(15,348.96)</u> |
| Total | <u>\$2,117,029.00</u> | <u>\$2,039,996.04</u> |

Amounts reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date (i.e. for the fiscal year ending November 30, 2020, the plan measurement date is June 30, 2020) will be recognized as a reduction of the net pension liability in the year ended November 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

| | <u>Nov. 30, 2020</u> | <u>Nov. 30, 2019</u> |
|-------------------------|----------------------|----------------------|
| Year ended December 31: | | |
| 2020 | \$ - | \$(145,215) |
| 2021 | (586,770) | (471,401) |
| 2022 | (534,956) | (420,933) |
| 2023 | (305,714) | (197,650) |
| 2024 | (123,625) | (20,295) |
| 2025 | (26,738) | - |

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.16, 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2020, 2019, 2018, 2017, 2016, 2015 and 2014 amounts, respectively.

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NOTES TO FINANCIAL STATEMENTS
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(continued)

7. PENSION PLAN, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Additional Information

Local Group Collective balances net of nonemployer (State of New Jersey) balances at November 30, 2020 and June 30, 2019 are as follows:

| | <u>Nov. 30, 2020</u> | <u>Nov. 30, 2019</u> |
|---|----------------------|----------------------|
| Collective deferred outflows of resources | \$2,347,583,337 | \$3,149,522,616 |
| Collective deferred inflows of resources | 7,849,949,467 | 7,645,087,574 |
| Collective net pension liability | 16,435,616,426 | 18,018,482,972 |
| Authority's Proportion | 0.0286749966% | 0.0249296270% |

Actuarial Assumptions

The collective total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which rolled forward to June 30, 2020. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

| | |
|---------------------------|--|
| Inflation Rate: | |
| Price | 2.75% |
| Wage | 3.25% |
| Salary Increases: | |
| Through 2026 | 2.00-6.00% (based on years of service) |
| Thereafter | 3.00-7.00% (based on years of service) |
| Investment Rate of Return | 7.00 Percent |

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NOTES TO FINANCIAL STATEMENTS
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(continued)

7. PENSION PLAN, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

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

Mortality Rates

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 based on Scale MP-2020.

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, 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, 2020 are summarized in the following table:

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NOTES TO FINANCIAL STATEMENTS
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7. **PENSION PLAN, (continued)**

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------------------|--------------------------|---|
| U.S. Equity | 27.00% | 7.71% |
| Non-U.S. Developed Market Equity | 13.50% | 8.57% |
| Emerging Market Equity | 5.50% | 10.23% |
| Private Equity | 13.00% | 11.42% |
| Real Assets | 3.00% | 9.73% |
| Real Estate | 8.00% | 9.56% |
| High Yield | 2.00% | 5.95% |
| Private Credit | 8.00% | 7.59% |
| Investment Grade Credit | 8.00% | 2.67% |
| Cash Equivalents | 4.00% | 0.50% |
| U.S. Treasuries | 5.00% | 1.94% |
| Risk Mitigation Strategies | 3.00% | 3.40% |

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(continued)**

7. PENSION PLAN, (continued)

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL
STATEMENTS PER - GASB NO. 68, (continued)**

Public Employees Retirement System (PERS), (continued)

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:

| | <u>June 30, 2020</u> | | |
|---|----------------------------------|---|----------------------------------|
| | <u>1% Decrease 6.00%</u> | <u>At Current Discount Rate 7.00%</u> | <u>1% Increase 8.00%</u> |
| Authority's proportionate share of the pension liability | \$5,932,771 | \$4,676,142 | \$3,677,830 |
| | | | |
| | <u>June 30, 2019</u> | | |
| | <u>1% Decrease 5.28%</u> | <u>At Current Discount Rate 6.28%</u> | <u>1% Increase 7.28%</u> |
| Authority's proportionate share of the pension liability | \$6,401,082 | \$5,032,495 | \$3,943,777 |

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). The financial report may be accessed at www.state.nj.us/treasury/pensions.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(continued)

8. POST-RETIREMENT BENEFITS

On December 15, 2017, the Authority implemented the Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires the Authority to calculate their Other Postretirement Benefit Obligation using a methodology similar to the calculation used for pension obligations under GASB Statement No. 69. The Authority's current OPEB reimburses eligible employees the cost of health benefits from the State Health Benefit Plan upon retirement subject to certain restrictions and limitations.

The Authority shall reimburse to an eligible employee the cost of health benefits from the State Health Benefit Plan upon retirement subject to the following restrictions and limitations:

1. To be eligible, an employee must have a minimum of twenty-five (25) years of service with the Authority;
2. The retired employee must be at least fifty-seven (57) years old;
3. The Authority's reimbursement to an employee shall not exceed seven hundred (\$700.00) dollars per month;
4. This benefit, the limited reimbursement of retirement benefits, shall be limited to a period of ten (10) years for the eligible employee.
5. This benefit is not available to new employees hired after April 1, 2016.

Funding Policy

The Authority's funding policy is to establish a liability to fund the Net OPEB Liability (NOL). Valuation calculations have been determined under the presumption that the Authority will eventually fund the entire actuarially calculated accrued liability. Information regarding funding status can be found in the Required Supplementary Information section of this report.

Annual OPEB Expense and Net OPEB Liability

The Authority's annual other post-retirement benefit (OPEB) cost (expense) is calculated based on the actuarially determined contribution of the employer (ADC), an amount actuarially determined in accordance with the parameters of GASB Statement 75. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(continued)

8. POST-RETIREMENT BENEFITS, (continued)

actuarial liabilities (or funding excess) over a period not to exceed 10 years. Under current accounting standards, the Authority is required to obtain an actuarial calculation every two years. The following table shows the components of the Authority's last annual OPEB cost (for the 2019 fiscal year), the amount actually contributed to the plan, and changes in the Authority's net OPEB Obligation.

Employees covered by benefit terms: At November 30, 2020 and 2019, the following employees were covered by the benefit terms:

| | <u>2020</u> | <u>2019</u> |
|---------|-------------|-------------|
| Active | 19 | 21 |
| Retired | <u>3</u> | <u>3</u> |
| Total | <u>22</u> | <u>24</u> |

Total OPEB Liability

The Authority's total OPEB liability of \$960,477.00 and \$993,495.00 was measured as of November 30, 2020 and 2019, respectively, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs: The total OPEB liability in the November 30, 2020 and 2019 actuarial valuation was determined using the following assumptions and other inputs, applied to all period included in the measurement, unless otherwise specified:

| | |
|-----------------------------|--|
| Age adjustment factor: | 1.009447848 |
| Average retirement age: | 64 |
| Actuarial cost method: | Entry Age Normal |
| Discount rate: | 2.240% |
| Prior year discount rate: | 3.000% |
| Projected salary increases: | 2.500% |
| Amortization period: | 20 |
| NOL and ADC: | Calculated using the Alternative Measurement Method in accordance with GASB methodology. |
| Turnover assumptions: | Derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System. |

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(continued)

8. POST-RETIREMENT BENEFITS, (continued)

Changes in the Total OPEB Liability

| | Total OPEB Liability | Changes in Fiduciary Net Position | Net OPEB Liability |
|---|-------------------------|---|-----------------------|
| Balance as of 11/30/18 | \$951,558 | \$-0- | \$951,558 |
| Service Cost | 19,878 | N/A | 19,878 |
| Interest on Total OPEB Liability | 22,059 | N/A | 22,059 |
| Effect of Economic/Demographic Gains or Losses | N/A | N/A | N/A |
| Benefit Payments | N/A | N/A | N/A |
| Employer Contributions | N/A | N/A | N/A |
| Balance as of 11/30/19 | 993,495 | -0- | 993,495 |
| Service Cost | 19,878 | N/A | 19,878 |
| Interest on Total OPEB Liability | 30,026 | N/A | 30,026 |
| Effect of Economic/Demographic Gains or Losses | (57,722) | N/A | (57,722) |
| Benefit Payments | (25,200) | 25,200 | N/A |
| Employer Contributions | N/A | (25,200) | (25,200) |
| Balance as of 11/30/20 | 960,477 | -0- | 960,477 |

Sensitivity of Net OPEB Liability to Changes in the Discount Rate:

The following presents the Authority's total OPEB liability 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 (2.0 percent) or 1-percentage-point higher (4.0 percent) than the current discount rate:

| | 1% Decrease (1.24%) | Discount Rate (2.24%) | 1% Increase (3.24%) |
|------|------------------------|--------------------------|------------------------|
| 2020 | \$1,060,504 | \$960,477 | \$873,197 |
| | 1% Decrease (2.0%) | Discount Rate (3.0%) | 1% Increase (4.0%) |
| 2019 | \$989,941 | \$993,495 | \$995,416 |

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(continued)

9. COMPENSATED ABSENCES

The Authority accounts for compensated absences (e.g., unused vacation sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Authority employees are granted varying amounts of vacation and sick leave in accordance with the Authority's personnel policy and union agreements. Upon termination, employees are paid for accrued vacation. The Authority's policy permits employees to accumulate unused sick leave and carry forward certain amounts to subsequent years. Upon retirement, employees shall be paid by the Authority for the unused sick leave in accordance with the Authority's agreements with the employee union.

At November 30, 2020 and 2019, compensated absences accrued for Authority employees were \$461,824.41 and \$409,283.42, respectively.

10. DEFERRED COMPENSATION PLAN

Employees of the Pequannock, Lincoln Park and Fairfield Sewerage Authority may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Government). The deferred compensation plan is available to all employees of the Authority. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The deferred compensation plan is administered by an unrelated financial institution. The employees' contributions to the Plan and all income attributable to those amounts have been transferred to the exclusive benefit of the participating employees and their beneficiaries.

