

Report of Audit

on the

Financial Statements

of the

***Delaware Township Municipal
Utilities Authority***

for the

Years Ended

January 31, 2021 and 2020

Annual Financial Report

of the

**Delaware Township Municipal
Utilities Authority**

for the

Years Ended January 31, 2021 and 2020

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

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FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Board of Authority Officials
Delaware Township Municipal Utilities Authority
Sergeantsville, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the Delaware Township Municipal Utilities Authority, as of and for the years ended January 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

SUPLEE, CLOONEY & COMPANY

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Delaware Township Municipal Utilities Authority as of January 31, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and the schedules related to accounting and reporting for pensions in Schedules R-1 through R-3 identified 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 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 Delaware Township Municipal Utilities Authority's basic financial statements. The supplemental data schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

SUPLEE, CLOONEY & COMPANY

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2021 on our consideration of the Delaware Township Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Delaware Township Municipal Utilities Authority' internal control over financial reporting and compliance.

September 15, 2021



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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 BASIC FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Authority Officials
Delaware Township Municipal Utilities Authority
Sergeantsville, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Delaware Township Municipal Utilities Authority as of and for the year ended January 31, 2021 and the related notes to the financial statements, which collectively comprise Delaware Township Municipal Utilities Authority' financial statements, and have issued our report thereon dated September 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Delaware Township Municipal Utilities Authority's 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 Delaware Township Municipal Utilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Delaware Township Municipal Utilities Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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.

SUPLEE, CLOONEY & COMPANY

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Delaware Township Municipal Utilities Authority's financial statements are free from 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.

September 15, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A") **(UNAUDITED)**

In this section of the annual report, management of the Delaware Township Municipal Utilities Authority (the "Authority") presents a narrative discussion and analysis of the Authority's financial activities for the years ended January 31, 2021 and 2020. This section of the report should be read in conjunction with the Authority's audited financial statements and supplementary information for the years ended January 31, 2021 and 2020. The Authority's audited financial statements are presented in conformity with generally accepted accounting principles.

Audit Assurance

The unmodified opinion of our independent auditors, Suplee, Clooney & Company, is included in this report.

Financial Highlights

Discussion of Condensed Statement of Net Position

Unrestricted assets at January 31, 2021 and 2020, consists of Cash and Cash Equivalents and Accounts Receivable totaling \$1 million and \$834 thousand, respectively.

Fixed assets had a net decrease of \$45 thousand as a result of annual depreciation and new purchases.

Total liabilities payable from unrestricted assets of \$48 thousand and \$53 thousand at January 31, 2021 and 2020, respectively, consists principally of accounts payable, accrued salary and wages and deferred rental income.

Discussion of Condensed Statement of Revenue, Expenses, and Changes in Net Position

Operating revenues increased \$18 thousand due to an increase in user charge revenue. User Charges represent 68% of the operating revenues in 2021 and 2020.

Total operating expenses for the year ended January 31, 2021, decreased by \$29 thousand or 8.5% from the year ended January 31, 2020, primarily from decreased expenditures for water and sewer operations.

For the year ended January 31, 2021, Operating Income amounted to \$132 thousand compared to Operating Income of \$85 thousand for the year ended January 31, 2020.

Regarding the Capital Project Fund, \$150 thousand and \$150 thousand was budgeted and paid into this fund for the years ended January 31, 2021, and 2020, respectively, for future capital projects.

The user fees for sewer and water was increased in 2020 to \$892.00 and \$548.00, respectively, for the year ended January 31, 2021.

Discussion of Cash Flows

Net cash provided by operating activities amounted to \$175 thousand and \$135 thousand in the years ended January 31, 2021, and 2020, respectively. The \$40 thousand increase in net cash provided by operating activities in the year 2021 was attributable to a decrease in expenses for water and sewer operations.

For the year ended January 31, 2021, \$10,753 was used for the purchase of fixed assets.

MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”) **(UNAUDITED)**

Overview of Annual Financial Report

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

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a Statement of Net Position; a Statement of Revenues, Expenses, and Changes to Net Position; a Statement of Cash Flows; and notes to the financial statements.

The Statement of Net Position presents the Assets, Liabilities, Deferred Inflows and Outflows of Resources and Total Net Position of the Authority on a historical cost basis. Over time, increases and decreases in the components of the Authority’s Total Net Position are indicators of whether the financial position of the Authority is improving or deteriorating.

While the Statement of Net Position provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenses and Changes to Net Position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

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

The Government Accounting Standards Board (GASB) Statement 68 requires state and local governmental entities to disclose their unfunded pension liabilities. The Authority participates in the pension plan sponsored by the State of New Jersey, which has a much publicized, large unfunded liability. Although the Authority is not responsible for making pension payments to employees when they retire, GASB 68 dictates that the pro-rata share represented by Authority employees participating in PERS (Public Employee Retirement System) be reported in the audited financial statements to promote better financial clarity. Understandably, the net pension liability of \$25,908 – shown within long-term liabilities – is a significant number at January 31, 2021. Footnotes 2, 8 and 9 explain the pension plan accounting in greater detail.

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

Financial Analysis

The following comparative condensed financial statements and other selected information serve as key financial data and indicators for management, monitoring and planning:

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")
(UNAUDITED)

Condensed Financial Statements

Condensed Statement of Net Position

	January 31,		Variance		January 31,
	<u>2021</u>	<u>2020</u>	\$	%	<u>2019</u>
<u>Assets</u>					
Unrestricted Assets:					
Cash and Cash Equivalents	\$ 981,061	\$ 815,679	\$ 165,382	20.3%	\$ 692,357
Sewer Fees Receivable	28,871	18,071	10,800	59.8%	17,406
Total Unrestricted Assets	1,009,932	833,750	176,182	21.1%	709,763
Property Plant and Equipment, net	911,951	957,331	(45,380)	-4.7%	993,229
Total Assets	1,921,883	1,791,081	130,802	7.3%	1,702,992
<u>Deferred Outflow of Resources</u>					
Pension Related	11,489	15,427	(3,938)	-25.5%	5,292
Total Assets and Deferred Outflow of Resources	<u>\$ 1,933,372</u>	<u>\$ 1,806,508</u>	<u>\$ 126,864</u>	<u>7.0%</u>	<u>\$ 1,708,284</u>
<u>Liabilities</u>					
Liabilities Payable from Unrestricted Assets:					
Accounts Payable and Accrued Expenses	\$ 27,642	\$ 33,374	\$ (5,732)	-17.2%	\$ 31,860
Deferred Rental Income	20,352	19,759	593	3.0%	19,184
Total Liabilities Payable from Unrestricted Assets	47,994	53,134	(5,139)	-9.7%	51,044
Long-Term Liabilities:					
Net Pension Liability	25,908	29,157	(3,249)	-11.1%	20,172
Total Liabilities	73,902	82,291	(8,389)	-10.2%	71,216
<u>Deferred Inflow of Resources</u>					
Pension Related	11,635	13,043	(1,408)	-10.8%	13,939
<u>Net Position</u>					
Net Investment in Capital Assets	911,951	957,331	(45,380)	-4.7%	993,229
Unrestricted - Capital Projects	774,205	624,205	150,000	24.0%	474,205
Unrestricted - Operating	161,679	129,638	32,041	24.7%	155,695
Total Net Position	1,847,835	1,711,174	136,661	8.0%	1,623,129
Total Liabilities, Deferred Inflow of Resources and Net Position	<u>\$ 1,933,372</u>	<u>\$ 1,806,508</u>	<u>\$ 126,864</u>	<u>7.0%</u>	<u>\$ 1,708,284</u>

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")
(UNAUDITED)

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

	January 31,		Variance		January 31,
	<u>2021</u>	<u>2020</u>	<u>\$</u>	<u>%</u>	<u>2019</u>
Operating Revenues	\$ 445,880	\$ 428,212	\$ 17,668	4.1%	\$ 428,069
Operating Expenses:					
Administrative and General	76,956	103,454	(26,498)	-25.6%	85,124
Costs of Providing Services	181,102	190,614	(9,512)	-5.0%	199,099
Depreciation	<u>56,133</u>	<u>49,149</u>	<u>6,984</u>	<u>14.2%</u>	<u>53,075</u>
Total Operating Expenses	<u>314,191</u>	<u>343,217</u>	<u>(29,026)</u>	<u>-8.5%</u>	<u>337,298</u>
Operating Income (Loss)	131,689	84,995	46,694	54.9%	90,771
Non-Operating Revenues (Expenses)	<u>4,972</u>	<u>3,050</u>	<u>1,922</u>	<u>63.0%</u>	<u>19,440</u>
Change in Net Assets	136,661	88,045	48,616	55.2%	110,211
Net Position, Beginning of Year	<u>1,711,174</u>	<u>1,623,129</u>	<u>88,045</u>	<u>5.4%</u>	<u>1,512,918</u>
Net Position, End of Year	<u>\$ 1,847,835</u>	<u>\$ 1,711,174</u>	<u>\$ 88,045</u>	<u>5.1%</u>	<u>\$ 1,623,129</u>