11. COMMITMENTS AND CONTINGENCIES

The Authority's attorney has informed management of no commitments and contingencies.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(continued)

12. DESIGNATION OF UNRESTRICTED NET POSITION

The Authority's Revenue Account maintains funds that, although may be spent for any lawful purpose by the Authority, have been designated by the Board as follows:

| | <u>2020</u> | <u>2019</u> |
|--|------------------------|------------------------|
| Accrued Vacation and Retirement Benefits | \$38,175.59 | \$90,716.58 |
| Renewal and Replacement | 6,170,760.41 | 6,056,114.69 |
| Subsequent Year's Budget Appropriation | 500,000.00 | 500,000.00 |
| Construction Fund | 4,497,165.08 | 4,038,321.96 |
| Operations and Maintenance | <u>1,804,420.00</u> | <u>1,855,070.00</u> |
| | <u>\$13,010,521.08</u> | <u>\$12,540,223.23</u> |

13. UNRESTRICTED UNDESIGNATED NET POSITION

At November 30, 2020 and 2019, the Authority reported a total amount of \$3,113,435.79 and \$1,547,649.20 unrestricted undesignated net position which was comprised of the following at November 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------------|-----------------------|-----------------------|
| OPEB Related | (\$960,477.00) | (\$993,495.00) |
| Pension Related | (6,187,815.00) | (6,350,130.04) |
| Available for Use in Future Budgets | <u>10,261,727.79</u> | <u>8,891,274.24</u> |
| | <u>\$3,113,435.79</u> | <u>\$1,547,649.20</u> |

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2020 AND 2019
(continued)

14. OTHER MATTERS

On March 9, 2020, Governor Phil Murphy signed Executive Order No. 103 that declared a State of Emergency and Public Health Emergency across all 21 counties in New Jersey in response to address the novel coronavirus (COVID-19) outbreak. At the time of this report, the overall effects of the COVID-19 pandemic are unknown. In efforts to reduce the spread of the virus, many companies and organizations have either reduced staff or closed down, thus creating a potential financial dilemma among many of the ratepayers in the municipalities serviced by the Pequannock, Lincoln Park and Fairfield Sewerage Authority. The Authority has identified several risks as a result of this pandemic, including a possible delay in collection of participant charges and cash flow shortages as the result of these delayed collections. The Authority will continue to monitor the situation closely.

15. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through July 7, 2021, the date which the financial statements were available to be issued and no other items were noted for disclosure.

16. INTERACCOUNT ADVANCES

At November 30, 2020, the following inter-account advances were outstanding between restricted and unrestricted accounts:

| | <u>Due from</u> <u>Other Accounts</u> | <u>Due to</u> <u>Other Accounts</u> |
|---|--|--|
| Unrestricted Accounts: | | |
| Revenue Account: | | |
| Due to Renewal and Replacement Account | \$ | \$412,353.45 |
| Due to Construction Fund | | 900,000.00 |
| Renewal & Replacement Account: | | |
| Due from Revenue Account | 412,353.45 | |
| Construction Account: | | |
| Due from Revenue Account | <u>900,000.00</u> | |
| | <u>\$1,312,353.45</u> | <u>1,312,353.45</u> |

Advances between restricted and unrestricted accounts should be settled upon occurrence.

Required Supplementary Information - Part II

SCHEDULE RSI-1

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios

| | <u>2020*</u> | <u>2019</u> | 2018 |
|--|--------------------|--------------|--------------------|
| Total OPEB Liability: | | | |
| Service cost | \$19,878.00 | \$19,878.00 | \$23,475.00 |
| Interest | 30,026.00 | 22,059.00 | 20,415.00 |
| Differences between expected and actual experience | (57,722.00) | N/A | (74,847.00) |
| Benefit payments | <u>(25,200.00)</u> | <u>N/A</u> | <u>(29,400.00)</u> |
| Net change in total OPEB liability | (33,018.00) | 41,937.00 | (60,357.00) |
| Total OPEB liability - beginning | 993,495.00 | 951,558.00 | 1,011,915.00 |
| Total OPEB liability - ending | 960,477.00 | 993,495.00 | 951,558.00 |
| Covered employee payroll | 2,100,286.00 | 2,066,455.00 | 2,009,811.00 |
| Total OPEB liability as a percentage of covered employee payroll | 45.73% | 48.08% | 47.35% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only the years for which information is available.

SCHEDULE RSI-2

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS)
Last Seven Fiscal Years

| | <u>Measurement Date Ending June 30,</u> | | | | | | |
|---|---|----------------|----------------|----------------|----------------|----------------|----------------|
| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Authority's Proportion of the Net Pension Liability | 0.0286749966% | 0.0279296270% | 0.0274161400% | 0.0284425663% | 0.0290268062% | 0.0289420490% | 0.0281858400% |
| Authority's Proportionate Share of the Net Pension Liability | \$4,676,142.00 | \$5,032,495.00 | \$5,398,101.00 | \$6,620,975.00 | \$8,596,907.00 | \$6,496,910.00 | \$5,277,160.00 |
| Authority's Covered-Employee Payroll | 2,100,286.00 | \$2,060,455.00 | \$2,009,811.00 | \$2,195,973.31 | \$2,130,676.86 | \$2,155,572.33 | \$2,145,873.21 |
| Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll | 222.64% | 244.24% | 268.59% | 301.51% | 403.48% | 301.40% | 245.92% |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

SCHEDULE RSI-3

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of the Authority's Contributions
Public Employees' Retirement System (PERS)
Last Seven Fiscal Years

| | Fiscal Year ended November 30. | | | | | | |
|---|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Contractual Required Contribution | \$272,609.02 | \$275,362.52 | \$266,661.44 | \$258,414.00 | \$248,824.00 | \$232,360.00 | \$205,183.00 |
| Contributions in Relation to the Contractually Required Contribution | <u>(272,609.02)</u> | <u>(275,362.52)</u> | <u>(266,661.44)</u> | <u>(258,414.00)</u> | <u>(248,824.00)</u> | <u>(232,360.00)</u> | <u>(205,183.00)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Authority's Covered-Employee Payroll | \$2,100,286.00 | \$2,066,455.00 | \$2,009,811.00 | \$2,195,973.31 | \$2,130,676.86 | \$2,155,572.33 | \$2,145,873.21 |
| Contributions as a Percentage of Authority's Covered-Employee Payroll | 12.98% | 13.33% | 13.27% | 11.77% | 11.68% | 10.78% | 9.56% |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
Notes to Required Supplementary Information
For the Year ended November 30, 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, in accordance with Paragraph 44 of GASB Statement No. 67.

Other Post-employment Benefits (OPEB)

Change in Benefit Terms - None

Changes in Assumptions - Changes in assumptions and other inputs reflect the effect of changes in the discount rate each period. The following are the discount rates used in each period:

| | |
|------|-------|
| 2020 | 2.24% |
| 2019 | 3.00% |
| 2018 | 3.00% |

Supplementary Schedules

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED NOVEMBER 30, 2020

| | Net Investment in Capital Assets | Restricted State Unemployment Insurance | Accrued Vacation and Retirement Benefits | Renewal and Replacement | Subsequent Year's Budget Appropriation | Unrestricted | | | Total |
|---|--|--|--|----------------------------|--|----------------------|-------------------------------|-----------------------------|---------------|
| | | | | | | Construction Fund | Operations and Maintenance | Unrestricted: Designated | |
| Operating Revenue: | | | | | | | | | |
| Service Agreements | | | | | | | | | |
| Interest - Unrestricted | | 586.43 | | 37,944.30 | | 29,312.56 | | | 11,181,851.00 |
| Interest - Restricted | | | | | | | | 67,256.86 | 158,987.36 |
| Industrial and Misc. Permits | | | | | | | | - | 586.43 |
| | | | | | | | | 81,054.03 | 81,054.03 |
| Total Operating Revenue | | 586.43 | - | 37,944.30 | - | 29,312.56 | | 11,354,635.53 | 11,422,478.82 |
| Operating Expense: | | | | | | | | | |
| Salaries and Wages | | | | | | | | | 2,228,641.26 |
| Other Expenses | | | | | | | | | 3,343,124.90 |
| Replacement Fund | | | | | | | | | 1,246,374.00 |
| Depreciation Expense | 1,424,886.59 | | | | | | | | 1,424,886.59 |
| Total Operating Expense | 1,424,886.59 | | | | | | | | 8,243,026.75 |
| Operating Income | (1,424,886.59) | 586.43 | - | 37,944.30 | - | 29,312.56 | | 4,536,495.37 | 3,179,452.07 |
| Non-Operating Revenue (Expense): | | | | | | | | | |
| Interest Expense | | | | | | | | | (282,815.30) |
| Amortization | 83,500.17 | | | | | | | | 83,500.17 |
| Accumulated Sick and Vacation - Net | | | (52,540.99) | | | | | | (52,540.99) |
| Homeland Security Grant Program | | | | 15,944.40 | | | | | 15,944.40 |
| Renewal and Replacement Fund | | | | | | | | | 104,957.02 |
| Expenditures - Net | | | | 104,957.02 | | | | | (4,457.50) |
| Cyber Security/Recovery | | | | | | | | | 33,018.00 |
| Other Post-Retirement Benefit Obligation | | | | | | | | | 2,727.58 |
| Unemployment Ins. Claims - Net | | 2,727.58 | | | | | | | (99,666.62) |
| | 83,500.17 | 2,727.58 | (52,540.99) | 120,901.42 | - | - | - | 68,360.43 | 3,079,785.45 |
| Net Income (Loss) Before Transfers | (1,341,386.42) | 3,314.01 | (52,540.99) | 158,845.72 | - | 29,312.56 | - | 4,282,240.57 | |
| Transfers: | | | | | | | | | |
| Capital Purchases | 514,669.44 | | | (44,200.00) | | | | | 0.00 |
| Bond Principal Paid | 1,867,103.98 | | | | | | | | - |
| Budget Transfers | | | | | | 900,000.00 | | | - |
| Other Transfers | | | | | | | (50,650.00) | | - |
| Increase/(Decrease) in Net Assets | 1,040,387.00 | 3,314.01 | (52,540.99) | 114,645.72 | - | 458,843.12 | (50,650.00) | 470,297.85 | 3,079,785.45 |
| Net Position - Dec. 1, 2019 | 37,945,654.35 | 82,234.93 | 90,716.58 | 6,056,114.69 | 500,000.00 | 4,038,321.96 | 1,855,070.00 | 12,540,223.23 | 52,116,761.71 |
| Net Position - November 30, 2019 | 38,987,041.35 | 85,548.94 | 38,175.59 | 6,170,760.41 | 500,000.00 | 4,497,165.08 | 1,804,420.00 | 13,010,521.08 | 55,196,547.16 |