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")
(UNAUDITED)

AUTHORITY OVERVIEW

General

The Delaware Township Municipal Utilities Authority (the "Authority") was created on April 26, 1965 to construct and operate a wastewater treatment system and a water system to serve parts of Delaware Township, New Jersey. The Authority bills and collects its revenue from users of the system. As a public body, under existing statute, the Authority is exempt from both Federal and State Income Tax.

The powers of the Authority are exercised by a Board of five members and two alternates who are appointed to five-year terms by the Township of Delaware.

The Authority had 3 employees as of January 31, 2021.

Contacting the Authority's Management

Any questions about the Authority's report or if additional information is needed, please contact the Delaware Municipal Utilities Authority, 570 Rosemont-Ringoes Road, PO Box 103, Sergeantsville, New Jersey 08557.

BASIC FINANCIAL STATEMENTS

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF NET POSITION
JANUARY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Unrestricted Assets:		
Cash and Cash Equivalents - Operating	\$ 981,061	\$ 815,679
Sewer and Water Fees Receivable	<u>28,871</u>	<u>18,071</u>
<u>Total Unrestricted Assets</u>	<u>1,009,932</u>	<u>833,750</u>
Property, Plant and Equipment, at Cost	1,993,800	1,983,047
Less: Accumulated Depreciation	<u>1,081,849</u>	<u>1,025,716</u>
<u>Net Property, Plant and Equipment</u>	<u>911,951</u>	<u>957,331</u>
<u>TOTAL ASSETS</u>	<u>1,921,883</u>	<u>1,791,081</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Pension Related	<u>11,489</u>	<u>15,427</u>
<u>TOTAL DEFERRED OUTFLOW OF RESOURCES</u>	<u>11,489</u>	<u>15,427</u>
<u>TOTAL ASSETS AND</u> <u>DEFERRED OUTFLOW OF RESOURCES</u>	<u>\$ 1,933,372</u>	<u>\$ 1,806,508</u>

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

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF NET POSITION
JANUARY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</u>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable and Accrued Expenses	\$ 27,642	\$ 33,374
Deferred Rental Income	<u>20,352</u>	<u>19,759</u>
Total Current Liabilities Payable from Unrestricted Assets	<u>47,994</u>	<u>53,134</u>
Long-Term Liabilities:		
Net Pension Liability	<u>25,908</u>	<u>29,157</u>
Total Long-Term Liabilities	<u>25,908</u>	<u>29,157</u>
Total Liabilities	<u>73,902</u>	<u>82,291</u>
Deferred Inflow of Resources:		
Pension Related	<u>11,635</u>	<u>13,043</u>
Total Deferred Inflow of Resources	<u>11,635</u>	<u>13,043</u>
Net Position:		
Net Investment in Capital Assets	911,951	957,331
Capital Projects	774,205	624,205
Unrestricted	<u>161,679</u>	<u>129,638</u>
Total Net Position	<u>1,847,835</u>	<u>1,711,174</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</u>	<u>\$ 1,933,372</u>	<u>\$ 1,806,508</u>

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

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
JANUARY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues:		
User Charges	\$ 302,398	\$ 289,711
Rent - Cell Tower	141,444	137,131
Interest on User's Accounts Receivable	618	625
Capital Fees	370	370
Miscellaneous Income	1,050	375
	<hr/>	<hr/>
<u>Total Operating Revenues</u>	445,880	428,212
	<hr/>	<hr/>
Operating Expenses:		
Administrative and General	76,956	103,454
Costs of Providing Services	181,102	190,614
Depreciation	56,133	49,149
	<hr/>	<hr/>
<u>Total Operating Expenses</u>	314,191	343,217
	<hr/>	<hr/>
<u>Operating Income</u>	131,689	84,995
	<hr/>	<hr/>
Non-Operating Revenues (Expenses):		
Other Income	4,331	1,259
Interest Income	641	1,791
	<hr/>	<hr/>
	4,972	3,050
	<hr/>	<hr/>
<u>Change in Net Assets</u>	136,661	88,045
	<hr/>	<hr/>
Net Position, Beginning of Year	1,711,174	1,623,129
	<hr/>	<hr/>
Net Position, End of Year	\$ 1,847,835	\$ 1,711,174
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The accompanying Notes to Financial Statements are an integral part of this statement.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Receipts for User Charges	\$ 291,598	\$ 289,046
Receipts for Cell Tower Rent	141,444	137,131
Receipts - Other	4,505	1,740
Payments to Suppliers	(216,092)	(249,025)
Payments to Employees	(45,962)	(43,324)
Net Cash Provided by Operating Activities	<u>175,494</u>	<u>135,568</u>
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	(10,753)	(13,252)
Interest Income	641	1,006
Net Cash Used by Investing Activities	<u>(10,112)</u>	<u>(12,246)</u>
Net Increase in Cash and Cash Equivalents	165,382	123,322
Cash and Cash Equivalents, Beginning of Year	<u>815,679</u>	<u>692,357</u>
Cash and Cash Equivalents, End of Year	<u>\$ 981,061</u>	<u>\$ 815,679</u>
<u>Reconciliation of Operating Income to Net Cash Provided by</u>		
<u>Operating Activities:</u>		
Operating Income:	\$ 131,689	\$ 84,995
Depreciation	56,133	49,149
Changes in Operating Assets and Liabilities:		
Sewer Fees Receivable	(10,800)	(665)
Accounts Payable	(2,121)	1,514
Deferred Revenue	593	575
Net Cash Provided by Operating Activities	<u>\$ 175,494</u>	<u>\$ 135,568</u>

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

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2021 AND 2020

(1) ORGANIZATION

The Delaware Township Municipal Utilities Authority (the "Authority") was created on April 26, 1965 to construct and operate a wastewater treatment system and a water system to serve parts of Delaware Township, New Jersey. The Authority bills and collects its revenue from users of the system. As a public body, under existing statute, the Authority is exempt from both Federal and State Income Tax.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the GASB's accounting policies are described below.

Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis and in accordance with generally accepted accounting principles applicable to enterprise funds of state and local governments. An Enterprise Fund is used to account for operations: (i) that are financed primarily through user charges, or (ii) where the governing body has decided that determination of net income is appropriate.

The accounting and financial reporting applied by the Authority is determined by its measurement focus. The financial statements are reported using the economic measurement focus and the accrual basis of accounting. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included in the Statements of Net Position. Net Position (totals assets and deferred outflows net of total liabilities and deferred inflows) are segregated into invested in capital assets, restricted and unrestricted components.

Revenue Recognition

The Authority generates the vast majority of its revenues through user fees that are charged to residents who use the services provided by the Authority. User fees are billed on a quarterly basis, and are recorded on an accrual basis as earned.

Additionally, the Authority leases a small piece of land for a tower to be used for wireless communication equipment. Such revenue is recorded as earned, as per the terms set forth in the related lease agreements. Some of this lease income is received in advance, and as such, results in deferred revenue being recognized.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2021 AND 2020

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Historically, the Authority has had very few delinquent accounts. Management does not deem it necessary to record an allowance against its receivables, as it has a tax lien placed against any delinquent accounts. Additionally, the Authority's customer base is fairly vast and individual delinquent account balances are normally insignificant. Payments are applied to open invoices in date order with the remainder applied to delinquent interest.

Accounting and Financial Reporting for Pensions

The Authority implemented GASB 68 in the Year 2015. This Statement amends GASB Statement No. 27. It improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2014.

The Authority has also implemented GASB Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2021 AND 2020

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions (Continued)

Statement 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or non-employer contributing entity that arise from other types of events.