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY

**SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH AND CASH EQUIVALENTS
FOR THE YEAR ENDED NOVEMBER 30, 2020**

| | <u>Restricted</u> | <u>Unrestricted</u> | <u>Total</u> |
|--|-------------------|----------------------|----------------------|
| Cash and Cash Equivalents-December 1, 2019 | 79,709.15 | 22,824,038.87 | 22,903,748.02 |
| Cash Receipts: | | | |
| Service Agreements | | 11,181,851.00 | 11,181,851.00 |
| Due From State of New Jersey | 2,525.78 | - | 2,525.78 |
| Other | 2,727.58 | 79,800.68 | 82,528.26 |
| Interest Earned | 586.43 | 158,987.36 | 159,573.79 |
| | <u>5,839.79</u> | <u>11,420,639.04</u> | <u>11,426,478.83</u> |
| Total Cash Receipts | <u>5,839.79</u> | <u>11,420,639.04</u> | <u>11,426,478.83</u> |
| Cash Disbursements: | | | |
| Operations | | 7,157,361.69 | 7,157,361.69 |
| Construction In Progress | | 514,669.44 | 514,669.44 |
| Bond Principal | | 1,867,103.98 | 1,867,103.98 |
| Interest on Bonds | | 292,304.43 | 292,304.43 |
| | <u>-</u> | <u>9,831,439.54</u> | <u>9,831,439.54</u> |
| Total Cash Disbursements | <u>-</u> | <u>9,831,439.54</u> | <u>9,831,439.54</u> |
| Cash and Cash Equivalents-November 30, 2020 | <u>85,548.94</u> | <u>24,413,238.37</u> | <u>24,498,787.31</u> |
| Balance Comprised Of: | | | |
| Cash | <u>85,548.94</u> | <u>24,413,238.37</u> | <u>24,498,787.31</u> |
| | <u>85,548.94</u> | <u>24,413,238.37</u> | <u>24,498,787.31</u> |

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY**

**SUPPLEMENTAL SCHEDULE OF OPERATING REVENUE COMPARED TO BUDGET
FOR THE YEAR ENDED NOVEMBER 30, 2020**

| | FY 2020 Adopted Budget | FY 2020 Budget As Amended | 2020 Actual | Excess / (Deficit) | Prior Year Actual |
|--|---------------------------------------|--|-------------------------|-------------------------------|------------------------------|
| Retained Earnings Appropriated: | | | | | |
| Unrestricted Accounts | \$ - | 500,000.00 | 500,000.00 | \$ - | \$ 357,602.00 |
| Service Agreements | 11,681,850.00 | 11,181,850.00 | 11,181,851.00 | 1.00 | 11,075,150.00 |
| Industrial Permits and Miscellaneous | 42,500.00 | 42,500.00 | 81,054.03 | 38,554.03 | 61,827.07 |
| Unrestricted and Restricted Accounts- Interest on Investments (1) | 90,000.00 | 90,000.00 | 91,730.50 | 1,730.50 | 156,576.22 |
| Total Revenue | \$ 11,814,350.00 | \$ 11,814,350.00 | \$ 11,854,635.53 | \$ 40,285.53 | \$ 11,651,155.29 |
| Analysis of Miscellaneous Revenue: | | | | | |
| IPP Permits | | | 54,850.00 | | 52,151.00 |
| Sewer Extension | | | 400.00 | | 1,350.33 |
| Scrap Metal | | | 12,397.00 | | - |
| Legal Settlement | | | 12,998.13 | | - |
| Sale of Authority Equipment, Net Accounting Losses | | | - | | 7,904.14 |
| Miscellaneous | | | 408.90 | | 421.60 |
| Total Miscellaneous Revenue | | | 81,054.03 | | 61,827.07 |

(1) Interest Earned on Unemployment and Renewal and Replacement Accounts are not included in this amount.

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY**

**SUPPLEMENTAL SCHEDULE OF OPERATING EXPENSES COMPARED TO BUDGET
FOR THE YEAR ENDED NOVEMBER 30, 2020**

| | Acct. No. | FY 2020 Adopted Budget | FY 2020 Budget as Amended | Paid Or Charged | Excess / (Deficit) | Prior Year Actual |
|------------------------------------|--------------|------------------------------|---------------------------------|---------------------|-----------------------|----------------------|
| Salaries and Wages: | | | | | | |
| Administrative | | \$ 458,300.00 | \$ 458,300.00 | \$ 405,187.24 | \$ 53,112.76 | \$ 390,111.01 |
| Operating and Maintenance | | <u>2,092,880.00</u> | <u>2,092,880.00</u> | <u>1,823,454.02</u> | <u>269,425.98</u> | <u>1,905,801.87</u> |
| | | <u>2,551,180.00</u> | <u>2,551,180.00</u> | <u>2,228,641.26</u> | <u>322,538.74</u> | <u>2,295,912.88</u> |
| Employee Benefits: | | | | | | |
| Pension (PERS) and DCRP | 21.11 | 289,600.00 | 289,600.00 | 273,240.32 | 16,359.68 | 275,503.13 |
| Health Benefits | 21.12 | 620,700.00 | 620,700.00 | 455,803.59 | 164,896.41 | 471,456.51 |
| Health Benefits - Retired | 21.12R | 25,200.00 | 25,200.00 | 25,200.00 | - | 25,200.00 |
| Social Security (OASI) | 21.13 | 195,200.00 | 195,200.00 | 156,703.59 | 38,496.41 | 160,785.90 |
| Temporary Disability Insurance | 21.15 | <u>5,000.00</u> | <u>5,000.00</u> | <u>2,457.18</u> | <u>2,542.82</u> | <u>2,492.48</u> |
| | | <u>1,135,700.00</u> | <u>1,135,700.00</u> | <u>913,404.68</u> | <u>222,295.32</u> | <u>935,438.02</u> |
| Financial Services: | | | | | | |
| Local Banking Fees | 31.11 | 6,800.00 | 6,800.00 | 6,956.71 | (156.71) | 5,983.38 |
| Administrative Fee-Debt Service | 31.13 | 40,200.00 | 40,200.00 | 40,170.00 | 30.00 | 73,808.50 |
| Insurance | 31.15 | <u>7,000.00</u> | <u>7,000.00</u> | <u>5,250.00</u> | <u>1,750.00</u> | <u>5,452.00</u> |
| | | <u>54,000.00</u> | <u>54,000.00</u> | <u>52,376.71</u> | <u>1,623.29</u> | <u>85,243.88</u> |
| Professional Expenses: | | | | | | |
| Mileage and Expense | 31.21 | 20,000.00 | 20,000.00 | 2,291.71 | 17,708.29 | 11,277.47 |
| Dues and Subscriptions | 31.22 | 15,000.00 | 15,000.00 | 10,900.23 | 4,099.77 | 10,276.00 |
| Conferences, Meetings and Training | 31.24 | <u>20,000.00</u> | <u>20,000.00</u> | <u>5,677.46</u> | <u>14,322.54</u> | <u>6,533.08</u> |
| | | <u>55,000.00</u> | <u>55,000.00</u> | <u>18,869.40</u> | <u>36,130.60</u> | <u>28,086.55</u> |
| Office: | | | | | | |
| Equipment | 31.31 | 30,000.00 | 30,000.00 | 3,602.10 | 26,397.90 | 4,298.01 |
| Advertising | 31.32 | 2,500.00 | 2,500.00 | 3,345.69 | (845.69) | 1,509.15 |
| Office Supplies | 31.33 | 10,000.00 | 10,000.00 | 8,421.91 | 1,578.09 | 7,764.34 |
| Postage | 31.34 | 4,000.00 | 4,000.00 | 2,379.58 | 1,620.42 | 2,480.38 |
| Telephone | 31.35 | 20,500.00 | 20,500.00 | 16,199.89 | 4,300.11 | 15,850.64 |
| Miscellaneous | 31.36 | 3,000.00 | 3,000.00 | 725.98 | 2,274.02 | 2,184.45 |
| Lease Lines | 31.37 | 36,000.00 | 36,000.00 | 10,808.72 | 25,191.28 | 34,443.90 |
| Payroll Processing | 31.38 | <u>9,000.00</u> | <u>9,000.00</u> | <u>7,565.95</u> | <u>1,434.05</u> | <u>7,601.60</u> |
| | | <u>115,000.00</u> | <u>115,000.00</u> | <u>53,049.82</u> | <u>61,950.18</u> | <u>76,132.47</u> |