At transition to Statement 68, if it is not practical for an employer or non-employer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or non-employer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

Under GAAP, Authorities are required to recognize the pension liability in Statements of Revenues, Expenses, Changes in Net Assets (balance sheets) and Notes to the Financial Statements in accordance with GASB 68. The liability required to be displayed by GASB 68 is displayed as a separate line item in the Unrestricted Net Liabilities area of the balance sheet.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2021 AND 2020

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)

The Governmental Accounting Standards Board (GASB) has issued Statement no. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. It also requires the State of New Jersey to calculate and allocate to each participating member, for note disclosure purposes only, the OPEB net liability of New Jersey Health Benefits Local Government Retiree Plan (the Plan). The statement does not alter the amount of funds that must be budgeted for OPEB payment under existing state law.

Under GAAP, authorities are required to recognize the OPEB liability in Statements of Revenues, Expenses, Changes in Net Position (balance sheets) and Notes to the Financial Statements in accordance with GASB 75. The liability required to be displayed by GASB 75 is displayed as a separate line item in the Unrestricted Net Position area of the balance sheet.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Authority has two items that qualifies for reporting in this category, deferred amounts related to pensions and premium and costs on issuance of debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies in this category, deferred amounts related to pension.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2021 AND 2020

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity

The Authority's financial statements include the operations of the wastewater treatment system and water system for which the Board Members of the Authority exercise financial accountability. The Board members are appointed to five-year terms by the Township of Delaware. There are no additional entities required to be included in the reporting entity and the Authority is not included in any other reporting entity.

Net Position

Equity is classified as net position and displayed in three components:

- 1) Net Investment in Capital Assets - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted - when constraints placed on net position are either a) externally imposed by creditors (such as the bond resolution), grantors, or laws or regulations of other governments or b) imposed by law.
- 3) Unrestricted - any other net position that does not meet the definition of "restricted" or "invested in capital assets."

Property, Plant and Equipment

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

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

Sewer Plant and Mains	40 years
Well	30 years
Other Equipment and Improvements	10-40 years

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2021 AND 2020

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Details of property, plant and equipment as of January 31, are as follows:

	<u>2021</u>	<u>2020</u>
Sewer Plant and Mains	\$ 514,669	\$ 514,669
Well	56,167	56,167
Other Equipment and Improvements	<u>1,422,964</u>	<u>1,412,211</u>
	1,993,800	1,983,047
Less: Accumulated Depreciation	<u>1,081,849</u>	<u>1,025,716</u>
	<u>\$ 911,951</u>	<u>\$ 957,331</u>

Cash and Cash Equivalents

For the purposes of the statement of cash flow, the Authority considers cash in banks, deposits and short-term investments with maturities of less than three months at the time of purchase to be cash and cash equivalents. All CD's with financial institutions are considered investments.

Investments

Investments are stated at fair value.

Accounts Receivable

The Authority considers all accounts receivables to be fully collectible; no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Allocation of Costs Between Water and Sewer

The Authority does not maintain its records in a way which facilitates the determination of the costs relating to water and sewer services. For budgeting purposes a percentage allocation of 63% for sewer and 37% for water was used.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2021 AND 2020

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The Authority employs two part-time operators. The liability for unused sick pay and/or vacation pay is considered insignificant.

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. Actual results could differ from those estimates.

(3) BUDGETARY PROCEDURES

The Authority follows these procedures in establishing the Operating Fund budget:

The annual budget for each fiscal year of the Authority is introduced by resolution passed by not less than a majority of the governing body. Copies are submitted to the Director of the Division of Local Government Services Director prior to the beginning of the Authority's fiscal year for approval prior to its adoption.

The budget must comply with the terms and provisions of any security agreements, and is to be in such form and detail as to items of revenue, expenses and other contents as required by law or by rules and regulations of the Local Finance Board.

No authority budget can be finally adopted until the Director has approved the budget.

Public hearings are conducted to obtain citizen comments on the proposed budget.

Operating expense appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

The level at which expenditures cannot exceed the budget is at the total budget level.

The budget may be increased after adoption when an item of revenue has been made available after the adoption date.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2021 AND 2020

(4) CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are summarized as follows:

	<u>Unrestricted</u>
January 31, 2021:	
Cash and Cash Equivalents	<u>\$981,061</u>
January 31, 2020:	
Cash and Cash Equivalents	<u>\$815,679</u>

The cash on deposit of the Authority is partially insured by the Federal Deposit Insurance Corporation in the amount of \$250,000 in each bank depository. Balances above the federal depository insurance amount are insured by the State of New Jersey Governmental Unit Deposit Protection Act (GUDPA). The Authority does not have a policy for either credit risk or custodial credit risk. However, it is the Authority's policy only to invest with banks that are approved by the board. The Authority does not have a policy to limit interest rate risk.