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY**

**SUPPLEMENTAL SCHEDULE OF OPERATING EXPENSES COMPARED TO BUDGET
FOR THE YEAR ENDED NOVEMBER 30, 2020**

| | Acct. No. | FY 2020 Adopted Budget | FY 2020 Adopted Budget | Paid Or Charged | Excess / (Deficit) | Prior Year Actual |
|--|--------------|------------------------------|------------------------------|--------------------|-----------------------|----------------------|
| Energy: | | | | | | |
| Plant Electric | 51.11 | \$ 915,000.00 | \$ 915,000.00 | \$ 581,253.63 | \$ 333,746.37 | \$ 640,319.78 |
| Pump Station Electric | 51.12 | 147,000.00 | 147,000.00 | 103,018.73 | 43,981.27 | 120,264.09 |
| Fuel Oil | 51.13 | 150,000.00 | 150,000.00 | 82,499.22 | 67,500.78 | 73,418.18 |
| Water | 51.14 | 16,500.00 | 16,500.00 | 13,248.68 | 3,251.32 | 14,456.18 |
| | | <u>1,228,500.00</u> | <u>1,228,500.00</u> | <u>780,020.26</u> | <u>448,479.74</u> | <u>848,458.23</u> |
| Chemicals: | | | | | | |
| Odor Control Chemicals | 51.21 | 23,000.00 | 23,000.00 | 23,441.00 | (441.00) | 13,965.17 |
| Sodium Hypochlorite | 51.23 | 11,100.00 | 11,100.00 | 5,036.80 | 6,063.20 | 7,291.62 |
| Alum/PAC | 51.25 | 102,000.00 | 102,000.00 | 79,574.94 | 22,425.06 | 66,317.33 |
| Propane | 51.26 | 1,000.00 | 1,000.00 | 223.06 | 776.94 | 402.57 |
| | | <u>137,100.00</u> | <u>137,100.00</u> | <u>108,275.80</u> | <u>28,824.20</u> | <u>87,976.69</u> |
| Equipment, Maintenance and Repairs: | | | | | | |
| Tools and Supplies | 51.31 | 145,600.00 | 145,600.00 | 138,435.58 | 7,164.42 | 119,526.44 |
| Tools and Supplies-Solids Handling | 51.31s | 13,500.00 | 13,500.00 | - | 13,500.00 | - |
| Electrical Repairs | 51.32 | 29,100.00 | 29,100.00 | 30,755.40 | (1,655.40) | 21,811.36 |
| Mechanical Repairs | 51.33 | 71,800.00 | 71,800.00 | 53,823.79 | 17,976.21 | 74,148.02 |
| Mechanical Repairs-Solids Handling | 51.33s | 6,200.00 | 6,200.00 | - | 6,200.00 | - |
| Lubricants, Oil, Gasoline, etc. | 51.34 | 13,500.00 | 13,500.00 | 19,895.55 | (6,395.55) | 26,621.93 |
| Paint | 51.35 | 3,100.00 | 3,100.00 | 1,398.01 | 1,701.99 | 2,752.41 |
| Motor Vehicle Repairs/Registrations | 51.36 | 8,300.00 | 8,300.00 | 2,527.61 | 5,772.39 | 4,352.41 |
| Rentals | 51.38 | 4,200.00 | 4,200.00 | - | 4,200.00 | - |
| | | <u>295,300.00</u> | <u>295,300.00</u> | <u>246,835.94</u> | <u>48,464.06</u> | <u>249,212.57</u> |
| Miscellaneous: | | | | | | |
| Housekeeping | 51.41 | 18,000.00 | 18,000.00 | 18,743.71 | (743.71) | 12,595.65 |
| Lab Supplies | 51.42 | 42,000.00 | 42,000.00 | 26,219.13 | 15,780.87 | 31,454.80 |
| Uniforms and Clothing | 51.43 | 14,000.00 | 14,000.00 | 8,180.60 | 5,819.40 | 7,770.20 |
| Training and Safety Equipment | 51.44 | 25,000.00 | 25,000.00 | 18,794.94 | 6,205.06 | 24,712.63 |
| Plant Tours/Meetings | 51.47 | 7,000.00 | 7,000.00 | 2,023.57 | 4,976.43 | 1,974.10 |
| Insurance O&M | 51.48 | 215,000.00 | 215,000.00 | 197,533.35 | 17,466.65 | 217,752.27 |
| | | <u>321,000.00</u> | <u>321,000.00</u> | <u>271,495.30</u> | <u>49,504.70</u> | <u>296,259.65</u> |

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY**

**SUPPLEMENTAL SCHEDULE OF OPERATING EXPENSES COMPARED TO BUDGET
FOR THE YEAR ENDED NOVEMBER 30, 2020**

| | Acct. No. | FY 2020 Adopted Budget | FY 2020 Adopted Budget | Paid Or Charged | Excess / (Deficit) | Prior Year Actual |
|---|--------------|------------------------------|------------------------------|-------------------------|------------------------|-------------------------|
| Contracts and Professional Services: | | | | | | |
| Garbage / Debris Disposal | 51.51 | \$ 30,000.00 | \$ 30,000.00 | \$ 20,164.61 | \$ 9,835.39 | \$ 20,719.88 |
| Computer Support Services | 51.52 | 110,000.00 | 110,000.00 | 74,527.04 | 35,472.96 | 69,396.00 |
| Engineer | 51.53 | 90,000.00 | 90,000.00 | 50,678.31 | 39,321.69 | 56,305.38 |
| Lawn and Shrub Maintenance | 51.54 | 18,000.00 | 18,000.00 | 18,811.73 | (811.73) | 13,329.67 |
| Sludge Disposal | 51.55D | 486,000.00 | 486,000.00 | 418,099.75 | 67,900.25 | 417,772.00 |
| Sludge Hauling | 51.55H | 250,000.00 | 250,000.00 | 232,544.00 | 17,456.00 | 235,716.00 |
| Instrumentation | 51.56 | 95,000.00 | 95,000.00 | 38,398.11 | 56,601.89 | 69,972.07 |
| Auditor | 51.57 | 27,000.00 | 27,000.00 | 23,900.00 | 3,100.00 | 23,500.00 |
| Legal | 51.58 | 50,000.00 | 50,000.00 | 33,813.21 | 16,186.79 | 27,203.11 |
| | | <u>1,156,000.00</u> | <u>1,156,000.00</u> | <u>910,936.76</u> | <u>245,063.24</u> | <u>933,914.11</u> |
| State Requirements: | | | | | | |
| Licensing | 51.61 | 1,500.00 | 1,500.00 | 1,080.00 | 420.00 | 1,171.50 |
| Permits and Fees | 51.62 | 60,000.00 | 60,000.00 | 27,229.73 | 32,770.27 | 23,881.18 |
| Engineering | 51.63 | 120,000.00 | 120,000.00 | 56,393.39 | 63,606.61 | 73,809.16 |
| Training | 51.64 | 70,000.00 | 70,000.00 | 30,983.75 | 39,016.25 | 56,522.00 |
| Outside Lab | 51.65 | 50,000.00 | 50,000.00 | 29,100.82 | 20,899.18 | 35,093.75 |
| Fines and Penalties | 51.66 | - | - | - | - | - |
| Auditor | 51.67 | 10,000.00 | 10,000.00 | 3,262.50 | 6,737.50 | 6,945.00 |
| Legal | 51.68 | 60,000.00 | 60,000.00 | 2,125.08 | 57,874.92 | 844.00 |
| | | <u>371,500.00</u> | <u>371,500.00</u> | <u>150,175.27</u> | <u>221,324.73</u> | <u>198,266.59</u> |
| Sub-Total Operating | | <u>7,420,280.00</u> | <u>7,420,280.00</u> | <u>5,734,081.20</u> | <u>1,686,198.80</u> | <u>6,034,901.64</u> |
| Debt Service: | | | | | | |
| Bond Principal | | 1,867,104.00 | 1,867,104.00 | 1,867,103.98 | 0.02 | 1,845,354.11 |
| Interest on Bonds | | <u>380,592.00</u> | <u>380,592.00</u> | <u>282,815.30</u> | <u>97,776.70</u> | <u>386,924.09</u> |
| Sub-Total Debt Service | | <u>2,247,696.00</u> | <u>2,247,696.00</u> | <u>2,149,919.28</u> | <u>97,776.72</u> | <u>2,232,278.20</u> |
| Reserves: | | | | | | |
| Renewal and Replacement | | 1,246,374.00 | 1,246,374.00 | 1,246,374.00 | - | 1,210,072.00 |
| Capital Improvement | | <u>900,000.00</u> | <u>900,000.00</u> | <u>900,000.00</u> | <u>-</u> | <u>900,000.00</u> |
| Grand Total | | <u>\$ 11,814,350.00</u> | <u>\$ 11,814,350.00</u> | <u>\$ 10,030,374.48</u> | <u>\$ 1,783,975.52</u> | <u>\$ 10,377,251.84</u> |