(5) PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment is summarized as follows:

	Balance January 31, 2020	<u>Increase</u>	<u>Decrease</u>	Balance January 31, 2021
Sewer Plant and Mains	\$ 514,669			\$ 514,669
Well	56,167			56,167
Other Equipment and Improvements	<u>1,412,211</u>	<u>\$10,753</u>	<u> </u>	<u>1,422,964</u>
Total Fixed Assets	\$1,983,047	\$10,753		\$1,993,800
Less: Accumulated Depreciation	<u>1,025,716</u>	<u>56,133</u>	\$ -0-	<u>1,081,849</u>
	<u>\$ 957,331</u>	<u>\$ 45,380</u>	<u>\$ -0-</u>	<u>\$ 911,951</u>

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2021 AND 2020

(6) NET POSITION

The components of net position as of January 31 are as follows:

	<u>Jan. 31, 2021</u>	<u>Jan. 31, 2020</u>
Net Position:		
Net Investment in Capital Assets	\$ 911,951	\$ 957,331
Unrestricted:		
Capital Projects	774,205	624,205
Operating	187,733	158,795
Net Pension Liability	<u>(26,054)</u>	<u>(29,157)</u>
Total Net Position	<u>\$1,847,835</u>	<u>\$1,711,174</u>

The Authority has established a Capital Projects Fund to set aside funds for major improvements. Actual cash is not kept in a separate account but is co-mingled with several unrestricted cash, money market and certificate of deposit accounts.

(7) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68

Substantially all eligible employees participate in the Public Employees' Retirement System (PERS), or the Defined Contribution Retirement System (DCRP), which have been established by state statute and are administered by the New Jersey Division of Pensions and Benefits. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or are available online at www.nj.gov/treasury/pensions/annrpts.shtml.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple employer plan. Membership is mandatory for substantially, all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2021 AND 2020

(7) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and was expanded under the provisions of Chapter 89, P.L. 2009. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:36. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service. Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service credit, in which case, benefits would begin the first day of the month after the member attains normal retirement age.

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately invested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP. Employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully invested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer. Employees are required to contribute 7.5% of their base salary and employers contribute 3.0%.

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan members and employer contributions may be amended by State of New Jersey legislation. During 2020 and 2019, PERS provides for employee contributions of 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2021 AND 2020

(7) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Certain portions of the cost are contributed by the employees. The Authority's share of pension costs, which is based upon the annual billings received from the State, amounted to December 31, 2020 and 2019, the Authority was required to contribute \$787 and \$910 respectively.

Information as to the comparison of the actuarially computed value of vested benefit with the system's assets is not available from the State Retirement System and, therefore, is not presented.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 "Accounting and Financial Reporting for Public Employees Pensions" which requires the State of New Jersey to calculate and allocate, for note disclosure purposes only, the unfunded net pension liability of Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) of the participating local government unit as of January 31, 2021. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, any unfunded net pension liability of the local government unit, allocated by the State of New Jersey, is not required to be reported in the financial statements as presented and any pension contributions required to be paid are raised in that year's budget and no liability is accrued at January 31, 2021.

Public Employees Retirement System (PERS)

At June 30, 2020, the State reported a net pension liability of \$25,908 for the Authority's proportionate share of the total net pension liability. The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The Authority's proportion of the net pension liability was based on a projection of the local government unit's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the local government unit's proportion was 0.0001588739 percent, which was an increase of 0.00000029428 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the State recognized an actuarially determined pension expense of \$1,101 for the Authority's proportionate share of the total pension expense. The pension expense recognized in the Authority's financial statement based on the April 1, 2020 billing was \$1,574.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2021 AND 2020

(7) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 472	\$ 92
Changes of assumptions	840	10,848
Net difference between projected and actual earnings on pension plan investments	886	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	8,422	695
Authority contributions subsequent to the measurement date	<u>869</u>	<u> </u>
	<u>\$11,489</u>	<u>\$11,635</u>

The \$869 reported as deferred outflows of resources related to pension resulting from Authority's contributions subsequent to the measurement date (i.e. for the year ending June 30, 2020, the plan measurement date is June 30, 2019) will be recognized as a reduction of the pension liability in the year ended June 30, 2021.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2021 AND 2020

(7) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Other local amounts reported by the State as the Authority's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

Year Ended	
<u>June 30</u>	<u>Amount</u>
2021	(\$1,706)
2022	(1,418)
2023	(148)
2024	860
2025	<u>1,397</u>
	<u>(\$1,015)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which rolled forward to June 30, 2020. These actuarial valuations used the following assumptions:

	<u>June 30, 2020</u>
Inflation:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Though 2026	2.00 - 6.00%
Thereafter	3.00 - 7.00%
	Based on
	Years of Service
Investment Rate of Return	7.00%

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2021 AND 2020

(7) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at both June 30, 2020 and June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020 are summarized in the following table:

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2021 AND 2020

(7) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return (Continued)

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US 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. Treasury's	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% and 6.28% as of June 30, 2020 and June 30, 2019, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that 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.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2021 AND 2020

(7) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Sensitivity of the Authority's proportionate share of net pension liability to changes in the discount rate

The following presents the Authority's proportionate share of the net pension liability of the participating employers as of June 30, 2020, respectively, calculated using the discount rate as disclosed above as well as what the Authority's proportionate share of the 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:

	June 30, 2020		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Authority's proportionate share of the pension liability	\$32,614	\$25,908	\$20,218

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 report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

(8) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS - GASB 75

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. Net OPEB liability obligations are non-pension benefits that the Authority has contractually or otherwise agreed to provide employees once they have retired and, in most instances, will be for retirement health, prescription and dental insurance coverage.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2021 AND 2020

(8) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS - GASB 75

Under current New Jersey budget and financial reporting requirements, the Authority is not required to fund any amounts in excess of their current costs on a pay-as-you-go basis or to accrue funds, create a trust or issue debt to finance their other post-employment benefit liability. Additionally, the Authority is not required to recognize any long-term obligations resulting from the net OPEB liability on their financial statements.

Plan Description and Benefits Provided

The Authority participates in a cost-sharing, defined benefit post-employment healthcare plan currently administered by Horizon Blue Cross Blue Shield. The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the employers. The plan is administered through the Delaware Township who is liable for the Authorities liability related to these benefits. No amounts have been recorded for the liability for these benefits. There are currently no retiree's who meets this requirement and is receiving benefits.

Contributions

The Authority's contributions to the plan for the years ended January 31, 2020, 2019 and 2018 were \$-0-, \$-0- and \$-0-, respectively, which equaled the required contributions for each year.

(9) TOWER SITE LEASE

The Authority is party to a 25-year lease to rent a small parcel of land for a tower to be used for wireless communication equipment. The minimum base rent is \$21,650 per year payable quarterly, with annual increases of 3% of the prior year minimum base rent. In addition, the Authority is entitled to 50% of any gross revenue from sub-tenants of the tower site. The lease can be terminated by the tenant with six months written notice. Rental income was \$141,444 and \$137,121 for the years ended January 31, 2021 and 2020, respectively.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2021 AND 2020

(10) SUBSEQUENT EVENTS

The Authority has evaluated subsequent events occurring after the financial statement date through September 15, 2021, which is the date the financial statements were available to be issued. Based on this evaluation, the Authority has determined that no subsequent events have occurred which require disclosure in the financial statements.

(11) LITIGATION, CLAIMS AND CONTINGENT LIABILITIES

In the ordinary conduct of its business, the Authority may be a party to litigation. At January 31, 2021, in the opinion of management, there were no matters pending or threatened which would have a material adverse effect on the financial position of the Authority.