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

SUPPLEMENTAL SCHEDULE OF OPERATING EXPENSES COMPARED TO BUDGET
FOR THE YEAR ENDED NOVEMBER 30, 2020

| | Acct. No. | FY 2020 Adopted Budget | FY 2020 Budget as Amended | Paid Or Charged | Excess / (Deficit) | Prior Year Actual |
|--|--------------|------------------------------|---------------------------------|--------------------|-----------------------|----------------------|
| Excess(Deficit) of Revenues Over Expenses | \$ | - | \$ - | \$ 1,824,261.05 | \$ - | \$ 1,273,903.45 |
| Reconciliation of Budgetary Basis to GAAP: | | | | | | |
| Retained Earnings Appropriated: | | | | | | |
| Unrestricted Accounts | | | | (500,000.00) | - | (357,602.00) |
| Interest Earned on Unemployment, Construction, and Renewal and Replacement Accounts | | | | 67,843.29 | - | 120,939.16 |
| Homeland Security Grant Program | | | | 15,944.40 | - | 134,055.60 |
| Net Adjustment for OPEB | | | | 33,018.00 | - | (41,937.00) |
| Depreciation Expense | | | | (1,424,886.59) | - | (1,268,789.85) |
| Amortization | | | | 83,500.17 | - | 83,500.15 |
| Bond Principal | | | | 1,867,103.98 | - | 1,845,354.11 |
| Capital Improvement Fund - Net | | | | 900,000.00 | - | 900,000.00 |
| Net Loss Due to Cybersecurity Breach | | | | (4,457.50) | - | - |
| Accumulated Sick and Vacation - Net | | | | (52,540.99) | - | (2,459.61) |
| Renewal and Replacement Fund - Net | | | | 104,957.02 | - | (247,627.50) |
| Pension Expense (GASB 68) | | | | 162,315.04 | - | 49,614.52 |
| Unemployment Insurance | | | | 2,727.58 | - | 2,704.46 |
| Total Adjustments | | - | - | 1,255,524.40 | - | 1,217,752.04 |
| Change In Net Position | \$ | - | \$ - | \$ 3,079,785.45 | \$ - | \$ 2,491,655.49 |

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY**

SUPPLEMENTAL SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS PAYABLE

| | |
|------------------------------------|----------------------|
| Balance - December 1, 2019 | 24,455,661.44 |
| Decreased by: | |
| Bonds Redeemed | (1,867,103.98) |
| Balance - November 30, 2020 | <u>22,588,557.46</u> |
| Current Portion | 1,906,566.70 |
| Long-Term Portion | <u>20,681,990.76</u> |
| | <u>22,588,557.46</u> |

Analysis of Balance:

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
SERIES 2006A
TRUST AGREEMENT SCHEDULE**

| <u>Date</u> | <u>Principal</u> | <u>Coupons</u> | <u>Interest</u> | <u>Debt Service</u> |
|-------------|---------------------|----------------|-------------------|---------------------|
| 02/01/21 | | | 37,193.61 | 37,193.61 |
| 08/01/21 | 290,524.37 | 4.125% | 37,193.60 | 327,717.97 |
| 02/01/22 | | | 31,383.10 | 31,383.10 |
| 08/01/22 | 299,732.58 | 4.125% | 31,383.09 | 331,115.67 |
| 02/01/23 | | | 25,388.42 | 25,388.42 |
| 08/01/23 | 313,563.80 | 4.250% | 25,388.41 | 338,952.21 |
| 02/01/24 | | | 19,117.12 | 19,117.12 |
| 08/01/24 | 311,895.95 | 5.000% | 19,117.11 | 331,013.06 |
| 02/01/25 | | | 13,917.27 | 13,917.27 |
| 08/01/25 | 341,216.53 | 4.250% | 13,917.27 | 355,133.80 |
| 02/01/26 | | | 7,092.93 | 7,092.93 |
| 08/01/26 | <u>354,646.07</u> | 4.250% | <u>7,092.93</u> | <u>361,739.00</u> |
| | <u>1,911,579.30</u> | | <u>268,184.86</u> | <u>2,179,764.16</u> |

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY**

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
SERIES 2006B
FUND LOAN REPAYMENT SCHEDULE**

| <u>Date</u> | <u>Principal</u> |
|--------------------|-------------------------|
| 02/01/21 | 28,134.02 |
| 08/01/21 | 222,960.28 |
| 02/01/22 | 24,115.73 |
| 08/01/22 | 225,329.73 |
| 02/01/23 | 19,965.69 |
| 08/01/23 | 230,761.31 |
| 02/01/24 | 15,486.29 |
| 08/01/24 | 235,863.52 |
| 02/01/25 | 9,976.86 |
| 08/01/25 | 239,935.71 |
| 02/01/26 | 5,090.23 |
| 08/01/26 | 174,960.14 |
| | <hr/> |
| | 1,432,579.51 |
| | <hr/> |

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY**

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
SERIES 2010 TRUST (UV)
TRUST AGREEMENT SCHEDULE**

| <u>Date</u> | <u>Principal</u> | <u>Coupons</u> | <u>Interest</u> | <u>Debt Service</u> |
|-------------|-------------------|----------------|-------------------|---------------------|
| 02/01/21 | | | 19,440.00 | 19,440.00 |
| 08/01/21 | 94,000.00 | 3.000% | 19,440.00 | 113,440.00 |
| 02/01/22 | | | 17,560.00 | 17,560.00 |
| 08/01/22 | 95,000.00 | 4.000% | 17,560.00 | 112,560.00 |
| 02/01/23 | | | 15,660.00 | 15,660.00 |
| 08/01/23 | 99,000.00 | 4.000% | 15,660.00 | 114,660.00 |
| 02/01/24 | | | 13,680.00 | 13,680.00 |
| 08/01/24 | 104,000.00 | 4.000% | 13,680.00 | 117,680.00 |
| 02/01/25 | | | 11,600.00 | 11,600.00 |
| 08/01/25 | 109,000.00 | 4.000% | 11,600.00 | 120,600.00 |
| 02/01/26 | | | 9,420.00 | 9,420.00 |
| 08/01/26 | 114,000.00 | 3.500% | 9,420.00 | 123,420.00 |
| 02/01/27 | | | 7,140.00 | 7,140.00 |
| 08/01/27 | 114,000.00 | 4.000% | 7,140.00 | 121,140.00 |
| 02/01/28 | | | 4,860.00 | 4,860.00 |
| 08/01/28 | 119,000.00 | 4.000% | 4,860.00 | 123,860.00 |
| 02/01/29 | | | 2,480.00 | 2,480.00 |
| 08/01/29 | 124,000.00 | 4.000% | 2,480.00 | 126,480.00 |
| | <u>972,000.00</u> | | <u>203,680.00</u> | <u>1,175,680.00</u> |

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY**

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
SERIES 2009 FUND (UV)
FUND LOAN REPAYMENT SCHEDULE**

| <u>Date</u> | <u>Principal</u> |
|-------------|------------------|
| 02/01/21 | 30,907.40 |
| 08/01/21 | 61,814.81 |
| 02/01/22 | 30,907.40 |
| 08/01/22 | 61,814.81 |
| 02/01/23 | 30,907.40 |
| 08/01/23 | 61,814.81 |
| 02/01/24 | 30,907.40 |
| 08/01/24 | 61,814.81 |
| 02/01/25 | 30,907.40 |
| 08/01/25 | 61,814.81 |
| 02/01/26 | 30,907.40 |
| 08/01/26 | 61,814.81 |
| 02/01/27 | 30,907.40 |
| 08/01/27 | 61,814.81 |
| 02/01/28 | 30,907.40 |
| 08/01/28 | 61,814.81 |
| 02/01/29 | 30,907.40 |
| 08/01/29 | 61,814.79 |
| | <hr/> |
| | 834,499.87 |
| | <hr/> |

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY**

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
SERIES 2010B TRUST (SUPPLEMENTAL)
TRUST AGREEMENT SCHEDULE**

| <u>Date</u> | <u>Principal</u> | <u>Coupons</u> | <u>Interest</u> | <u>Debt Service</u> |
|-------------|-------------------|----------------|------------------|---------------------|
| 02/01/21 | | | 7,587.50 | 7,587.50 |
| 08/01/21 | 27,000.00 | 5.000% | 7,587.50 | 34,587.50 |
| 02/01/22 | | | 6,912.50 | 6,912.50 |
| 08/01/22 | 27,000.00 | 5.000% | 6,912.50 | 33,912.50 |
| 02/01/23 | | | 6,237.50 | 6,237.50 |
| 08/01/23 | 27,000.00 | 5.000% | 6,237.50 | 33,237.50 |
| 02/01/24 | | | 5,562.50 | 5,562.50 |
| 08/01/24 | 28,000.00 | 5.000% | 5,562.50 | 33,562.50 |
| 02/01/25 | | | 4,862.50 | 4,862.50 |
| 08/01/25 | 32,000.00 | 5.000% | 4,862.50 | 36,862.50 |
| 02/01/26 | | | 4,062.50 | 4,062.50 |
| 08/01/26 | 32,000.00 | 5.000% | 4,062.50 | 36,062.50 |
| 02/01/27 | | | 3,262.50 | 3,262.50 |
| 08/01/27 | 32,000.00 | 5.000% | 3,262.50 | 35,262.50 |
| 02/01/28 | | | 2,542.50 | 2,542.50 |
| 08/01/28 | 36,000.00 | 5.000% | 2,542.50 | 38,542.50 |
| 02/01/29 | | | 1,732.50 | 1,732.50 |
| 08/01/29 | 36,000.00 | 5.000% | 1,732.50 | 37,732.50 |
| 02/01/30 | | | 922.50 | 922.50 |
| 08/01/30 | 41,000.00 | 5.000% | 922.50 | 41,922.50 |
| | <u>318,000.00</u> | | <u>87,370.00</u> | <u>405,370.00</u> |