SUPPLEMENTARY INFORMATION

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

<u>Fiscal Year</u> <u>Ending</u> <u>June 30,</u>	<u>Authority's</u> <u>Proportion Share</u> <u>of the Net Pension</u> <u>Liability (Asset)</u>	<u>Authority's</u> <u>Proportionate</u> <u>Share of</u> <u>the Net Pension</u> <u>Liability (Asset)</u>	<u>Authority's</u> <u>Covered-Employee</u> <u>Payroll</u>	<u>Authority's</u> <u>Proportion Share</u> <u>of the Net Pension</u> <u>Liability (Asset)</u> <u>as a percentage</u> <u>of it's Covered-</u> <u>Employee Payroll</u>	<u>Plan Fiduciary</u> <u>Net Position</u> <u>as a percentage</u> <u>of the total</u> <u>Pension Liability</u>
2014	0.0000976485%	\$ 18,282	\$ 6,896	265.11%	52.08%
2015	0.0001001475%	\$ 22,481	\$ 7,048	318.97%	47.93%
2016	0.0001024330%	\$ 30,338	\$ 7,200	421.36%	40.14%
2017	0.0001039515%	\$ 24,198	\$ 7,352	329.13%	48.10%
2018	0.0001024500%	\$ 20,172	\$ 7,504	268.82%	53.60%
2019	0.0161816700%	\$ 29,157	\$ 11,725	248.67%	56.27%
2020	0.0001588739%	\$ 25,908	\$ 11,500	225.29%	58.32%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

<u>Fiscal Year</u> <u>Ending</u> <u>June 30,</u>	<u>Contractually</u> <u>Required</u> <u>Contribution</u>	<u>Contributions in</u> <u>Relation to the</u> <u>Contractually</u> <u>Required</u> <u>Contributions</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Authority's</u> <u>Covered-</u> <u>Employee</u> <u>Payroll</u>	<u>Contributions as</u> <u>a Percentage of</u> <u>Covered-</u> <u>Employee</u> <u>Payroll</u>
2014	\$ 805	\$ 805	\$ -0-	\$ 6,896	11.67%
2015	\$ 861	\$ 861	\$ -0-	\$ 7,048	12.22%
2016	\$ 910	\$ 910	\$ -0-	\$ 7,200	12.64%
2017	\$ 963	\$ 963	\$ -0-	\$ 7,352	13.10%
2018	\$ 1,019	\$ 1,019	\$ -0-	\$ 7,504	13.58%
2019	\$ 1,574	\$ 1,574	\$ -0-	\$ 11,725	13.42%
2020	\$ 1,738	\$ 1,738	\$ -0-	\$ 11,500	15.11%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSION (GASB 68)
NOTE TO RSI III
FOR THE YEAR ENDED JANUARY 31, 2021

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (3.50%) to the current measurement date (2.21%), resulting in a change in the discount rate from 6.28% to 7.00%. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

SCHEDULE 1DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF OPERATING REVENUES AND COSTS
 FUNDED BY OPERATING REVENUES COMPARED TO BUDGET
JANUARY 31, 2021

	<u>2021 BUDGET</u>	<u>2021 ACTUAL</u>
Revenues:		
User Charges and Fees	\$ 301,000	\$ 302,398
Surplus	33,500	33,500
Delinquent Penalties	480	618
Interest Income	2,000	641
Rents - Cell Tower	138,000	142,037
Capital Fees	370	370
Miscellaneous Income	150	1,050
	<hr/>	<hr/>
Total Revenues	475,500	480,613
	<hr/>	<hr/>
Expenses:		
Bookkeeping	4,000	2,650
Legal	2,000	592
Engineering	50,000	32,326
Accounting	15,000	14,000
Insurance	16,000	19,585
Contract Services	8,000	4,535
Postage	2,000	1,544
Telephone	2,000	1,724
	<hr/>	<hr/>
Total Administrative and General	99,000	76,956
	<hr/>	<hr/>
Salaries and Wages	41,000	45,962
Payroll Taxes and Benefits	7,000	5,186
Payroll Service	1,500	2,109
Sludge Removal	35,000	17,870
Repairs and Maintenance	38,000	25,007
Electric	18,000	14,846
Chemicals	17,000	8,151
Materials and Supplies	3,000	3,169
Permit Fees	5,000	5,088
Inspections	2,000	
Propane	2,000	1,678
Water and Sewer Operations	55,000	49,693
Outside Lab Testing		1,106
Miscellaneous	2,000	1,237
	<hr/>	<hr/>
Total Costs of Providing Services	226,500	181,102
	<hr/>	<hr/>
Reserve - Capital Projects	150,000	150,000
	<hr/>	<hr/>
TOTAL COSTS FUNDED BY OPERATING REVENUES	475,500	408,058
	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER COSTS	\$ -	\$ 72,555
	<hr/>	<hr/>

DELAWARE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

JANUARY 31, 2021

GENERAL COMMENTS AND RECOMMENDATIONS

NONE