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
SERIES 2010A FUND (SUPPLEMENTAL)
FUND LOAN REPAYMENT SCHEDULE

| <u>Date</u> | <u>Principal</u> |
|-------------|------------------|
| 02/01/21 | 29,355.26 |
| 08/01/21 | 58,710.52 |
| 02/01/22 | 29,355.26 |
| 08/01/22 | 58,710.52 |
| 02/01/23 | 29,355.26 |
| 08/01/23 | 58,710.52 |
| 02/01/24 | 29,355.26 |
| 08/01/24 | 58,710.52 |
| 02/01/25 | 29,355.26 |
| 08/01/25 | 58,710.52 |
| 02/01/26 | 29,355.26 |
| 08/01/26 | 58,710.52 |
| 02/01/27 | 29,355.26 |
| 08/01/27 | 58,710.52 |
| 02/01/28 | 29,355.26 |
| 08/01/28 | 58,710.52 |
| 02/01/29 | 29,355.26 |
| 08/01/29 | 58,710.52 |
| 02/01/30 | 29,355.26 |
| 08/01/30 | 58,710.70 |
| | <hr/> |
| | 880,657.98 |
| | <hr/> |

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY**

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
SERIES 2015A-1 TRUST
TRUST AGREEMENT SCHEDULE**

| <u>Date</u> | <u>Principal</u> | <u>Coupons</u> | <u>Interest</u> | <u>Debt Service</u> |
|-------------|---------------------|----------------|---------------------|---------------------|
| 02/01/21 | | | 111,800.00 | 111,800.00 |
| 08/01/21 | 270,000.00 | 5.000% | 111,800.00 | 381,800.00 |
| 02/01/22 | | | 105,050.00 | 105,050.00 |
| 08/01/22 | 280,000.00 | 5.000% | 105,050.00 | 385,050.00 |
| 02/01/23 | | | 98,050.00 | 98,050.00 |
| 08/01/23 | 295,000.00 | 5.000% | 98,050.00 | 393,050.00 |
| 02/01/24 | | | 90,675.00 | 90,675.00 |
| 08/01/24 | 310,000.00 | 5.000% | 90,675.00 | 400,675.00 |
| 02/01/25 | | | 82,925.00 | 82,925.00 |
| 08/01/25 | 325,000.00 | 5.000% | 82,925.00 | 407,925.00 |
| 02/01/26 | | | 74,800.00 | 74,800.00 |
| 08/01/26 | 340,000.00 | 5.000% | 74,800.00 | 414,800.00 |
| 02/01/27 | | | 66,300.00 | 66,300.00 |
| 08/01/27 | 360,000.00 | 4.000% | 66,300.00 | 426,300.00 |
| 02/01/28 | | | 59,100.00 | 59,100.00 |
| 08/01/28 | 375,000.00 | 4.000% | 59,100.00 | 434,100.00 |
| 02/01/29 | | | 51,600.00 | 51,600.00 |
| 08/01/29 | 390,000.00 | 4.000% | 51,600.00 | 441,600.00 |
| 02/01/30 | | | 43,800.00 | 43,800.00 |
| 08/01/30 | 405,000.00 | 4.000% | 43,800.00 | 448,800.00 |
| 02/01/31 | | | 35,700.00 | 35,700.00 |
| 08/01/31 | 420,000.00 | 4.000% | 35,700.00 | 455,700.00 |
| 02/01/32 | | | 27,300.00 | 27,300.00 |
| 08/01/32 | 435,000.00 | 4.000% | 27,300.00 | 462,300.00 |
| 02/01/33 | | | 18,600.00 | 18,600.00 |
| 08/01/33 | 455,000.00 | 4.000% | 18,600.00 | 473,600.00 |
| 02/01/34 | | | 9,500.00 | 9,500.00 |
| 08/01/34 | <u>475,000.00</u> | 4.000% | <u>9,500.00</u> | <u>484,500.00</u> |
| | <u>5,135,000.00</u> | | <u>1,750,400.00</u> | <u>6,885,400.00</u> |

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY**

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
SERIES 2015A-1 FUND
FUND LOAN REPAYMENT SCHEDULE**

| <u>Date</u> | <u>Principal</u> |
|-------------|------------------|
| 02/01/21 | 264,386.68 |
| 08/01/21 | 528,773.36 |
| 02/01/22 | 264,386.68 |
| 08/01/22 | 528,773.36 |
| 02/01/23 | 264,386.68 |
| 08/01/23 | 528,773.36 |
| 02/01/24 | 264,386.68 |
| 08/01/24 | 528,773.36 |
| 02/01/25 | 264,386.68 |
| 08/01/25 | 528,773.36 |
| 02/01/26 | 264,386.68 |
| 08/01/26 | 528,773.36 |
| 02/01/27 | 264,386.68 |
| 08/01/27 | 528,773.36 |
| 02/01/28 | 264,386.68 |
| 08/01/28 | 528,773.36 |
| 02/01/29 | 264,386.68 |
| 08/01/29 | 528,773.36 |
| 02/01/30 | 264,386.68 |
| 08/01/30 | 528,773.36 |
| 02/01/31 | 264,386.68 |
| 08/01/31 | 528,773.36 |
| 02/01/32 | 264,386.68 |
| 08/01/32 | 528,773.36 |
| 02/01/33 | 264,386.68 |
| 08/01/33 | 528,773.36 |
| 02/01/34 | 264,386.68 |
| 08/01/34 | 528,773.60 |
| | <hr/> |
| | 11,104,240.80 |
| | <hr/> |

**PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY**

**SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
UNRESERVED
UTILIZING PRECEDING ACCOUNTING METHOD
FOR THE YEAR ENDED NOVEMBER 30, 2020**

| | <u>Unreserved</u> |
|---|-------------------------|
| Operating Revenue: | |
| Service Agreements | \$ 11,181,851.00 |
| Interest - Unrestricted | 91,730.50 |
| Miscellaneous | <u>81,054.03</u> |
| Total Operating Revenue | <u>11,354,635.53</u> |
| Operating Expenses: | |
| Salaries and Wages | 2,228,641.26 |
| Other Expenses | 3,505,439.94 |
| Replacement Fund | 1,246,374.00 |
| Capital Improvement Fund | <u>900,000.00</u> |
| Total Operating Expenses | <u>7,880,455.20</u> |
| Operating Income | <u>3,474,180.33</u> |
| Non-Operating Revenue (Expenses): | |
| Interest Expense | (282,815.30) |
| Cyber Security/Recovery | (4,457.50) |
| Payment of Principal on Bonds | <u>(1,867,103.98)</u> |
| Total Non-Operating Revenues and (Expenses) | <u>(2,154,376.78)</u> |
| Net Increase (Decrease) in Retained Earnings Before Transfers | 1,319,803.55 |
| Transfers: | |
| Decrease in Operation and Maintenance Fund | <u>50,650.00</u> |
| Net Increase (Decrease) in Retained Earnings | 1,370,453.55 |
| Retained Earnings - December 1, 2019 | <u>9,391,274.24</u> |
| Retained Earnings - November 30, 2020 | <u>\$ 10,761,727.79</u> |
| Analysis: | |
| Designated for Subsequent Year's Budget | 500,000.00 |
| Undesignated, Available for Use in Future Budgets (Note 13) | <u>10,261,727.79</u> |
| | <u>\$ 10,761,727.79</u> |

NOTE:

This schedule is being generated for management purposes only.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
FIXED ASSET SCHEDULE

| | Direct Cost Original | Indirect Costs | Total Cost | Date Placed In Service | Estimated Useful Life (Years) | Beg. Accumulated Depreciation, As Adjusted | Depreciation Expense | Ending Accumulated Depreciation |
|---|-------------------------|-----------------|------------------|---------------------------|-------------------------------------|--|-------------------------|------------------------------------|
| WASTEWATER TREATMENT PLANT | | | | | | | | |
| Structure | \$ 15,058,176.38 | \$ 3,854,735.38 | \$ 18,912,911.76 | May 1, 1979 | 75.00 | \$ 10,233,986.73 | \$ 252,172.16 | \$ 10,486,158.89 |
| Equipment * | \$ 13,879,178.45 | \$ 3,620,960.40 | \$ 17,500,138.85 | May 1, 1979 | 40.00 | \$ 17,500,138.85 | \$ - | \$ 17,500,138.85 |
| SOUTH SIDE PUMPING STATION | | | | | | | | |
| Structure | \$ 1,017,770.30 | \$ 300,513.03 | \$ 1,318,283.33 | May 1, 1979 | 75.00 | \$ 713,337.74 | \$ 17,577.11 | \$ 730,914.85 |
| Equipment | \$ 501,289.87 | \$ 148,013.86 | \$ 649,303.73 | May 1, 1979 | 40.00 | \$ 642,540.10 | \$ - | \$ 642,540.10 |
| PIPELINES | \$ 5,676,524.73 | \$ 1,533,690.35 | \$ 7,210,215.08 | July 1, 1980 | 75.00 | \$ 3,789,368.57 | \$ 96,136.20 | \$ 3,885,504.77 |
| FORCE MAIN, INTERCEPTOR & OUTFALL | | | | | | | | |
| CENTRAL PUMPING STATION | \$ 1,479,036.05 | \$ 411,229.58 | \$ 1,890,265.63 | May 1, 1979 | 75.00 | \$ 1,022,843.71 | \$ 25,203.54 | \$ 1,048,047.25 |
| Structure | \$ 1,290,529.50 | \$ 381,048.03 | \$ 1,671,577.53 | July 1, 1980 | 75.00 | \$ 878,506.85 | \$ 22,287.70 | \$ 900,794.55 |
| Equipment | \$ 635,633.96 | \$ 187,680.35 | \$ 823,314.31 | July 1, 1980 | 40.00 | \$ 802,731.45 | \$ 12,006.63 | \$ 814,738.08 |
| PINE BROOK ROAD-PIPELINES | \$ 795,919.10 | \$ 204,725.18 | \$ 1,000,644.28 | November 1, 1980 | 75.00 | \$ 521,446.80 | \$ 13,341.92 | \$ 534,788.72 |
| PINE BROOK ROAD-PUMPING STATION | | | | | | | | |
| Structure | \$ 330,773.00 | \$ 97,648.72 | \$ 428,421.72 | November 1, 1980 | 75.00 | \$ 223,255.33 | \$ 5,712.29 | \$ 228,967.62 |
| Equipment | \$ 168,918.04 | \$ 42,095.64 | \$ 211,013.68 | November 1, 1980 | 40.00 | \$ 205,738.34 | \$ 4,835.76 | \$ 210,574.10 |
| TOWNSHIP OF FAIRFIELD - SEWERAGE FACILITY | | | | | | | | |
| Structure | \$ 1,203,846.17 | \$ - | \$ 1,203,846.17 | May 1, 1979 | 75.00 | \$ 651,414.50 | \$ 16,051.28 | \$ 667,465.78 |
| Equipment | \$ 592,939.16 | \$ - | \$ 592,939.16 | May 1, 1979 | 40.00 | \$ 586,762.74 | \$ - | \$ 586,762.74 |
| LAND ACQUISITION | \$ 214,303.84 | \$ 63,276.67 | \$ 277,580.51 | May 1, 1979 | Unlimited | | | |
| BELT FILTER PRESSES | \$ 725,387.22 | \$ 183,700.50 | \$ 909,087.72 | June 1, 1982 | 40.00 | \$ 852,269.70 | \$ 22,727.19 | \$ 874,996.89 |
| SLUDGE/SEPTAGE FACILITY | | | | | | | | |
| Structure | \$ 213,809.64 | \$ 81,336.58 | \$ 295,146.22 | June 1, 1985 | 75.00 | \$ 135,767.21 | \$ 3,935.28 | \$ 139,702.49 |
| Equipment | \$ 213,809.65 | \$ 81,336.57 | \$ 295,146.22 | June 1, 1985 | 40.00 | \$ 254,563.69 | \$ 7,378.66 | \$ 261,942.35 |
| BEAVER BROOK ROAD MANHOLES | \$ 15,000.00 | \$ - | \$ 15,000.00 | July 1, 1980 | 75.00 | \$ 7,883.02 | \$ 200.00 | \$ 8,083.02 |
| C.O ANALYZER * | \$ 33,371.10 | \$ - | \$ 33,371.10 | December 1, 1990 | 10 | \$ 33,371.10 | \$ - | \$ 33,371.10 |
| COMPACTOR | \$ 30,644.00 | \$ - | \$ 30,644.00 | December 1, 1990 | 10 | \$ 30,644.00 | \$ - | \$ 30,644.00 |
| SLIDEGATE | \$ 4,960.00 | \$ - | \$ 4,960.00 | December 1, 1990 | 10 | \$ 4,960.00 | \$ - | \$ 4,960.00 |
| STACK EXTENSION * | \$ 6,158.00 | \$ - | \$ 6,158.00 | December 1, 1990 | 10 | \$ 6,158.00 | \$ - | \$ 6,158.00 |
| PRBSA INTERCEPTOR - SOUTH | \$ 5,411,212.00 | \$ 4,044,718.24 | \$ 9,455,930.24 | December 1, 1987 | 40.00 | \$ 7,564,744.26 | \$ 236,398.26 | \$ 7,801,142.52 |
| WASTEWATER TREATMENT PLANT | | | | | | | | |
| Incinerator air permits * | \$ - | \$ 14,522.42 | \$ 14,522.42 | June 1, 1992 | 75.00 | \$ 14,522.42 | \$ - | \$ 14,522.42 |
| Sludge & Septage Facility | | | | | | | | |
| Structure | \$ 75,128.42 | \$ 6,950.00 | \$ 82,078.42 | June 1, 1992 | 75.00 | \$ 30,095.44 | \$ 1,094.38 | \$ 31,189.82 |
| Equipment | \$ 75,128.43 | \$ 6,949.99 | \$ 82,078.42 | June 1, 1992 | 40.00 | \$ 56,428.90 | \$ 2,051.96 | \$ 58,480.86 |
| Dechlorination Facilities | \$ 381,089.01 | \$ 132,357.56 | \$ 513,446.57 | June 1, 1993 | 20.00 | \$ 513,446.57 | \$ - | \$ 513,446.57 |
| STP Plant Studies | \$ 276,567.45 | \$ 276,567.45 | \$ 553,134.90 | June 1, 1993 | 75.00 | \$ 97,722.68 | \$ 3,687.57 | \$ 101,410.25 |
| 2ND INCINERATOR * | \$ 3,640,682.70 | \$ 1,831,754.35 | \$ 5,472,437.05 | November 1, 1994 | 15.00 | \$ 5,472,437.05 | \$ - | \$ 5,472,437.05 |
| 2ND INCINERATOR Modifications * | \$ 1,652,123.49 | \$ - | \$ 1,652,123.49 | May 31, 2003 | 7.00 | \$ 1,652,123.49 | \$ - | \$ 1,652,123.49 |
| GARAGE | \$ 348,568.92 | \$ 93,955.80 | \$ 442,524.72 | November 1, 1995 | 75.00 | \$ 141,607.32 | \$ 5,900.33 | \$ 147,507.65 |
| GARAGE (Add'l Costs) | \$ - | \$ 49.23 | \$ 49.23 | December 1, 1996 | 75.00 | \$ 15.15 | \$ 0.66 | \$ 15.81 |
| GARAGE (MEZZANINE) | \$ 10,645.00 | \$ - | \$ 10,645.00 | December 1, 2000 | 75.00 | \$ 2,696.69 | \$ 141.93 | \$ 2,838.62 |
| GRIT REMOVAL CHAMBER | \$ 208,409.54 | \$ 42,353.96 | \$ 250,763.50 | November 1, 1995 | 40.00 | \$ 150,458.15 | \$ 6,269.09 | \$ 156,727.24 |
| GRIT REMOVAL CHAMBER | \$ - | \$ 4,160.80 | \$ 4,160.80 | December 1, 1996 | 40.00 | \$ 2,392.46 | \$ 104.02 | \$ 2,496.48 |
| ODOR CONTROL PROJECTS | \$ 68,155.96 | \$ - | \$ 68,155.96 | December 1, 1996 | 10.00 | \$ 68,155.96 | \$ - | \$ 68,155.96 |
| FRONT GATE | \$ 18,786.19 | \$ - | \$ 18,786.19 | December 1, 1996 | 10.00 | \$ 18,786.19 | \$ - | \$ 18,786.19 |
| NOISE ABATEMENT | \$ 3,000.00 | \$ - | \$ 3,000.00 | December 1, 1996 | 10.00 | \$ 3,000.00 | \$ - | \$ 3,000.00 |
| MODULAR STORAGE BUILDING | \$ 11,796.31 | \$ - | \$ 11,796.31 | August 1, 2003 | 20.00 | \$ 9,633.71 | \$ 589.82 | \$ 10,223.53 |
| PNEUMATIC TIRE FORKLIFT | \$ 15,489.00 | \$ - | \$ 15,489.00 | November 1, 2003 | 5.00 | \$ 15,489.00 | \$ - | \$ 15,489.00 |
| 2006 Ford Utility Truck | \$ 48,500.00 | \$ - | \$ 48,500.00 | September 1, 2005 | 10.00 | \$ 48,500.00 | \$ - | \$ 48,500.00 |
| INCINERATOR AND PIPING IMPROVEMENTS * | \$ 94,439.99 | \$ - | \$ 94,439.99 | November 30, 2005 | 15.00 | \$ 94,439.99 | \$ - | \$ 94,439.99 |
| BISULFITE FLOWMETER / TRANSMITTER | \$ 10,492.00 | \$ - | \$ 10,492.00 | March 1, 2006 | 20.00 | \$ 7,213.25 | \$ 524.60 | \$ 7,737.85 |
| THICKENERS FLOWMETER / TRANSMITTER | \$ 6,855.00 | \$ - | \$ 6,855.00 | April 1, 2006 | 20.00 | \$ 4,684.25 | \$ 342.75 | \$ 5,027.00 |

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD SEWERAGE AUTHORITY
FIXED ASSET SCHEDULE

| | Direct Cost Original | Indirect Costs | Total Cost | Date Placed In Service | Estimated Useful Life (years) | Beg. Accumulated Depreciation, As Adjusted | Depreciation Expense | Ending Accumulated Depreciation |
|---|-------------------------|------------------|-------------------|---------------------------|-------------------------------------|--|-------------------------|------------------------------------|
| BUILDING MODIFICATION PROJECT | \$ 1,650,127.69 | | \$ 1,650,127.69 | November 30, 2006 | 75.00 | \$ 286,022.11 | \$ 22,001.70 | \$ 308,023.81 |
| BUILDING EXPANSION STUDY | \$ 21,125.60 | | \$ 21,125.60 | November 30, 2006 | 75.00 | \$ 3,661.73 | \$ 281.67 | \$ 3,943.40 |
| MAG METER / TRANSMITTER | \$ 5,699.00 | | \$ 5,699.00 | November 30, 2006 | 20.00 | \$ 3,704.35 | \$ 284.95 | \$ 3,989.30 |
| OXYGEN DUAL ANALYZER / SENSORS * | \$ 1,514.00 | | \$ 1,514.00 | November 30, 2006 | 20.00 | \$ 1,514.00 | \$ - | \$ 1,514.00 |
| COMPRESSOR | \$ 1,005.00 | | \$ 1,005.00 | April 1, 2007 | 5.00 | \$ 1,005.00 | \$ - | \$ 1,005.00 |
| ASH LAGOON PROJECT | \$ 82,896.61 | | \$ 82,896.61 | November 30, 2007 | 20.00 | \$ 49,737.96 | \$ 4,144.83 | \$ 53,882.79 |
| INDICATOR / MAGNETER | \$ 25,045.00 | | \$ 25,045.00 | November 30, 2007 | 10.00 | \$ 25,045.00 | \$ - | \$ 25,045.00 |
| PILOT ALUM FACILITY | \$ 111,195.91 | | \$ 111,195.91 | November 30, 2007 | 20.00 | \$ 66,717.58 | \$ 5,559.80 | \$ 72,277.38 |
| LOWER INCINERATOR PHOSPHORUS / FILTATE PROJECT | \$ 22,296.08 | | \$ 22,296.08 | November 30, 2007 | 20.00 | \$ 13,377.62 | \$ 1,114.80 | \$ 14,492.42 |
| NITROGEN / PHOSPHORUS ANALYZER | \$ 55,147.69 | | \$ 55,147.69 | November 30, 2008 | 10.00 | \$ 55,147.69 | \$ - | \$ 55,147.69 |
| PINE BROOK PUMPING STATION UPGRADE | \$ 1,045,958.60 | | \$ 1,045,958.60 | November 30, 2008 | 40.00 | \$ 303,328.03 | \$ 26,148.97 | \$ 329,477.00 |
| 2010 FORD RANGER PICK-UP TRUCK | \$ 16,347.00 | | \$ 16,347.00 | March 23, 2010 | 7.00 | \$ 16,347.00 | \$ - | \$ 16,347.00 |
| 2010 TOYOTA HIGHLANDER TRUCK | \$ 34,086.00 | | \$ 34,086.00 | April 20, 2010 | 7.00 | \$ 34,086.00 | \$ - | \$ 34,086.00 |
| DCBM/THM REDUCTION - AMONIA DRIP HVAC PROJECT | \$ 28,801.11 | | \$ 28,801.11 | November 30, 2010 | 20.00 | \$ 12,960.52 | \$ 1,440.06 | \$ 14,400.58 |
| CPS, SPS & PBFS UPGRADE | \$ 219,669.44 | | \$ 219,669.44 | November 30, 2011 | 20.00 | \$ 87,867.76 | \$ 10,983.47 | \$ 98,851.23 |
| UV DISINFECTION PROJECT | \$ 7,836,366.02 | | \$ 7,836,366.02 | November 30, 2011 | 40.00 | \$ 1,567,273.20 | \$ 195,909.15 | \$ 1,763,182.35 |
| TREATMENT PLANT IMPROVEMENTS | \$ 8,835,455.72 | | \$ 8,835,455.72 | December 1, 2011 | 40.00 | \$ 1,708,951.68 | \$ 220,886.40 | \$ 1,929,838.08 |
| GOAB SWITCH / SUBSTATION | \$ 283,746.34 | | \$ 283,746.34 | November 30, 2013 | 40.00 | \$ 42,561.96 | \$ 7,093.66 | \$ 49,655.62 |
| 2017 FORD F250 TRUCK | \$ 40,000.00 | | \$ 40,000.00 | November 30, 2015 | 1.00 | \$ 40,000.00 | \$ - | \$ 40,000.00 |
| CPS - JOCKEY PUMP | \$ 36,105.00 | | \$ 36,105.00 | February 1, 2017 | 7.00 | \$ 12,894.64 | \$ 5,157.86 | \$ 18,052.50 |
| MASTER PLAN - CAPACITY EVALUATION | \$ 218,465.19 | | \$ 218,465.19 | November 30, 2018 | 40.00 | \$ 5,461.63 | \$ 5,461.63 | \$ 10,923.26 |
| PUMPING STATIONS (PROJECT S340880-05) | \$ 112,996.16 | | \$ 112,996.16 | November 30, 2018 | 20.00 | \$ 5,649.81 | \$ 5,649.81 | \$ 11,299.62 |
| UST REMOVAL PROJECT | \$ 5,965,308.04 | | \$ 5,965,308.04 | November 30, 2019 | 40.00 | \$ - | \$ 149,132.70 | \$ 149,132.70 |
| 2019 FORD F150 EXTENDED CAB 4X4 TRUCK | \$ 37,476.84 | | \$ 37,476.84 | November 30, 2019 | 20.00 | \$ - | \$ 1,873.84 | \$ 1,873.84 |
| ODOR CONTROL PLATFORM AND STAIRS | \$ 30,365.00 | | \$ 30,365.00 | November 30, 2019 | 7.00 | \$ - | \$ 4,337.86 | \$ 4,337.86 |
| 2020 FORD F350 TRUCK | \$ 60,187.00 | | \$ 60,187.00 | June 1, 2020 | 40.00 | \$ - | \$ 752.34 | \$ 752.34 |
| | \$ 44,200.00 | | \$ 44,200.00 | November 30, 2020 | 7.00 | \$ - | \$ - | \$ - |
| GRAND TOTAL | \$ 82,990,066.16 | \$ 17,646,330.64 | \$ 100,636,396.79 | | | \$ 59,409,596.63 | \$ 1,424,886.59 | \$ 60,834,483.22 |

* Impaired Asset

ROSTER OF OFFICIALS AND REPORT ON SURETY BONDS

The following officials were in office as of November 30, 2020:

| <u>Name</u> | <u>Office</u> | <u>Term Expires January 31</u> |
|-------------------------------------|---------------------|--|
| Mr. Robert A. Voorman | Chairman | 2022 |
| Mr. Arthur J. Schmidt | Vice Chairman | 2025 |
| Mr. David A. Runfeldt | Secretary | 2025 |
| Mr. Jerry J. Notte | Treasurer | 2025 |
| Mr. Richard Phelan | Member | 2021 |
| Mr. Anthony G. Campisi, Jr. | Member | 2021 |
| Mr. Raymond Verdonik | Member | 2023 |
| Mr. Raymond T. Kerwin | Member | 2021 |
| Mr. Robert N. Bongiovanni | Executive Director | |
| Mott MacDonald | Consulting Engineer | |
| Cleary Giacobbe Alfieri Jacobs, LLC | Legal Counsel | |
| Wielkottz & Company, LLC | Auditors | |

The Authority members are insured with the following coverage:

| | <u>Amount of Surety Bond</u> |
|--------------------------------|----------------------------------|
| Public Official Liability Bond | \$5,000,000.00 |

Government Auditing Standards



WIELKOTZ & COMPANY ^{LLC}

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. WIELKOTZ, CPA, RMA, PSA
MATTHEW B. WIELKOTZ, CPA, PSA
PAUL J. CUVA, CPA, RMA, PSA
JAMES J. CERULLO, CPA, RMA, PSA
THOMAS M. FERRY, CPA, RMA, PSA

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**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**

The Honorable Chairman and Members of
The Pequannock, Lincoln Park and Fairfield
Sewerage Authority
P.O. Box 188, Lincoln Boulevard
Lincoln Park, New Jersey 07035

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; 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 Pequannock, Lincoln Park and Fairfield Sewerage Authority, as of and for the year ended November 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated July 7, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit on the financial statements, we considered the Pequannock, Lincoln Park and Fairfield Sewerage 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 Pequannock, Lincoln Park and Fairfield Sewerage Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pequannock, Lincoln Park and Fairfield Sewerage Authority's internal control.

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



The Honorable Chairman and Members of
The Pequannock, Lincoln Park and Fairfield
Sewerage Authority
Page 2.

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 Pequannock, Lincoln Park and Fairfield Sewerage 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.

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.

Wielkatz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey

July 7, 2021

General Comments and Recommendations

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised Per N.J.S. 40A:11-3

N.J.S.A. 40A:11-2 contains definitions for terms used throughout N.J.S.A. 40A:11-1 et seq. and was amended under P.L. 1999, c.440. It includes as subsection (23) the term 'competitive contracting', which is defined as "the method described in sections 1 through 5 of P.L. 1999, c.440 (C.40:11-4.1 through C.40A:11-4.5) of contracting for specialized goods and services in which formal proposals are solicited from vendors, formal proposals are evaluated by the purchasing agent or counsel; and the governing body awards a contract to a vendor or vendors from among the formal proposals received."

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. "When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the sum of \$44,000, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids and bidding therefore, except that the governing body may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations."

N.J.S.A. 40A:11-15 was amended with P.L. 1999, c.440 to extend the base contract period. "Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection (a) of N.J.S.A. 40A:11-5 may be awarded for a period not exceeding 12 consecutive months.

The bid thresholds in accordance with N.J.S.A. 40A:11-3 (as amended) is \$44,000.

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

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. No violations were discovered.

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 40A:11-4.

PEQUANNOCK, LINCOLN PARK AND FAIRFIELD
SEWERAGE AUTHORITY

GENERAL COMMENTS
(CONTINUED)

Resolutions were adopted authorizing the awarding of contract or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

Problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, do not hesitate to call us.

We wish to thank Pequannock, Lincoln Park and Fairfield Sewerage Authority for their cooperation during the performance of our audit.

Respectfully submitted,

Wielkotz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants