

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

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LETTER OF TRANSMITTAL



Atlantic County Utilities Authority

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March 15, 2022

Chairman Embry, Authority Board Members and President Dovey:

Presented to you are the audited financial statements for the 2020 year. There are separate financial statements for the Wastewater Division and Solid Waste Division, as has been done in prior years. The financial statements are presented separately for each division because the divisions are separate and distinct for ratemaking, operating and public financing purposes. There are also combined statements as required by accounting standards for the Comparative Statement of Net Position, the Comparative Statement of Revenues, Expenses, and Changes in Net Position, and Comparative Statement of Cash Flows.

Government Auditing Standards and State law requires that the Atlantic County Utilities Authority publish a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards. The financial statements for the 2020 year are presented as required. It should be noted that the delay in the completion of December 31, 2020 annual audit resulted from a delay in the State issuing the June 30, 2020 State of New Jersey Health Benefits Local Government Retired Employees Plan Audit Report, which is required in order to comply with the Governmental Accounting Standards Board Statement Number 75.

In addition, and for the purpose of evaluating budget performance, a Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget Rate Basis have been completed. This is more commonly referred to as the "Budget to Actual" statement and has been completed for both the Wastewater and Solid Waste Divisions. Similar statements are also prepared and presented to you during the year and utilized by the operations and management staff to evaluate operating performance as it relates to budget.

Also included are statements prepared on a Modified GAAP Basis and relates more to the "Budget to Actual" statements. In addition, there are statements done in accordance with the bond indenture.

The justification and differences related to these statements are discussed more thoroughly in the Management's Discussion and Analysis (MD&A) report provided herein. All of the additional statements mentioned are not in compliance with GAAP but have been reconciled to the required GAAP statements.

The Atlantic County Utilities Authority is responsible for enhancing the quality of life through the protection of waters and lands from pollution by providing responsible waste management services. The Authority is an environmental leader and will continue to use new technologies, innovations and employee ideas to provide the highest quality and most cost-effective environmental services.



The MD&A report consists of management's representations concerning the finances of the Wastewater Division and the Solid Waste Division. Management assumes full responsibility for the completeness and reliability of all the information presented in the MD&A.

Regarding the reliability of the statements presented, a reasonable internal control framework and procedures exist to protect the Atlantic County Utility Authority's assets from loss, theft or misuse. This internal control framework provides a basis that allows staff to compile sufficient and reliable information for the preparation of the Authority's financial statements in conformity with GAAP and for the audit by the Authority's independent auditor. Because the cost of internal controls should not outweigh their benefits, the internal controls cannot provide an absolute assurance, but can provide reasonable assurance as to the credibility and accuracy of the financial statements.

The staff of the Finance Department prepared the basic financial statements and the supplemental financial statements and schedules discussed above. Mercadien, P.C., a firm of licensed certified public accountants, has audited and opined on the Authority's financial statements. The goal of an independent audit is to provide reasonable assurance as to the validity of the financial statements. This involves examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing any estimates and calculations utilized, assessing supplemental information provided or gathered by the auditors, and assessing the overall financial statement presentation. The auditors have opined that the basic financial statements which were prepared in accordance with generally accepted accounting principles and audited in accordance with generally accepted auditing standards present fairly, in all material respects, the financial position of the Atlantic County Utilities Authority at December 31, 2020. There are no recommendations noted.

Sincerely,

Linda Bazemore

Linda Bazemore
Vice President of Finance & Administration/CFO

Katherine Vesey

Katherine Vesey
Director of Finance

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Chairman and Members of the
Atlantic County Utilities Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Atlantic County Utilities Authority, a component unit of the County of Atlantic, State of New Jersey, ("Authority"), as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 Authority as of December 31, 2020 and 2019, and the changes in financial position and cash flows thereof and for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and the schedule of proportionate share of the net pension liability – PERS, schedule of contributions – PERS, and schedule of proportionate share of the OPEB liability and 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 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 audits 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 Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that comprise the Authority's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the part marked "unaudited," has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information except for the part marked "unaudited", as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mercedien, P.C.

Certified Public Accountants

March 15, 2022

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Within this section of the Atlantic County Utilities Authority's (the Authority or the ACUA) annual financial report, the management of the Authority provides narrative discussion and analysis of the financial activities of the Authority for the audit year ended December 31, 2020.

The Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and notes following this section.

The Atlantic County Utilities Authority consists of three divisions. The three divisions are Administration, Solid Waste and Wastewater. The latter two are the operational divisions of the ACUA. Administrative expenses are allocated between the two operational Divisions based on percentages deemed appropriate by management. These expenses are included in the financial statements of the two divisions. The two operating divisions are discussed in this section separately where appropriate. The two divisions are separate and distinct from each other for rate making and operating purposes. The Bondholders, if applicable, of each Division do not have claims on the revenues or assets of the other Division.

Discussion of Financial Statements Included in Annual Audit

The Authority prepares and presents its financial statements on several different basis because of accounting requirements and for internal use purposes.

The first set of statements for each respective Division, which consist of the Comparative Statement of Net Position, the Comparative Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows, is prepared on an accrual basis and is in accordance with generally accepted accounting principles (GAAP) applicable to enterprise funds of state and local governments. These statements are the official financial statements of the Atlantic County Utilities Authority.

After the first set of statements and the "Notes to the Financial Statements" that follow, is the second set of statements for each respective Division. These statements are considered "Supplementary Information" and consist of the Comparative Statement of Net Position, the Comparative Statement of Revenues, Expenses and Changes in Net Position. They are prepared on a "Modified Accrual Basis".

There are two differences between the statements. The first is the recording and reporting of accounts payable. On the "Modified Accrual Basis" statements, all encumbrances as of December 31, 2020 are reported as Accounts Payable or Construction Contracts Payable, and as Property, Plant and Equipment. On the "GAAP Basis" statements, only those encumbrances where goods or services have been received as of December 31, 2020 are reported as Accounts Payable or Construction Contracts Payable, and as Property, Plant and Equipment. The second difference relates to pensions and other post-employment benefits. The Authority adopted *GASB 68 – Accounting and Financial Reporting for Pensions in 2015* and *GASB 75 – Accounting and Financial Reporting for Other Post-Employment Benefits* in 2018. The financial impact of GASB 68 and GASB 75 is only on the GAAP statements. See Notes G and H for further explanation and their impact on the Authority's financial statements.

The difference between the two statements and methodologies presents itself in Net Position-Unrestricted and is shown on the Modified Accrual Statement for each Division.

The Authority has historically presented its financial statements on a "Modified Accrual Basis" and continues to do so because it relates more fairly to the annual budget for the same period. The annual budget records all encumbrances as charges against the adopted appropriation even if the items or services have not been received.

ATLANTIC COUNTY UTILITIES AUTHORITY

(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Also contained in the supplementary information are statements for each Division that reports the "Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget-Rate Basis". This statement compares the "Budget" revenues and expenses to "Actual" revenues and expenses. This includes operating revenues and expenses, non-operating revenues, and non-operating expenses. Principal and Interest are reported in this statement as Debt Service Expense, and Depreciation is not reported as an expense. On the "GAAP" and "Modified Accrual" statements, Depreciation Expense is included as an expense, and only the Interest Expense component of the Debt Service Expense is reported.

The Budget to Actual statement is a very important statement to the Authority management staff because it is how financial performance is measured, particularly as it compares to the approved and adopted annual budget and how it relates to operational performance.

Finally, there is a "Special Purpose Statement of Revenues and Expenses to Comply with Revenue Bond Resolution" for the Wastewater Division. This statement is done as defined and in accordance with the Bond Resolution. This statement essentially includes the same revenues and same expenses as reported on the "GAAP Basis" statements, except for Depreciation. Depreciation is not included on the statement which complies with the Wastewater Bond Resolution.

For the purpose of the Management Discussion and Analysis, the ensuing discussion will review the official statements of the Atlantic County Utilities Authority, those prepared in accordance with generally accepted accounting principles (GAAP) applicable to enterprise funds of state and local governments. This is the first set of statements included in the annual audit report. Throughout the MD&A discussion certain numbers are rounded and represent approximate amounts. Exact amounts are in the numerical charts.

Wastewater Division

Comparative Balance Sheet

The Balance Sheet is the only financial statement that applies to a single point in time. This statement is intended to provide a snapshot of the Division's financial condition as of December 31. The Division's Assets and Deferred Outflows exceed Liabilities and Deferred Inflows by more than \$45 million which indicates a strong financial position.

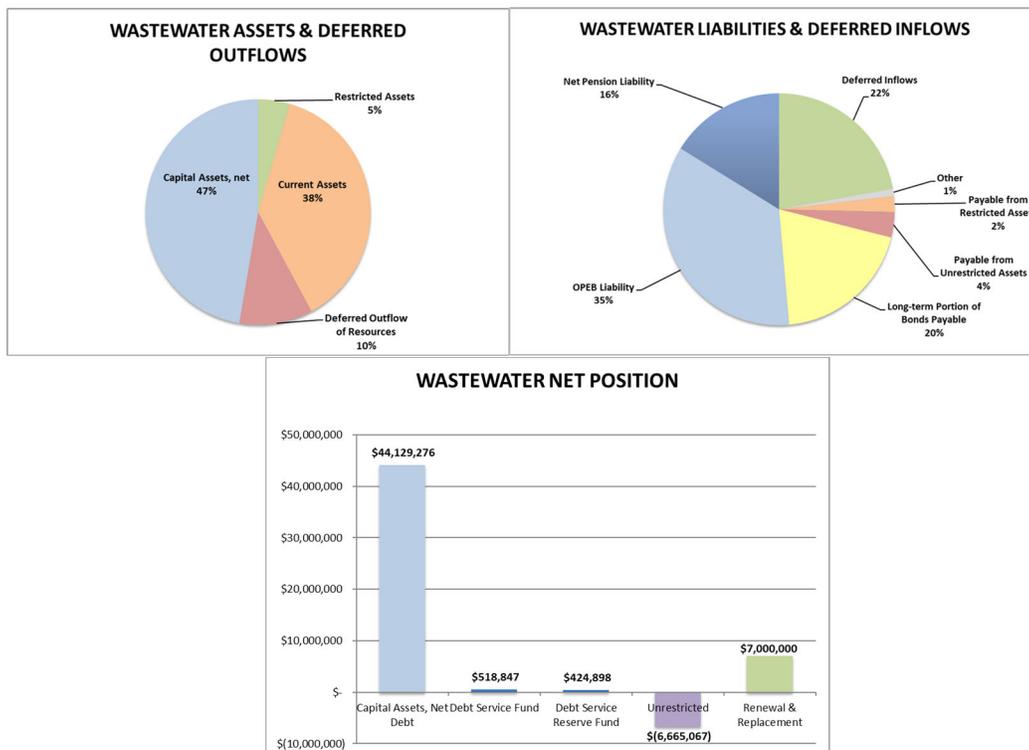
ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Wastewater Division (Continued)

Below is a synopsis of the Wastewater Division's 2020 Balance Sheet with a comparison to last year:

| | | | 2020-2019 | | |
|---|-----------------------|-----------------------|-----------------------|---------------------|-----------------|
| | 2020 | 2019 | 2018 | \$ Change | % Change |
| Total Current Assets | \$ 50,213,457 | \$ 45,963,493 | \$ 42,210,261 | \$ 4,249,964 | 9% |
| Total Noncurrent & Restricted Assets | 6,107,698 | 11,106,738 | 12,240,727 | (4,999,040) | -45% |
| Capital Assets, Net of Depreciation | 63,248,761 | 62,093,282 | 62,560,704 | 1,155,479 | 2% |
| Deferred Outflows Related to Pensions & OPEB | 14,104,572 | 4,567,857 | 5,232,229 | 9,536,715 | 209% |
| TOTAL ASSETS & DEFERRED OUTFLOWS | \$ 133,674,488 | \$ 123,731,370 | \$ 122,243,921 | \$ 9,943,118 | 8% |
| Current Liabilities Payable from Unrestricted Assets | \$ 3,134,381 | \$ 2,988,053 | \$ 3,583,262 | \$ 146,328 | 5% |
| Current Liabilities Payable from Restricted Assets | 1,935,983 | 2,475,321 | 5,596,627 | (539,338) | -22% |
| Total Noncurrent Liabilities Payable from Restricted | 17,367,732 | 19,171,797 | 17,432,166 | (1,804,065) | -9% |
| Total Noncurrent Liabilities Payable from Unrestricted | 46,267,433 | 36,095,399 | 40,799,513 | 10,172,034 | 28% |
| Total Deferred Inflows Related to Pensions & OPEB | 19,561,004 | 19,926,603 | 16,952,576 | (365,599) | -2% |
| TOTAL LIABILITIES & DEFERRED INFLOWS | 88,266,534 | 80,657,174 | 84,364,144 | 7,609,361 | 9% |
| Invested in Capital Assets, Net Debt | 44,129,276 | 41,221,130 | 40,567,555 | 2,908,146 | 7% |
| Total Restricted | 7,943,745 | 7,869,819 | 7,824,891 | 73,926 | 1% |
| Unrestricted | (6,665,067) | (6,016,754) | (10,512,669) | (648,313) | 11% |
| TOTAL NET POSITION | 45,407,954 | 43,074,196 | 37,879,777 | 2,333,759 | 5% |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION | \$ 133,674,488 | \$ 123,731,370 | \$ 122,243,921 | \$ 9,943,120 | 8% |



ATLANTIC COUNTY UTILITIES AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Wastewater Division (Continued)

The Wastewater Division's Total Assets and Deferred Outflows increased almost \$10 million and 8%. Current Assets were up by \$4.2 million primarily due to an increase in Cash and Investments of over \$4.3 million. Accrued Interest Receivable decreased \$222,000 as a result of investments maturing during the year and the recognition of premiums paid when investments were purchased. Accounts Receivable decreased by \$186,000 and is primarily a function of timing of customer payments. Cash receipts were not negatively impacted by the Covid-19 pandemic. The amount due to Solid Waste decreased \$328,000 because the 2019 balance was unusually high due to the timing of the first payroll of 2020 which had to be funded on December 31, 2019. This amount was cleared out in January 2020.

Restricted Noncurrent Assets decreased about \$5.0 million to \$6.1 million. The decrease was a combination of decreased Cash & Investments and Interest Receivable and a decrease in Loans Receivable. Cash & Investments decreased \$4.5 million due to self-funding projects either permanently or until long-term financing can be secured. Accrued Interest Receivable decreased \$50,000 as a result of decreased Cash and Investments available for investing in 2020. The Loan Receivable balance decreased almost \$482,000 due to the receipt of funds for the completion of the sea wall improvements funded through the New Jersey Infrastructure Bank (NJIB). The NJIB also deobligated \$52,000 of debt and the related loan receivable for the unused loan proceeds for the Bar Screen Replacement financing.

Capital Assets increased \$1.2 million, with additions and deletions representing \$4.3 million and Depreciation Expense representing \$3.1 million. Capital projects added in 2020 include Phase 1 of the Bader Field/Ventnor Margate force main and a generator at the Pleasantville pump station. A total of \$4.6 million in capital assets were placed in service in 2020. Depreciation Expense is calculated straight line over the life of the asset with a half year of depreciation taken in the first and last years of the asset's life. Depreciation Expense increased by \$218,000 primarily because a full year of depreciation was taken on assets placed in service in 2019 as compared to only a half year in 2019.

Deferred Outflows Related to Pensions increased \$197,000 to \$2.7 million. The increase is due to the actuarial assumptions used to calculate pension obligations. Deferred Outflows Related to OPEB increased from \$2.1 million in 2019 to \$11.4 million in 2020 also due to the actuarial assumptions used to calculate OPEB obligations.

Total Liabilities and Deferred Inflows increased by \$7.6 million and 9%. Accounts Payable increased \$188,000 primarily due to higher operating expenses in 2020. In 2019, Deferred Revenue represented a prepayment from American Tower, Inc. for 2020 rent that was recognized 2020. Pension Payable represents the amount owed to the New Jersey Public Employee's Retirement System for the current year which increased \$2,300 to \$823,000.

Construction Contracts Payable decreased \$581,000 and represents the amount owed to vendors for the portion of capital projects that were complete but not yet paid as of December 31, 2020.

ATLANTIC COUNTY UTILITIES AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Wastewater Division (Continued)

Accrued Absences increased \$25,000 to \$361,000 which represents the value associated with vacation and compensatory time earned by employees as of December 31, 2020. Post Retirement Benefit costs remained the same at \$535,000. This balance represents additional funds set aside by the Authority for Other Post-Employment Benefits.

Current and Long-Term Bonds Payable went from \$20.9 million in 2019 to \$19.1 million in 2020 due to \$1.7 million principal payments made in accordance with existing debt service schedules and the de-obligation of \$52,000 for a loan not fully spent. Accrued Interest Expense decreased slightly to \$78,000 due to the repayment of debt during the year. The Authority did not issue new debt in 2020.

The Net Pension Liability is required as part of the implementation of GASB 68 and represents an actuarial estimate of the current liability for future pension expenses. The Net Pension Liability decreased \$503,000 and 3% to \$14.3 million in 2020. The decrease is almost entirely attributable to changes in actuarial assumptions used to calculate pension obligations. The discount rate of return increased slightly causing a decrease in the Net Pension Liability for all participating units. The OPEB Liability is required as part of the implementation of GASB 75 and represents an actuarial estimate of the current liability for future post-employment benefits for retirees. The liability is \$31.1 million and increased \$10.7 million from 2019. The increase is almost entirely attributable to changes in actuarial assumptions used to calculate OPEB obligations. The discount rate of return decreased causing a significant increase in the OPEB Liability for all participating units.

Deferred Inflows Related to Pensions increased \$490,000 and Deferred Inflows Related to OPEB decreased \$856,000 due to changes in actuarial assumptions used to calculate pension and OPEB obligations.

Assets and Deferred Outflow of Resources exceed Liabilities and Deferred Inflow of Resources by \$45.4 million. This compares to 2019 where the division's Assets and Deferred Outflow of Resources exceeded its Liabilities and Deferred Inflow of Resources by \$43.1 million. The net change represents the change in Net Position for the 2020 year of \$2.3 million.

The Division's Net Position of \$45,407,954 is comprised of the following:

- (1) Capital Assets, Net of Related Debt of \$44,129,276, include property, plant and equipment, net of accumulated depreciation, and net of long-term debt and short-term debt related to the purchase or construction of capital assets.
- (2) Net Position of \$7,000,000 restricted for the purpose of Renewal and Replacement of "the System" and restricted as the "System Improvement Requirement", which is determined each year by an independent consulting engineer.
- (3) Net Position of \$518,847 restricted for the purpose of forthcoming debt service payments.
- (4) Net Position of \$424,898 restricted for the purpose of providing a Debt Service Reserve Fund, in accordance with the Authority's debt covenants.
- (5) Unrestricted Net Position of (\$6,665,067) represents the portion available to maintain the Authority's continuing obligations to the contractual customers of its service area, its creditors and current liabilities. Also reflected in the balance are the financial impacts of the implementation of GASB 68 and GASB 75.

ATLANTIC COUNTY UTILITIES AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Wastewater Division (Continued)

Restricted Net Position increased \$74,000 due to an increase in the Debt Service Fund in accordance with debt service due in 2021. Unrestricted Net Position decreased \$648,000 which is a function of changes in Restricted Net Assets and Net Income for the year.

Comparative Statement of Revenues, Expenses and Changes in Net Position:

This financial statement is commonly referred to as the Income Statement and summarizes the Division's Revenue and Expenditures for the year. This financial statement provides valuable insight into both operating and non-operating performance and is most useful when compared to prior periods of performance. Net income for the year was \$2,334,000, a decrease of over \$2.9 million from 2019.

Below is a synopsis of the Wastewater Division's 2020 Statement of Revenues, Expenses and Changes in Net Position with a comparison to the last two years:

| WW Revenue | 2020 | 2019 | 2018 | 2020-2019 | |
|---|---------------------|---------------------|---------------------|-----------------------|-------------|
| | | | | \$ Change | % Change |
| User Fee | \$ 23,694,074 | \$ 23,343,919 | \$ 23,343,919 | \$ 350,155 | 1% |
| Sludge | 2,261,913 | 1,956,774 | 2,365,031 | 305,139 | 16% |
| Septage | 395,872 | 414,530 | 383,828 | (18,658) | -5% |
| Grant Income | - | 25,686 | 2,498,598 | (25,686) | -100% |
| Other | 1,433,622 | 1,414,227 | 1,623,950 | 19,395 | 1% |
| Total Revenue | 27,785,481 | 27,155,136 | 30,215,326 | 630,345 | 2% |
| WW Operating Expenses | | | | | |
| Salaries | 6,976,608 | 6,883,636 | 6,574,233 | 92,972 | 1% |
| Employee Benefits | 4,096,511 | 2,865,003 | 4,883,355 | 1,231,508 | 43% |
| Power & Utilities | 2,593,503 | 2,527,357 | 2,598,158 | 66,146 | 3% |
| Chemicals | 831,146 | 922,014 | 794,896 | (90,868) | -10% |
| Fuel | 1,344,897 | 1,172,655 | 1,202,741 | 172,242 | 15% |
| Supplies & Miscellaneous Maintenance | 3,002,713 | 1,817,972 | 4,095,619 | 1,184,741 | 65% |
| Contractual Services | 1,619,676 | 1,471,800 | 1,141,231 | 147,876 | 10% |
| Indirect Operating Expenses | 537,364 | 592,167 | 659,469 | (54,803) | -9% |
| Administrative | 1,174,110 | 1,341,170 | 1,349,921 | (167,060) | -12% |
| Licenses & Permits | 157,919 | 194,543 | 176,984 | (36,624) | -19% |
| Depreciation | 3,142,610 | 2,924,439 | 5,562,374 | 218,171 | 7% |
| Total Operating Expenses | 25,477,057 | 22,712,756 | 29,038,981 | 2,764,301 | 12% |
| Operating Income | 2,308,424 | 4,442,380 | 1,176,345 | (2,133,956) | -48% |
| WW Non-Operating Revenue/(Expenses) | | | | | |
| County Appropriation | (335,403) | (338,842) | (363,074) | 3,439 | -1% |
| Interest Income | 562,002 | 1,302,301 | 766,267 | (740,299) | -57% |
| Interest Expense | (201,267) | (211,420) | (205,903) | 10,153 | -5% |
| Total Non-Operating Revenue/(Expenses) | 25,332 | 752,039 | 197,290 | (726,707) | -97% |
| NET INCOME | \$ 2,333,757 | \$ 5,194,419 | \$ 1,373,635 | \$ (2,860,662) | -55% |

Operating Income decreased \$2.1 million primarily due increased operating expenses of \$2.8 million which was partially offset by increased revenue of \$630,000.

The user fee is the primary revenue source for the wastewater division and supports the expenses as follows: \$22,007,299 for operating expenses, and \$1,686,774 for annual debt service. The user fee charged to the participants increased \$350,000 as compared to 2019.

ATLANTIC COUNTY UTILITIES AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Wastewater Division (Continued)

Sludge and Septage disposal services are considered "outside income", and as such are utilized to reduce or stabilize the user fee charged to the Authority's fourteen direct participants. Income for these outside services was \$2.7 million in 2020, up from \$2.4 million in 2019.

Other Income remained stable at \$1.4 million in 2020 and 2019. Significant changes are explained following the chart:

| | 2020 | 2019 | 2018 | 2020-2019 | |
|--------------------------------|---------------------|---------------------|---------------------|-------------------|-----------|
| | | | | \$ Change | % Change |
| Operating Service | \$ 1,018,683 | \$ 988,995 | \$ 905,488 | \$ 29,688 | 3% |
| Rental | 157,954 | 144,114 | 209,741 | 13,840 | 10% |
| Lab | 111,829 | 137,275 | 129,803 | (25,446) | -19% |
| Solar Renewable Energy Credits | 106,263 | 130,483 | 100,283 | (24,220) | -19% |
| Truck Wash Revenue | 20,421 | 23,314 | 32,758 | (2,894) | -12% |
| Miscellaneous | 13,482 | 11,117 | 10,806 | 2,365 | 21% |
| Permits | 4,991 | 4,614 | 9,806 | 377 | 8% |
| Insurance Reimbursements | - | - | 225,264 | - | 0% |
| Total Other Income | \$ 1,433,622 | \$ 1,439,912 | \$ 1,623,950 | \$ (6,290) | 0% |

Operating service income represents pump station maintenance and repairs for customers, fuel sales, grease inspections and hauling revenue. The increase is primarily due to an increase in pump station maintenance and repair activity for existing customers. Rental income in 2020 is higher than 2019 due to a full year of rental income from the battery storage facility in 2020 as compared to a partial year in 2019. Lab revenue decreased \$25,000 due to the pandemic as schools and other facilities were closed for the majority of 2020. Solar renewable energy credit revenue decreased \$24,000 due to a decrease in contractual prices which are in line with current market conditions. The remaining other income categories did not have significant changes or impacts to the overall revenue of the division.

Operating expenses increased by \$2.8 million from the prior year. The increase is due to a combination of increases and decreases among significant operating items.

Significant increases were seen in Employee Benefits, Fuel, Supplies & Miscellaneous Maintenance, Contractual Services and Depreciation. Employee Benefits increased \$1.2 million and is the result of GASB 68 and GASB 75 impacts. GASB 68 pension expense decreased \$273,000 while GASB 75 OPEB expense increased \$1.5 million. Fuel Expense increased \$172,000 due to increased usage of natural gas in the incinerator due to a decrease in percent solids processed. The wetter sludge requires more fuel to burn. A capital project is underway to improve processes and equipment for solids handling which should help lower fuel usage and costs in the future. Supplies & Miscellaneous Maintenance expenses increased \$1.2 million. As seen in the chart there was significant decrease in these expenses as compared to 2018. On average the annual cost is approximately \$3 million. The year over year difference is due to timing of receipt of goods and services as part of the annual GAAP adjustment. The 2020 costs of \$3.0 million are consistent with the average annual budget and spending. Contractual Services increased \$148,000 due to increased use of outside contractors for motor rebuilds and for buildings and grounds initiatives. Depreciation is calculated straight line over the life of the asset with a half year of depreciation taken in the first and last years of an asset's life. Depreciation Expense increased \$218,000 because a full year of depreciation was realized on assets placed in service in 2019. The division experienced modest increases in expenses for Salaries and Power & Utilities.

ATLANTIC COUNTY UTILITIES AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Wastewater Division (Continued)

Significant decreases were realized in Chemicals and Administration. Chemicals decreased \$91,000 due to fewer open contracts in 2020 as compared to 2019. The three-year average Chemical Expense is approximately \$850,000 which is slightly higher than 2020 expenses. Administration Expenses decreased \$167,000 due to loan activity and the pandemic. There were no new loans in 2020 as compared to two loan closings in 2019. The pandemic also resulted in less spending on travel, meetings, training, education and other events. The division experienced modest decreases in Indirect Operating and License & Permit Expenses.

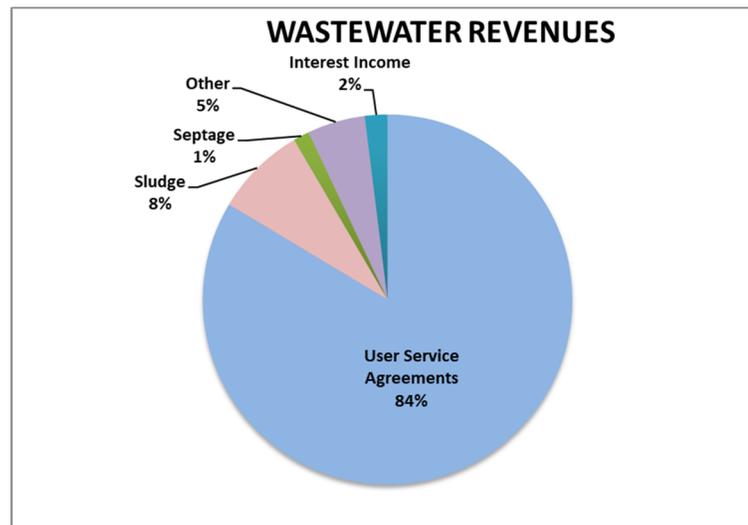
Total Operating Revenues exceeded Total Operating Expenses by \$2,308,000.

Non-Operating Revenue/Expense, which is comprised of County Appropriation, Interest Income and Interest Expense, provided \$25,000 in income in 2020 as compared to \$752,000 in income in 2019. The significant difference is due to a decrease in Interest Income of \$740,000. Interest Income decreased as a result of premiums recognized on matured investments, having less cash available for investment because several significant capital projects are being self-funded and because interest rates plummeted during the pandemic. One of the self-funded capital projects will eventually be reimbursed when it is substantially complete and ready for long-term loan closings.

The County requested \$500,000 per year for five years be paid towards Economic Development initiatives to be split pro-rata between Wastewater and Solid Waste. In addition, the County requested a total of \$300,000 per year for five years be paid towards the National Aviation Research and Technology Park, also to be split pro-rata between Wastewater and Solid Waste. In 2020 the Wastewater Division was responsible for \$335,000 of the \$800,000 due for both initiatives.

Interest Expense decreased \$10,000 in accordance with debt service schedules.

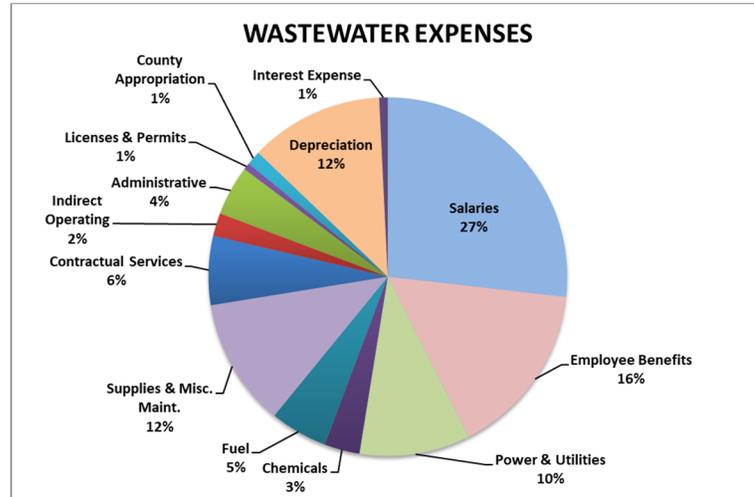
Total 2020 Revenues exceeded Expenses by \$2,333,757, the Net Income for the year.



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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Wastewater Division (Continued)



Statement of Cash Flows:

The Statement of Cash Flows is used to show how changes in balance sheet accounts and income affect Cash and Cash Equivalents. There are three categories in the Statement: Operating Activities, Capital and Financing Activities and Investing Activities.

| | 2020 | 2019 | 2018 | 2020-2019 | |
|---|---------------|---------------|---------------|---------------|----------|
| | | | | Incr/(Decr) | % Change |
| Cash Flows from Operating Activities | | | | | |
| Receipts from Customers and Users | \$ 27,909,058 | \$ 27,018,747 | \$ 32,553,796 | \$ 890,311 | 3% |
| Payments to Employees | (6,976,608) | (6,883,636) | (6,574,233) | (92,972) | 1% |
| Payments to Suppliers | (15,481,810) | (13,198,094) | (18,123,614) | (2,283,716) | 17% |
| Net Cash Provided by Operating Activities | 5,450,640 | 6,937,017 | 7,855,949 | (1,486,377) | -21% |
| Cash Flows from Noncapital Financing Activities | | | | | |
| Transfers to Other Funds | 328,145 | (293,694) | 5,086 | 621,839 | -212% |
| Cash Flows from Capital and Related Financing Activities | | | | | |
| Purchase of Capital Assets | (4,575,673) | (10,399,803) | (8,648,415) | 5,824,130 | 56% |
| Principal Paid on Debt | (1,700,354) | (1,475,351) | (1,244,881) | (225,003) | -15% |
| Interest Paid on Debt | (191,908) | (217,175) | (202,556) | 25,267 | 12% |
| Proceeds from Issuance of Debt | - | 3,635,165 | 7,812,507 | (3,635,165) | -100% |
| Net Cash Used by Capital and Financing | (6,467,935) | (8,457,164) | (2,283,345) | 1,989,229 | 24% |
| Cash Flows from Investing Activities | | | | | |
| Interest Income | 761,745 | 1,296,546 | 708,007 | (534,801) | -41% |
| County Appropriation | (335,403) | (338,842) | (363,074) | 3,439 | 1% |
| Transferred from (to) Investments | 16,672,891 | 4,448,481 | (6,359,068) | 12,224,410 | -275% |
| Net Cash Provided/(Used) by Investing Activities | 17,099,233 | 5,406,185 | (6,014,135) | 11,693,048 | -216% |
| Net Decrease in Cash and Cash Equivalents | 16,410,083 | 3,592,344 | (436,445) | 12,817,739 | -357% |
| Cash and Cash Equivalents, January 1 | 15,745,166 | 12,152,822 | 12,589,267 | 3,592,344 | 30% |
| Cash and Cash Equivalents, December 31 | \$ 32,155,250 | \$ 15,745,166 | \$ 12,152,822 | \$ 16,410,084 | 104% |

The Operating Activities represent the revenue-generating activities of the Division and resulted in a net cash increase of more than \$5.4 million. This is the result of revenue cash receipts from customers offset by payments to employees and suppliers.

ATLANTIC COUNTY UTILITIES AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Wastewater Division (Continued)

The Capital and Financing Activities represent capital asset purchases, dispositions and loan activity for the year. These transactions resulted in a net cash decrease of \$6.5 million. The division invested \$4.6 million to acquire capital assets and paid \$1.9 million in principal and interest on loans. There were no borrowings to finance capital activity in 2020.

The Investing Activities resulted in a net cash increase of \$17.1 million and represents the purchase and sale of investments, interest income and contributions to county-wide initiatives. Interest income generated \$762,000, the investment in county-wide initiatives was \$335,000 as previously explained and the transfer from Investments to Cash was \$16.7 million. As investments matured during the year most were held in Cash as opposed to being reinvested either because the interest rates were not as attractive for long-term investments or because the cash was needed to fund Operating and Capital Activity.

The Net Increase in Cash and Cash Equivalents for the 2020 year is \$16,410,000 leaving a balance of \$32,155,000 on December 31, 2020. Again, this increase resulted primarily from investments that matured during the year that remained liquid and were not reinvested.

Solid Waste Division

Comparative Balance Sheet

The Balance Sheet is the only financial statement that applies to a single point of time. This statement is intended to provide a snapshot of the Division's financial condition as of December 31st. The Division's Assets and Deferred Outflows exceed Liabilities and Deferred Inflows by over \$3.5 million which indicates a strong financial position.

Below is a synopsis of the Solid Waste Division's 2020 Balance Sheet with a comparison to the last two years:

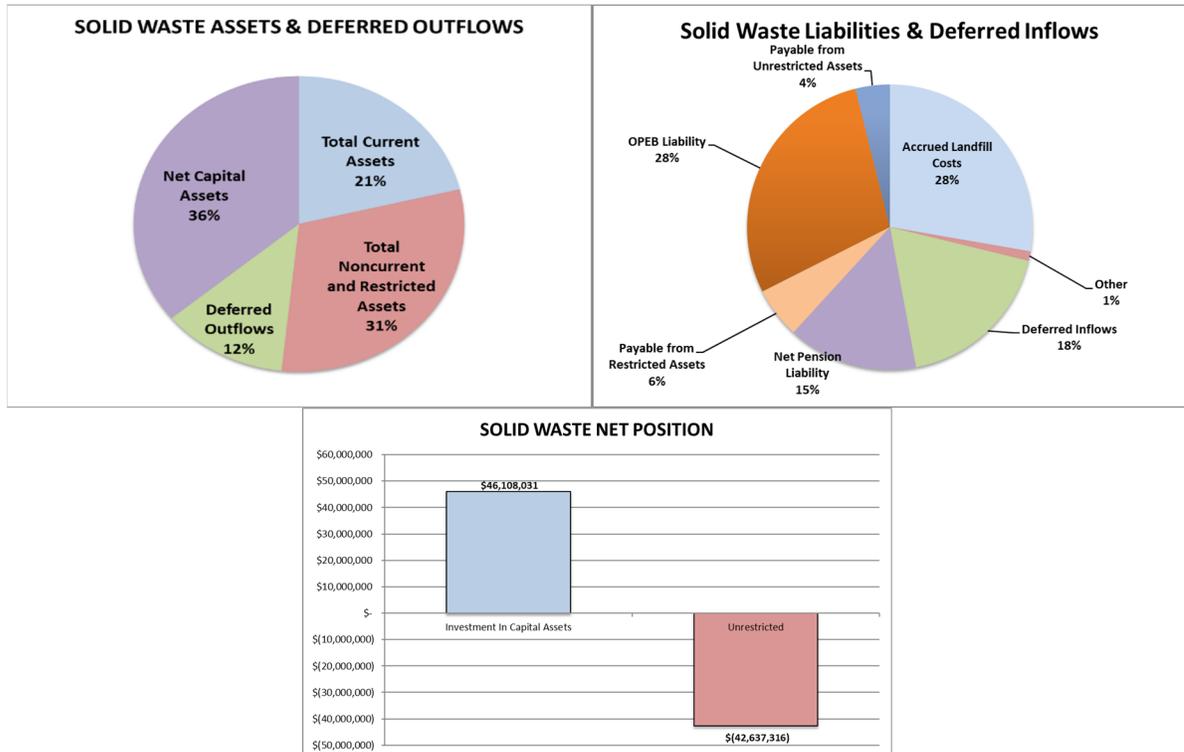
| | 2020 | 2019 | 2018* | 2020-2019 | |
|---|-----------------------|-----------------------|-----------------------|----------------------|-------------|
| | | | | \$ Change | % Change |
| Total Current Assets | \$ 27,195,969 | \$ 25,400,397 | \$ 25,592,192 | \$ 1,795,572 | 7% |
| Total Noncurrent & Restricted Assets | 39,009,154 | 36,809,768 | 45,813,392 | 2,199,386 | 6% |
| Capital Assets, Net of Depreciation | 46,108,031 | 46,878,876 | 37,464,981 | (770,845) | -2% |
| Deferred Outflows Related to Pensions & OPEB | 15,759,531 | 5,342,403 | 6,331,934 | 10,417,128 | 195% |
| TOTAL ASSETS & DEFERRED OUTFLOWS | \$ 128,072,685 | \$ 114,431,445 | \$ 108,265,366 | \$ 13,641,240 | 12% |
| Current Liabilities Payable from Unrestricted | 4,847,101 | 4,218,941 | 4,576,697 | 628,160 | 15% |
| Current Liabilities Payable from Restricted | 1,756,558 | 713,580 | 1,798,490 | 1,042,978 | 146% |
| Total Noncurrent Liabilities Payable from Restricted | 39,984,375 | 35,965,826 | 36,228,432 | 4,018,549 | 11% |
| Total Noncurrent Liabilities Payable from Unrestricted | 55,261,012 | 44,417,234 | 49,307,588 | 10,843,778 | 24% |
| Total Deferred Inflows Related to Pensions & OPEB | 22,752,925 | 22,961,885 | 20,140,355 | (208,960) | -1% |
| TOTAL LIABILITIES & DEFERRED INFLOWS | 124,601,970 | 108,277,466 | 112,051,562 | 16,324,504 | 15% |
| Invested in Capital Assets, Net Debt | 46,108,031 | 46,878,876 | 37,464,981 | (770,845) | -2% |
| Unrestricted | (42,637,315) | (40,724,897) | (34,314,042) | (1,912,418) | 5% |
| TOTAL NET POSITION | 3,470,715 | 6,153,979 | 3,150,939 | (2,683,264) | -44% |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION | \$ 128,072,685 | \$ 114,431,445 | \$ 115,202,501 | \$ 13,641,240 | 12% |

*Certain balances were reclassified to align with current year presentation

ATLANTIC COUNTY UTILITIES AUTHORITY
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MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Solid Waste Division (Continued)



The Solid Waste Division’s Total Assets and Deferred Outflows are \$128,073,000, an increase of \$13.6 million from 2019.

Current Assets increased \$1.8 million and 7% resulting from an increase in Cash and Investments of \$1.9 million. Accrued Interest Receivable decreased due to investments that matured and are in Cash as of December 31, 2020, and because premiums paid when purchased were realized during the year. Accounts Receivable increased almost \$400,000 due to increased revenue for the year. Intercompany Accounts decreased \$328,000 due to the timing of transactions between the divisions. These balances change daily and are in line with average balances for the Division.

Restricted and Noncurrent Assets increased \$2.2 million and 6%. Cash and Investments increased \$1.7 million primarily due to \$2.3 million escrow funds on deposit for the lease of collection vehicles offset by savings and expenditures for the construction and related services for the mechanically stabilized earth (MSE) wall around the landfill. This wall was built to increase capacity. Phase 1 was completed in 2020 for a total cost of \$10.2 million. Phase 2 began in 2021. Amounts held by the state of New Jersey increased \$510,000 and 2% and represents a combination of inflows and outflows. Deposits are made monthly to the ACUA escrow account equal to \$1 per ton of certain waste types received and interest income earned on the accounts are credited to them. There were withdrawals from the Pinelands Park Landfill (PPL) escrow accounts for post-closure care and maintenance costs. Accrued Interest Receivable decreased slightly by \$12,000 and this is due to less interest being paid in 2020 versus 2019 because Cash and Investments were spent as they were the funding source for the wall.

ATLANTIC COUNTY UTILITIES AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Solid Waste Division (Continued)

Capital Assets increased over \$8 million and 5% and include the acquisition of \$5.2 million of heavy equipment and vehicles, \$10.1 million on the MSW Cell Wall and other building and campus improvements of \$534,000. In 2019 Construction in Progress included \$6.8 million for the MSE wall so the net increase the wall had on total Capital Assets was \$3.3 million in 2020. There were \$1 million in assets taken out of service during the year and sold on GovDeals.com. Accumulated Depreciation increased \$8.8 million and 8% and is due to a half year of depreciation taken on Phase 1 of the Cell Wall that only has a one year life partially offset by depreciation removed with the assets sold on GovDeals. Depreciation is calculated straight line over the life of the asset with a half year of depreciation taken in the first and last years of an asset's life.

Deferred Outflows Related to Pensions increased \$289,000 to \$3.3 million. The increase is primarily due to the actuarial assumptions used to calculate pension obligations. The discount rate decreased causing a significant increase in the Deferred Outflow for all participating units. Deferred Outflows Related to OPEB increased \$10.1 million to \$12.5 million also due to the actuarial assumptions used to calculate OPEB obligations.

Total Liabilities and Deferred Inflows increased \$16.3 million and 15% to \$124.6 million. Current Liabilities Payable from Unrestricted Assets increased by \$628,000 and 15% primarily due to Accounts Payable. Accounts Payable increased \$580,000 to \$4.5 million primarily due to higher operating expenses in 2020. Customer Deposits increased \$43,000 and represent cash balances customers have available to draw down for tip fees. Pension Payable decreased \$823,000 to \$1,054,000 and represents the amount owed to the New Jersey Public Employee's Retirement System for the current year.

Current Liabilities Payable from Restricted Assets consists of Construction Contracts Payable, Accrued Interest Payable and Lease Payable. Construction Contracts Payable represents the amount owed to vendors for the portion of capital projects and purchases that were complete but not yet paid as of December 31, 2020. There was \$15,000 due in 2020 whereas there were none in 2019.

The Authority has three capital leases for the purchase of vehicles and equipment. There are \$7.1 million in leases payable as of December 31, 2020, of which \$1.7 million are current liabilities. Accrued Interest in the amount of \$36,600 is \$23,000 more than 2019 because the Authority closed on two additional leases in 2020 for \$5.1 million. The leases were necessary to acquire twelve collection trucks for new contracts as well a waste compactor required to run the landfill.

Accrued Landfill Closure and Post-Closure costs increased \$699,000. The ACUA owns two landfills, the active ACUA landfill and the closed Pinelands Park Landfill that was acquired by ACUA in 2012. The ACUA closure liability is calculated by the Authority's consulting engineer and includes total costs for closure and post-closure care of \$19.5 million, an increase of \$1.3 million from 2019. The PPL Closure Liability is \$15.1 million and decreased more than \$641,000 due to closure expenses incurred in 2020 which are partially offset by interest income earned in the escrow accounts.

The amount accrued for ACUA's landfill is in accordance with the consulting Engineer's findings as reported. Total anticipated closure cost as of December 31, 2020 is \$19,496,965. The percent of cumulative landfill capacity utilized as of December 31, 2020 according to the consulting engineer report is 75.4%, up from 71.5% in 2019. This increase is the result of 297,253 current year tons of waste

ATLANTIC COUNTY UTILITIES AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Solid Waste Division (Continued)

accepted, plus 116,358 tons of associated cover material used and buried in the landfill. The Authority's independent consulting engineer performs the necessary calculation to determine the estimated liability in accordance with provisions of Statement No. 18 of the Government Accounting Standards Board, Accounting for Municipal Solid Waste Landfill Closure and Post Closure Care Costs.

The Pinelands Park Landfill Post-Closure Costs assumed are \$15.1 million and are fully funded. The ACUA Landfill Post-Closure Costs are estimated to be \$19.5 million and \$11.3 million is funded. Both are shown in the Noncurrent Assets of the Authority.

Accrued Absences increased \$32,000 to \$538,000 which represents the value associated with vacation and compensatory time earned by employees. Other Non-Current Liabilities include an accrual for expected future Post Retirement Benefit costs in the amount of \$800,000. This balance represents additional funds set aside by the Authority for Other Post-Employment Benefits.

The Net Pension Liability is required as part of the implementation of GASB 68 and represents an actuarial estimate of the current liability for future pension expenses. The Net Pension Liability decreased \$738,000 and 4% to \$18.3 million in 2020. The decrease is attributable to changes in actuarial assumptions used to calculate pension obligations. The discount rate increased causing a significant decrease in the Net Pension Liability for all participating units. The OPEB Liability is required as part of the implementation of GASB 75 and represents an actuarial estimate of the current liability for future post-employment benefits for retirees. The liability is \$35.6 million and increased \$11.6 million from 2019. The increase is almost entirely attributable to changes in actuarial assumptions used to calculate OPEB obligations. The discount rate of return decreased causing a significant increase in the OPEB Liability for all participating units.

Deferred Inflows Related to Pensions increased \$719,000 and Deferred Inflows Related to OPEB decreased \$928,000 due to changes in actuarial assumptions used to calculate pension and OPEB obligations.

The Division's Net Position of \$3,470,715 is comprised of the following:

- (1) Capital Assets are \$46,108,031 and include Property, Plant and Equipment, net of Accumulated Depreciation.
- (2) Unrestricted Net Position decreased \$1.9 million to (\$42,637,315) and represents the Net Position available to maintain the Authority's continuing obligations to the Authority's service area, certain creditors, current liabilities and other post-employment benefits. Also reflected in the balance are the financial impacts of the implementation of GASB 68 and GASB 75.

Comparative Statement of Revenues, Expenses, and Changes in Net Position

This financial statement is commonly referred to as the Income Statement and summarizes the Division's Revenue and Expenditures for the year. This financial statement provides valuable insight into both operating and non-operating performance and is most useful when compared to prior periods of performance. Net loss for the year was \$2,683,264, a decrease of over \$5.7 million from 2019.

ATLANTIC COUNTY UTILITIES AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Solid Waste Division (Continued)

Below is a synopsis of the Solid Waste Division's 2020 Statement of Revenues, Expenses and Changes in Net Position with a comparison to the last two years:

| | 2020 | 2019 | 2018 | 2020-2019 | |
|---|-----------------------|---------------------|-------------------|-----------------------|--------------|
| | | | | \$ Change | % Change |
| SW Revenue | | | | | |
| Tipping Fee | \$ 25,247,060 | \$ 23,916,814 | \$ 24,534,013 | \$ 1,330,246 | 6% |
| Collections & Recycling | 11,917,828 | 11,039,101 | 8,477,075 | 878,727 | 8% |
| Grant Income | 111,911 | 110,357 | 212,402 | 1,554 | 1% |
| Composting & Eco Product Income | 1,369,363 | 1,156,850 | 1,143,598 | 212,513 | 18% |
| Other | 1,614,044 | 1,268,064 | 1,111,663 | 345,980 | 27% |
| Total Revenue | 40,260,207 | 37,491,185 | 35,478,751 | 2,769,022 | 7% |
| SW Operating Expenses | | | | | |
| Salaries | 12,073,383 | 11,410,888 | 9,856,193 | 662,495 | 6% |
| Employee Benefits | 7,183,163 | 5,242,658 | 7,226,107 | 1,940,505 | 37% |
| Power & Utilities | 517,521 | 720,604 | 637,020 | (203,083) | -28% |
| Fuel | 1,066,547 | 1,201,413 | 1,157,836 | (134,866) | -11% |
| Supplies & Miscellaneous Maintenance | 2,815,213 | 2,969,447 | 2,653,979 | (154,234) | -5% |
| Indirect Operating Expenses | 4,002,809 | 3,845,003 | 4,039,898 | 157,806 | 4% |
| Administrative | 1,105,176 | 1,183,063 | 1,142,000 | (77,887) | -7% |
| Community Benefit | 2,671,314 | 2,570,125 | 2,539,785 | 101,189 | 4% |
| Recycling & Other Taxes | 1,133,285 | 1,114,676 | 1,116,553 | 18,609 | 2% |
| Bad Debt Expense | - | - | 21,545 | - | 0% |
| Depreciation | 9,880,536 | 4,309,083 | 4,210,349 | 5,571,453 | 129% |
| Total Operating Expenses | 42,448,948 | 34,566,961 | 34,601,265 | 7,881,987 | 23% |
| Operating Income/(Loss) | (2,188,740) | 2,924,225 | 877,486 | (5,112,965) | -175% |
| SW Non-Operating Revenue/(Expenses) | | | | | |
| County Appropriation | (464,597) | (461,158) | (436,926) | (3,439) | 1% |
| Interest Income | 845,653 | 1,319,576 | 1,121,570 | (473,923) | -36% |
| Interest Expense | (130,101) | (98,455) | (16,975) | (31,646) | 32% |
| Gain on Sale of Fixed Asset | 169,122 | 78,920 | 29,457 | 90,202 | 114% |
| Adjustment to landfill closure and post-closure care cost | (914,601) | (760,069) | (990,499) | (154,532) | 20% |
| Total Non-Operating Revenue/(Expenses) | (494,524) | 78,814 | (293,373) | (573,338) | -727% |
| NET INCOME/(LOSS) | \$ (2,683,264) | \$ 3,003,039 | \$ 584,113 | \$ (5,686,303) | -189% |

Tip Fees increased \$1.3 million and 6% primarily due to a \$1.7 million increase in bulky and construction waste received partially offset by a \$600,000 decrease in trash. The Covid-19 pandemic included lockdowns which significantly increased residential trash while a decrease in trash was received from casinos in Atlantic City due to closures for over three months. Recycling market revenue and revenue from collection contracts increased 8% and \$878,000. The increase is due to new collection contracts with Hamilton Township, Mullica Township and Millville City that came online during the year. Grant income remained consistent as well as Clean Communities reimbursements. Compost and Eco-product income increased over \$212,000 because more product was available to sell and the pandemic-related improvements previously mentioned also included residential landscape projects and improvements. Other Income increased over \$345,000 due to several factors as shown below. Significant changes are explained following the chart:

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

| | Solid Waste Division (Continued) | | | 2020-2019 | |
|---------------------------|---|---------------------|---------------------|-------------------|-----------------|
| | 2020 | 2019 | 2018 | \$ Change | % Change |
| Rental Income | \$ 262,208 | \$ 256,649 | \$ 245,308 | \$ 5,559 | 2% |
| PPL Reimbursement | 226,540 | 230,736 | 222,570 | (4,196) | -2% |
| Landfill Gas to Energy | 201,886 | 175,959 | 199,512 | 25,927 | 15% |
| CNG Tax Rebate | 162,408 | 161,363 | 123,469 | 1,045 | 1% |
| Legal Settlement | 39,000 | 150,000 | - | (111,000) | -74% |
| Clean Energy | 89,422 | 93,940 | 125,436 | (4,518) | -5% |
| Fuel Sales | 49,023 | 87,155 | 109,348 | (38,132) | -44% |
| Miscellaneous | 15,376 | 56,652 | 64,980 | (41,276) | -73% |
| Insurance Refunds | 568,181 | 55,611 | 21,038 | 512,570 | 922% |
| Total Other Income | \$ 1,614,044 | \$ 1,268,065 | \$ 1,111,662 | \$ 345,978 | 27% |

Insurance Reimbursements were for several pieces of heavy equipment including a compactor, a loader, an articulated dump truck, a water truck and a sweeper. There was also a reimbursement for repairs made to the transfer station. Insurance reimbursements are unique to the year the incidents occurred with 2020 having significantly more activity than the previous two years. The ACUA has a partnership with AC Landfill Energy, LLC for a Landfill Gas to Energy (LFG) project that converts methane from the landfill to electricity. ACUA shares in total project revenue and earned \$100,000 in 2020 which is \$24,000 more than the prior year. The ACUA also receives approximately \$100,000 rental income from the project. The CNG tax rebate recognized in 2020 is a 50 cent per gallon equivalent rebate from the IRS for CNG dispensed by the station owner in 2019. The legal settlement income of \$39,000 is the result of liquidated damages for delays in project completion by the vendor awarded a bid contract for a portion of the transfer station floor replacement. These damages are in addition to the legal settlement in 2018 for \$150,000 for non-performance. Clean Energy built the Authority's CNG station and provides billing and operations and maintenance for the station. The Clean Energy/CNG Revenue represents the revenue for outside customers. Fuel sales declined in 2020 as compared to both 2019 and 2018 due to fewer outside customers fueling in 2020.

Operating Expenses increased \$7.9 million which is the net result of increases and decreases among significant operating items.

Salaries, Employee Benefits and Depreciation experienced significant increases. Salaries increased \$662,000 and 6% due to a combination of hiring new employees to service new collection contracts and additional overtime experienced in 2020 due to the Covid-19 pandemic. Employee Benefits increased \$1.9 million and is the result of GASB 68 and GASB 75 impacts. GASB 68 pension expense decreased \$384,000 while GASB 75 OPEB expense increased \$1.7 million. The amount due to the state for pension for 2020 also increased \$456,000. Finally, Depreciation Expense increased \$5.6 million primarily because a half year of depreciation was taken on Phase 1 of the MSE Cell Wall that only has a one year life. Depreciation related to the Cell Wall was \$5.0 million. The remaining increase relates to assets placed in service in 2019 that had a full year of depreciation (increase \$297,000) and other 2020 additions that had a half year of depreciation (increase \$162,000). Host Community Benefit Fee and Recycling & Other Taxes had modest increases.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Solid Waste Division (Continued)

Power & Utilities, Fuel and Supplies & Miscellaneous Maintenance experienced significant decreases. Power & Utilities decreased \$203,000 and 28% due to the installation of newer metering and programmable thermostats for gas and electric. Also, in 2019 there were five quarters of sewer expenses recognized compared to four quarters in 2020 which contributed about \$35,000 to the decrease. Fuel expenses decreased \$135,000 and 11% because we used more CNG versus traditional fuel which has a substantial savings. Finally, Supplies & Miscellaneous Maintenance decreased \$154,000 due to newer vehicles in the fleet that require minimal repairs, maintenance and tires. Also in 2020 we had about one-third fewer vehicles equipped with Fleetmind hardware than we did in 2019. There was a modest decrease in Administrative Expenses.

Total Operating Expenses exceeded Total Operating Revenue resulting in operating loss of \$2,189,000 for 2020 versus operating income of \$2,924,000 in 2019. The \$5,112,000 decrease in income is almost fully attributable to Depreciation Expense which increased over \$5.5 million as explained above and is a non-cash transaction.

Total Net Non-Operating Expense is \$495,000 compared to Net Non-Operating Revenue of \$79,000 in 2019, a reduction of \$573,000.

The County requested \$500,000 per year for five years be paid towards Economic Development initiatives to be split pro-rata between Wastewater and Solid Waste. In addition, the County requested a total of \$300,000 per year for five years be paid towards the National Aviation Research and Technology Park, also to be split pro-rata between Wastewater and Solid Waste. In 2020 the Solid Waste Division was responsible for \$465,000 of the \$800,000 due for both initiatives.

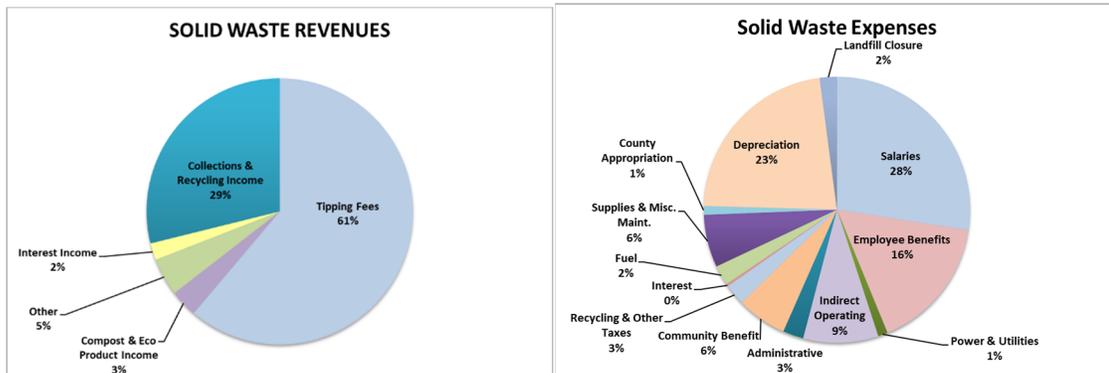
Interest Income decreased \$474,000 primarily due to less attractive interest rates, the realization of premiums paid on matured investments in 2020 and less funds available for investment due to the cash being used to fund capital projects. Interest Expense increased \$32,000 and is related to the three capital leases for the purchase of vehicles and equipment between 2018 and 2020. Gain on Sale of fixed assets increased to \$90,000 and is unique to the surplus equipment sold in any given year. The Adjustment to Landfill Closure and Post-Closure Care Cost represents the charge necessary to bring the Landfill Closure Liability up to the estimated amount in the annual engineer's report. The adjustment was \$915,000 for 2020 as compared to \$760,000 in 2019.

Net Loss for the 2020 year is \$2,683,000 compared to Net Income of \$3,003,000 in 2019, a \$5,686,000 decrease. The decrease is almost entirely attributable to the increase in Depreciation Expense as described above. Net income, if available, normally funds the capital improvements of the Authority which include the construction of new cells, the purchase of collection vehicles and other equipment, infrastructure improvements and landfill closure responsibilities.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Solid Waste Division (Continued)



Statement of Cash Flows

The Statement of Cash Flows is used to show how changes in balance sheet accounts and income affect Cash and Cash Equivalents. There are three categories in the Statement: Operating Activities, Capital and Financing Activities and Investing Activities.

| | 2020 | 2019 | 2018 | 2020-2019 | |
|---|---------------|---------------|---------------|--------------|----------|
| | | | | Incr/(Decr) | % Change |
| Cash Flows from Operating Activities | | | | | |
| Receipts from Customers and Users | \$ 43,040,521 | \$ 39,913,406 | \$ 37,930,626 | \$ 3,127,115 | 8% |
| Payments to Employees | (12,073,382) | (11,410,888) | (9,856,193) | (662,494) | -6% |
| Payments to Suppliers | (19,488,473) | (19,055,704) | (20,233,777) | (432,769) | -2% |
| Net Cash Provided by Operating Activities | 11,478,665 | 9,446,814 | 7,840,656 | 2,031,851 | 22% |
| Cash Flows from Noncapital Financing Activities | | | | | |
| Transfers to Other Funds | (328,145) | 293,694 | (5,086) | (621,839) | 212% |
| Cash Flows from Capital and Related Financing Activities | | | | | |
| Purchase of Capital Assets | (15,907,287) | (15,065,406) | (4,850,241) | (841,881) | -6% |
| Gain on Sale of Fixed Assets | 169,122 | 78,920 | 29,457 | 90,202 | -114% |
| Net Cash Used by Capital and Financing | (15,738,165) | (14,986,486) | (4,820,784) | (751,679) | -5% |
| Cash Flows from Investing Activities | | | | | |
| Interest Income | 857,311 | 1,322,971 | 1,067,892 | (465,660) | -35% |
| County Appropriation | (464,597) | (461,158) | (436,926) | (3,439) | 1% |
| Transferred to Investments | 13,740,729 | 3,469,296 | 1,658,782 | 10,271,433 | 296% |
| Net Cash Provided by Investing Activities | 14,133,443 | 4,331,109 | 2,289,748 | 9,802,334 | 226% |
| Net Increase (decrease) in Cash and Cash Equivalents | 9,545,799 | (914,869) | 5,304,534 | 10,460,668 | -1143% |
| Cash and Cash Equivalents, January 1 | 10,884,972 | 11,799,841 | 6,495,307 | (914,869) | -8% |
| Cash and Cash Equivalents, December 31 | \$ 20,430,771 | \$ 10,884,972 | \$ 11,799,841 | \$ 9,545,799 | 88% |

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Solid Waste Division (Continued)

The Operating Activities represent the revenue-generating activities of the Division and resulted in a net cash increase of \$11.5 million. This is the result of increased revenues generated, increased payments to employees for new contracts and increased expenses paid to suppliers.

The Capital and Financing Activities represent capital asset purchases, dispositions and loan activity for the year. These transactions resulted in a net cash decrease of \$15.7 million. The division invested \$15.9 million to build the MSE Cell Wall and acquire capital assets and realized a gain on the disposition of assets of \$169,000.

The Investing Activities represent the purchase and sale of investments, interest income and contributions to county-wide initiatives. Interest income generated \$466,000 less cash compared to 2019. The investment in county-wide initiatives increased slightly as previously explained and the transfer from Investments to Cash increased \$10.3 million. Investing Activities generated \$14.1 million in 2020.

The Net Increase in Cash and Cash Equivalents for the 2020 year is \$9,545,800 leaving a balance of \$20,430,771 on December 31, 2020. Again, this increase resulted primarily from investments that matured during the year that remained liquid and were not reinvested.

Core Competencies

Wastewater Division

The Wastewater Division provides wastewater conveyance and treatment (the System) under contracts with 14 municipalities and authorities within Atlantic County and one State-regulated public utility that services Atlantic City, NJ, also within Atlantic County. The System consists of a wastewater treatment plant, a wastewater collection system of approximately 60 miles of gravity interceptor and force mains, 20 pumping stations and an ocean outfall line discharging into the Atlantic Ocean through a diffuser system. The wastewater treatment plant provides primary and secondary wastewater treatment and is situated on about 300 acres located on the western outskirts of Atlantic City, NJ. The treatment plant has a capacity of 40 million gallons per day. The Atlantic County Utilities Authority owns and operates the regional piping and pumping systems that receive, meter, and transport the municipal wastewater to the Authority's Regional Plant on City Island for treatment and discharge.

The User Fee charged to the fourteen municipalities and Municipal Utilities Authorities within Atlantic County and the one State-regulated public utility that services Atlantic City, is the main source of revenue for the Wastewater Division. This is shown on the Comparative Statement of Revenues, Expenses and Changes in Net Position as "User Service Agreements: Operating and General" and reported as Operating Revenues. Other services provided include sludge, septage, and scum disposal, representing the next primary source of revenue to the Authority after User Fees. Lab services, such as water testing, are provided as needed for other governmental entities as well as private businesses. The Wastewater Division also provides certain maintenance services on a contractual basis for a local municipal utility and other governmental agencies.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Core Competencies (Continued)

Solid Waste Division

In 1981 the Authority was designated by the Board of Chosen Freeholders of Atlantic County as the implementing agency for the County Solid Waste Management Plan, thereby empowering the division as the implementing agency to plan, design, construct and acquire all facilities for the implementation of a County-wide solid waste management program. The Atlantic County Utilities Authority operates an extensive solid waste management system that consists of a transfer station, landfill, recycling center, composting facility and maintenance center.

Tip fees are the primary source of income for the Solid Waste Division. Atlantic County has Flow Control which means all waste generated in Atlantic County must be processed at the ACUA. Waste brought to the ACUA includes municipal, commercial, construction, and industrial waste. In 2020 approximately 297,000 tons of waste came in compared to approximately 333,000 tons in 2019.

Collection of municipal solid waste, bulk waste and yard waste is also provided to municipalities who elect to contract with the Authority for such services. Collection contracts are the second highest revenue stream for the Authority. Recycling collection is provided to twenty-four municipalities, trash collection is provided to nineteen municipalities and yard waste collection services are provided to nine municipalities in and around Atlantic County. Approximately 36,000 tons of recyclable materials were collected in 2020 as compared to 39,000 in 2019. The reduction in tonnages is due to the curtailment of outside recyclables authorized under the revised recycling guidelines necessary to keep the program sustainable.

The Authority's compost operation processes leaves, grass clippings, tree branches, clean wood, brush and Christmas trees. In 2020 and 2019 over 31,000 tons and 24,000 tons of yard waste were processed, respectively. The branches, brush, and trees are processed into EcoSoil and sold to the public, providing additional income to support the Solid Waste system.

Centralized Maintenance

The ACUA has a 17,000 square foot Maintenance Center where a fleet of over 147 vehicles and 47 pieces of specialized heavy equipment is maintained and serviced. In addition to a CNG fueling station open to the public, the Authority now has 60 CNG refuse collection trucks, 6 CNG roll off trucks, 9 CNG utility trucks, a CNG street sweeper, a CNG sewer cleaning truck and 13 bi-fuel trucks in its fleet.

Accountability

The Atlantic County Utilities Authority's mission statement is:

"The Atlantic County Utilities Authority is responsible for enhancing the quality of life through the protection of waters and lands from pollution by providing responsible waste management services. The Authority is an environmental leader and will continue to use new technologies, innovations and employee ideas to provide the highest quality and most cost effective environmental services."

ATLANTIC COUNTY UTILITIES AUTHORITY

(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Accountability (Continued)

The Authority's accountability, first and foremost, is to protect the environment. The goal is to provide a cost effective and reliable service, and at the same time to protect the environment. Equally important to the Authority is the ratepayers, customers, the local governments, agencies and people served, and the employees of the ACUA. Excellent customer service is a top priority. Fair and reasonable fees is another top priority. Excellent employee relations and striving to be "a best place to work" is another priority. Embracing technology and innovation is high on the ACUA's list of objectives, as is community service, volunteering, and fundraising for community causes.

As an environmental utility, the Authority is also guided by and accountable to state government and the applicable rules and regulations that govern the Atlantic County Utilities Authority. The Authority is financially accountable to the Department of Community Affairs, Division of Local Government Services. As an environmental utility, the Authority is accountable to the U.S Environmental Protection Agency and the New Jersey Department of Environmental Protection.

The Atlantic County Utilities Authority is accountable to the governing body of the Authority, the Atlantic County Utilities Authority Board of Commissioners, and as such, accountable to other government officials.

Governing Body

The governing body of the Atlantic County Utilities Authority consists of a seven-member board that is appointed for five-year terms by the County Executive, with the advice and consent of the Commissioners. The County Executive is a non-voting, ex-officio member of the Authority.

Actions taken at the meetings of the Authority are not effective until approved by the County Executive or until ten days after the minutes of the meeting of the Authority Board have been delivered to the County Executive.

The Authority Board Members as of December 31, 2020 were:

Marvin E. Embry, Chairman
Peter A. Sarkos, Vice Chairman
Fred Akers, Treasurer
Andrew Berenato, Assistant Treasurer

John E. Lyons, Member
Judy Ward, Member
Laura Pfrommer, Member
Dennis Levinson, County Executive

Management of the Authority

Richard S. Dovey, President
Linda Bazemore, VP of Administration and Finance/CFO
Brian Lefke, Senior VP – Solid Waste Division and Board Secretary
Joseph Pantalone, VP – Wastewater Division
Thomas Ganard, Chief Engineer
Matthew DeNafo, VP of Centralized Maintenance and Asset Management

ATLANTIC COUNTY UTILITIES AUTHORITY

(A Component Unit of the County of Atlantic, New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Funding of Infrastructure and Debt Management

It is the current policy of the Atlantic County Utilities Authority Board of Commissioners and President that funding for capital improvements, additions or replacements, is to be accomplished using one or more of the following methods:

- Borrowings from the New Jersey Infrastructure Bank
- Capital Lease Purchases
- Lease with Option to Purchase Financing
- Funding incrementally or annually from the Operating Budget

Auditors

The Authority has a policy of changing Auditors every 3 to 5 years to encourage any new or fresh reviews of the Atlantic County Utilities Authority financial operations and reporting of financial status, and to eliminate any perceived or potential conflicts of interest that may develop due to long-term relationships.

Prior audits and additional information can be obtained by contacting the Atlantic County Utilities Authority or on the web site at www.acua.com.

BASIC FINANCIAL STATEMENTS

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

STATEMENTS OF NET POSITION
December 31, 2020 and 2019

| | 2020 | | | 2019 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | Wastewater Division | Solid Waste Division | Total | |
| ASSETS | | | | |
| Unrestricted current assets: | | | | |
| Cash and cash equivalents | \$ 29,721,643 | \$ 14,291,783 | \$ 44,013,426 | \$ 16,273,998 |
| Investments | 20,310,064 | 8,486,631 | 28,796,695 | 50,273,597 |
| Accrued interest receivable | 23,098 | 22,953 | 46,050 | 475,663 |
| Accounts receivable (net of allowance) | 405,464 | 3,414,254 | 3,819,718 | 3,692,230 |
| Other receivable | 348,761 | 384,777 | 733,538 | 648,403 |
| Internal accounts | (595,572) | 595,572 | - | - |
| Total unrestricted current assets | 50,213,457 | 27,195,969 | 77,409,426 | 71,363,891 |
| Restricted noncurrent assets: | | | | |
| Cash and cash equivalents | 2,433,607 | 6,138,988 | 8,572,595 | 10,356,140 |
| Investments | 3,453,166 | 2,485,813 | 5,938,979 | 6,920,949 |
| Amounts held by State of New Jersey | - | 30,279,251 | 30,279,251 | 29,769,705 |
| Accrued interest receivable | - | 105,102 | 105,102 | 166,972 |
| Loans receivable | 220,925 | - | 220,925 | 702,740 |
| Total restricted noncurrent assets | 6,107,698 | 39,009,154 | 45,116,852 | 47,916,506 |
| Capital assets, gross | 247,308,246 | 165,666,190 | 412,974,436 | 400,615,070 |
| Accumulated depreciation | (184,059,485) | (119,558,159) | (303,617,644) | (291,642,912) |
| Capital assets, net | 63,248,761 | 46,108,031 | 109,356,792 | 108,972,158 |
| TOTAL ASSETS | 119,569,916 | 112,313,155 | 231,883,071 | 228,252,555 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows related to pensions | 2,671,089 | 3,260,804 | 5,931,893 | 5,445,807 |
| Deferred outflows related to OPEB | 11,433,483 | 12,498,727 | 23,932,210 | 4,464,453 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 14,104,572 | 15,759,531 | 29,864,103 | 9,910,260 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 133,674,488 | \$ 128,072,685 | \$ 261,747,174 | \$ 238,162,815 |

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

STATEMENTS OF NET POSITION (CONTINUED)
December 31, 2020 and 2019

| | 2020 | | | 2019 |
|---|----------------------|-----------------------|-----------------------|-----------------------|
| | Wastewater Division | Solid Waste Division | Total | |
| LIABILITIES | | | | |
| Current liabilities payable from unrestricted assets: | | | | |
| Accounts payable and accrued expenses | \$ 2,311,649 | \$ 3,472,332 | \$ 5,783,981 | \$ 5,011,396 |
| Customer deposits | - | 320,332 | 320,332 | 277,068 |
| Unearned revenue, current | - | - | - | 41,361 |
| Pension payable | 822,732 | 1,054,437 | 1,877,169 | 1,877,169 |
| Total current liabilities payable from unrestricted assets | <u>3,134,381</u> | <u>4,847,101</u> | <u>7,981,482</u> | <u>7,206,995</u> |
| Current liabilities payable from restricted assets: | | | | |
| Construction contracts payable | 105,828 | 14,965 | 120,793 | 687,207 |
| Current portion of bonds payable | 1,751,753 | - | 1,751,753 | 1,700,354 |
| Current portion of lease payable | - | 1,705,000 | 1,705,000 | 700,000 |
| Accrued interest | 78,402 | 36,593 | 114,995 | 101,341 |
| Total current liabilities payable from restricted assets | <u>1,935,983</u> | <u>1,756,558</u> | <u>3,692,541</u> | <u>3,188,901</u> |
| Noncurrent liabilities payable from restricted assets: | | | | |
| Long-term portion of bonds payable | 17,367,732 | - | 17,367,732 | 19,171,798 |
| Long-term portion of lease payable | - | 5,420,000 | 5,420,000 | 2,100,000 |
| Accrued landfill closure and post-closure care cost | - | 34,564,375 | 34,564,375 | 33,865,826 |
| Total noncurrent liabilities payable from restricted assets | <u>17,367,732</u> | <u>39,984,375</u> | <u>57,352,107</u> | <u>55,137,624</u> |
| Noncurrent liabilities payable from unrestricted assets: | | | | |
| Accrued compensated absences | 361,497 | 537,575 | 899,072 | 842,209 |
| Post-retirement benefits payable | 535,019 | 800,000 | 1,335,019 | 1,335,019 |
| Net pension liability | 14,305,615 | 18,334,480 | 32,640,095 | 33,880,857 |
| Net OPEB liability | 31,065,302 | 35,588,957 | 66,654,259 | 44,454,548 |
| Total noncurrent liabilities payable from unrestricted assets | <u>46,267,433</u> | <u>55,261,012</u> | <u>101,528,445</u> | <u>80,512,633</u> |
| TOTAL LIABILITIES | <u>68,705,529</u> | <u>101,849,046</u> | <u>170,554,575</u> | <u>146,046,152</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows related to pensions | 6,303,592 | 7,702,033 | 14,005,625 | 12,795,748 |
| Deferred inflows related to OPEB | 13,257,412 | 15,050,892 | 28,308,304 | 30,092,740 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>19,561,004</u> | <u>22,752,925</u> | <u>42,313,929</u> | <u>42,888,488</u> |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | <u>\$ 88,266,534</u> | <u>\$ 124,601,970</u> | <u>\$ 212,868,504</u> | <u>\$ 188,934,640</u> |

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

STATEMENTS OF NET POSITION (CONTINUED)
December 31, 2020 and 2019

| | 2020 | | | 2019 |
|--|------------------------|-------------------------|-----------------------|-----------------------|
| | Wastewater Division | Solid Waste Division | Total | |
| NET POSITION | | | | |
| Investment in capital assets, net of related debt | \$ 44,129,276 | \$ 46,108,031 | \$ 90,237,307 | \$ 88,100,006 |
| Restricted for: | | | | |
| Wastewater: | | | | |
| Renewal and replacement | 7,000,000 | - | 7,000,000 | 7,000,000 |
| Debt service fund | 518,847 | - | 518,847 | 441,940 |
| Debt service reserve fund | 424,898 | - | 424,898 | 427,879 |
| Unrestricted | (6,665,067) | (42,637,315) | (49,302,383) | (46,741,651) |
| TOTAL NET POSITION | <u>45,407,954</u> | <u>3,470,715</u> | <u>48,878,668</u> | <u>49,228,175</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 133,674,488</u> | <u>\$ 128,072,686</u> | <u>\$ 261,747,174</u> | <u>\$ 238,162,815</u> |

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2020 and 2019

| | 2020 | | | 2019 |
|---|----------------------|----------------------|----------------------|----------------------|
| | Wastewater Division | Solid Waste Division | Total | |
| Operating revenues: | | | | |
| Wastewater: | | | | |
| User service agreements: | | | | |
| Operating | \$ 22,007,299 | \$ - | \$ 22,007,299 | \$ 21,657,148 |
| General | 1,686,774 | - | 1,686,774 | 1,686,771 |
| Sludge | 2,261,913 | - | 2,261,913 | 1,956,774 |
| Septage | 395,872 | - | 395,872 | 414,530 |
| Grant income | - | - | - | 25,686 |
| Other | 1,433,622 | - | 1,433,622 | 1,414,227 |
| Solid Waste: | | | | |
| Tipping fees | - | 25,247,060 | 25,247,060 | 23,916,814 |
| Collections and recycling income | - | 11,917,828 | 11,917,828 | 11,039,101 |
| Grant income | - | 111,911 | 111,911 | 110,357 |
| Composting and EcoProduct income | - | 1,369,363 | 1,369,363 | 1,156,850 |
| Other | - | 1,614,044 | 1,614,044 | 1,268,064 |
| Total operating revenues | <u>27,785,481</u> | <u>40,260,207</u> | <u>68,045,687</u> | <u>64,646,322</u> |
| Operating expenses: | | | | |
| Salaries | 6,976,608 | 12,073,383 | 19,049,991 | 18,294,525 |
| Employee benefits | 4,096,511 | 7,183,163 | 11,279,674 | 8,107,661 |
| Power and utilities | 2,593,503 | 517,521 | 3,111,024 | 3,247,961 |
| Chemicals | 831,146 | - | 831,146 | 922,014 |
| Fuel | 1,344,897 | 1,066,547 | 2,411,444 | 2,374,068 |
| Supplies and miscellaneous maintenance | 3,002,713 | 2,815,213 | 5,817,926 | 4,787,419 |
| Contractual services | 1,619,676 | - | 1,619,676 | 1,471,800 |
| Indirect operating expenses | 537,364 | 4,002,809 | 4,540,173 | 4,437,170 |
| Administrative | 1,174,110 | 1,105,176 | 2,279,286 | 2,524,233 |
| Community benefit | - | 2,671,314 | 2,671,314 | 2,570,125 |
| Recycling and other taxes | - | 1,133,285 | 1,133,285 | 1,114,676 |
| Licenses and permits | 157,919 | - | 157,919 | 194,543 |
| Depreciation | 3,142,610 | 9,880,536 | 13,023,146 | 7,233,522 |
| Total operating expenses | <u>25,477,057</u> | <u>42,448,947</u> | <u>67,926,003</u> | <u>57,279,717</u> |
| Operating income/(loss) | <u>2,308,424</u> | <u>(2,188,740)</u> | <u>119,686</u> | <u>7,366,604</u> |
| Non-operating revenues/(expenses): | | | | |
| County appropriation | (335,403) | (464,597) | (800,000) | (800,000) |
| Interest income | 562,002 | 845,653 | 1,407,656 | 2,621,877 |
| Interest expense | (201,267) | (130,101) | (331,368) | (309,875) |
| Gain on sale of fixed assets | - | 169,122 | 169,122 | 78,920 |
| Adjustment to landfill closure and post-closure care cost | - | (914,601) | (914,601) | (760,069) |
| Total non-operating revenues/(expenses) | <u>25,332</u> | <u>(494,524)</u> | <u>(469,192)</u> | <u>830,853</u> |
| Changes in net position | <u>2,333,757</u> | <u>(2,683,264)</u> | <u>(349,506)</u> | <u>8,197,458</u> |
| Net position, January 1, | <u>43,074,197</u> | <u>6,153,978</u> | <u>49,228,175</u> | <u>41,030,716</u> |
| Net position, December 31, | <u>\$ 45,407,954</u> | <u>\$ 3,470,715</u> | <u>\$ 48,878,668</u> | <u>\$ 49,228,175</u> |

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

| | 2020 | | | 2019 |
|--|---------------------|----------------------|---------------|---------------|
| | Wastewater Division | Solid Waste Division | Total | |
| Cash flows from operating activities: | | | | |
| Receipts from customers and users | \$ 27,909,058 | \$ 43,040,521 | \$ 70,949,578 | \$ 66,932,153 |
| Payments to employees | (6,976,608) | (12,073,382) | (19,049,990) | (18,294,525) |
| Payments to suppliers | (15,481,810) | (19,488,473) | (34,970,283) | (32,253,798) |
| Net cash flows from operating activities | 5,450,640 | 11,478,665 | 16,929,305 | 16,383,830 |
| Cash flows from non-capital financing activities: | | | | |
| Operating subsidies and transfers to other funds | 328,145 | (328,145) | - | - |
| Net cash flows from non-capital financing activities | 328,145 | (328,145) | - | - |
| Cash flows from capital and related financing activities: | | | | |
| Purchase of capital assets | (4,575,673) | (15,907,287) | (20,482,960) | (25,465,209) |
| Principal paid on debt | (1,700,354) | - | (1,700,354) | (1,475,351) |
| Proceeds from issuance of debt | - | - | - | 3,635,165 |
| Interest paid on debt | (191,908) | - | (191,908) | (217,175) |
| Gain on sale of fixed assets | - | 169,122 | 169,122 | 78,920 |
| Net cash flows from capital and related financing activities | (6,467,935) | (15,738,165) | (22,206,100) | (23,443,650) |
| Cash flows from investing activities: | | | | |
| Interest income | 761,745 | 857,311 | 1,619,057 | 2,619,517 |
| County appropriation | (335,403) | (464,597) | (800,000) | (800,000) |
| Transferred from/(to) investments | 16,672,891 | 13,740,729 | 30,413,620 | 7,917,777 |
| Net cash flows from investing activities | 17,099,233 | 14,133,443 | 31,232,677 | 9,737,294 |
| Net change in cash and cash equivalents | 16,410,083 | 9,545,799 | 25,955,881 | 2,677,475 |
| Cash and cash equivalents, January 1 | 15,745,166 | 10,884,972 | 26,630,138 | 23,952,663 |
| Cash and cash equivalents, December 31, | \$ 32,155,250 | \$ 20,430,771 | \$ 52,586,020 | \$ 26,630,138 |
| Reconciliation of Statements of Net Position: | | | | |
| Unrestricted cash and cash equivalents | \$ 29,721,643 | \$ 14,291,783 | \$ 44,013,426 | \$ 16,273,998 |
| Restricted cash and cash equivalents | 2,433,607 | 6,138,988 | 8,572,595 | 10,356,140 |
| Total cash and cash equivalents | \$ 32,155,250 | \$ 20,430,771 | \$ 52,586,020 | \$ 26,630,138 |

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 2020 and 2019

| | 2020 | | | 2019 |
|---|--------------------------------|---------------------------------|----------------------|----------------------|
| | Wastewater Division | Solid Waste Division | Total | |
| Reconciliation of operating income/(loss) to net cash flows from operating activities: | | | | |
| Operating income/(loss) | \$ 2,308,424 | \$ (2,188,740) | \$ 119,684 | \$ 7,366,604 |
| Items which did not use/(provide) cash: | | | | |
| Depreciation expense | 3,142,610 | 9,880,536 | 13,023,146 | 7,233,522 |
| Unbudgeted pension expense | (209,580) | (307,391) | (516,971) | (140,491) |
| Unbudgeted OPEB expense | 454,572 | 492,946 | 947,518 | 1,386,232 |
| Working capital changes which provided/(used) cash: | | | | |
| Accounts receivable | 164,938 | 2,737,051 | 2,901,989 | 2,234,603 |
| Accrued landfill post-closure costs | - | 698,549 | 698,549 | 437,394 |
| Accounts and other payables | (368,963) | 631,996 | 263,033 | (2,354,924) |
| Unearned revenues | (41,361) | - | (41,361) | (40,858) |
| Customer deposits | - | 43,264 | 43,264 | 92,086 |
| Amounts held by the State | - | (509,546) | (509,546) | 169,662 |
| Net cash flows from operating activities | <u>\$ 5,450,640</u> | <u>\$ 11,478,665</u> | <u>\$ 16,929,305</u> | <u>\$ 16,383,830</u> |

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Atlantic County Utilities Authority (the "Authority") have been prepared to conform with accounting principles generally accepted in the United States of America ("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 following is a summary of the more significant of these policies.

Reporting Entity

The Authority is a public body corporate and politic of the State of New Jersey and was organized as a sewerage authority having the name "The Atlantic County Sewerage Authority" by a resolution of the Board of Chosen Freeholders of the County of Atlantic (the "County") adopted on May 14, 1969, pursuant to the New Jersey Sewerage Authorities Law of 1946 and a Regional Sewerage Feasibility Study recommending division of the County into regions on the basis of natural drainage features. On August 19, 1981, the Freeholders filed with the State an ordinance reorganizing the Authority as a county authority pursuant to the New Jersey Municipal and County Utilities Authorities Law, Chapter 183 of the Laws of 1957 of the State of New Jersey, as amended and supplemented, and changed the Authority's name to "Atlantic County Utilities Authority". By such reorganization, the law largely superseded the 1946 law as the Authority's governing legislation.

The Authority was created for the purpose, among other things, of acquiring, constructing, maintaining and operating sewage facilities (the "Wastewater System") for the relief from pollution or threatened pollution of the waters bordering or entering the areas within the territorial boundaries of the County, and for the improvement of conditions affecting the public health. The Authority's Wastewater Division operates the Wastewater System. In 1986, the Authority was designated by the County as its implementing agency for solid waste management pursuant to the Solid Waste Management Act of the State of New Jersey. The Solid Waste Division operates a regional landfill, transfer station, recycling center, composting site and collection operations.

The Solid Waste and Wastewater Divisions are separate and distinct for ratemaking and operating purposes. Accordingly, the holders of bonds or notes of each division have no claims on the revenues or assets of the other division.

The Solid Waste Division commenced operations in August of 1990 with the opening of a transfer station for waste disposal. The Solid Waste Division's recycling activities were still considered to be in a construction state as of December 31, 1991. Recycling operations commenced January 1, 1992, the date when recycling activities were initially included in rates charged to customers.

In the opinion of management, revenues of the Wastewater and Solid Waste Divisions are adequate to cover all operating expenses, debt service and current capital costs.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Unit

The Authority's financial statements include all the accounts of all the Authority's operations.

The primary criterion for including activities within a reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the primary government holds the corporate powers of the organization;
- the primary government appoints a voting majority of the organization's board;
- the primary government is able to impose its will on the organization;
- the organization has the potential to impose a financial benefit/burden on the primary government; and
- there is a fiscal dependency by the organization on the primary government.

Based on the above criterion, the Authority is a component unit of the County. The Authority does issue separate financial statements from the County. However, if the County presented its financial statements in accordance with GAAP, these financial statements would be included with the County's on a blended basis.

Basis of Presentation

The basic financial statements of the Authority have been prepared on the accrual basis of accounting in accordance with GAAP applicable to proprietary funds of State and Local Governments on a going concern basis.

All activities of the Authority are accounted for within proprietary (enterprise) funds. Proprietary funds are used to account for operations (a) 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 (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, accountability or other purposes.

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Proprietary funds are accounted for using the accrual basis of accounting.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Revenues - Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Sewer service charges are recognized as revenue when services are provided.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital and donations. Revenue from grants, contributed capital and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Authority must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Expenses - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with *N.J.A.C. 5:31-2*. *N.J.A.C. 5:31-2* requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt no later than the beginning of the Authority's fiscal year.

The governing body may amend the budget at any point during the year by resolution of the Board of Commissioners. The budgetary basis of accounting is utilized to determine the Authority has sufficient cash to operate and pay debt service. As such, certain items such as bond payments are included in budgetary expenses while depreciation is not included.

The legal level of budgetary control is established in the detail shown on the statements of revenues, expenses and changes in net position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended.

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At year end, the accounting records are adjusted to record only expenses in accordance with GAAP.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Wastewater Service Contract

The Authority has a Wastewater Service Contract with the Atlantic City Sewerage Company, the Cities of Absecon, Brigantine, Egg Harbor, Linwood, Margate, Northfield, Pleasantville, Somers Point, Ventnor, the Borough of Longport, the Township of Galloway, the Township of Hamilton Municipal Utilities Authority, and the Egg Harbor Township Municipal Utilities Authority, collectively referred to as the “Participants”. Presently, Participants make up the Atlantic County Coastal Region.

The service contract provides for the determination of an annual charge to each Participant, which consists of an operating charge and a general charge. The service contract further provides that the operating charge shall, at times, be sufficient to provide annually for the expenses of operating, repairing, and maintaining the Wastewater System and the costs of all enlargements and alterations to the Wastewater System not otherwise provided for, and the general charge shall, at times, be sufficient annually to pay the principal and interest on all bonds or other obligations of the Authority as they become due, to provide for any deficits of the Authority resulting from the failure to receive sums payable to the Authority, and to provide and maintain such reserves and sinking funds for any of the foregoing purposes as may be required by the terms of any contract or other obligation of the Authority.

Wastewater Bond Resolutions

The Sewer Revenue Refunding and Sewer Revenue Bonds were issued pursuant to a general bond resolution of the Authority. The general bond resolution, as supplemented, is hereinafter referred to as the “Resolution.”

Revenue Fund – All cash receipts attributable to the operations, maintenance and repair of the Wastewater System are deposited in this fund and are used to pay for the cost of such. On a monthly basis, the Trustee shall retain in the Revenue Fund, a reserve for operations, the amount shown by the Authority’s annual budget to be required for operating expenses, less other sources of revenue, for the next succeeding period of three consecutive calendar months and transfer the remaining balance to satisfy the requirements of the following funds, listed in order of priority.

Restricted Funds

Restricted cash and investments are used primarily for future construction, debt service requirements, and system reserve renewal and replacement requirements.

Construction Fund – All costs pertaining to the acquisition or construction of a designated project shall be paid from this fund and capitalized herein. The proceeds from the sale of bonds and certain receipts are deposited herein to pay for all such construction costs. Interest earned on investments in this fund is credited to project costs.

Rebate Fund – The balance in this fund shall be maintained in an amount sufficient to make payments to the United States Treasury for investment earnings above levels permitted by Section 148(f) of the Internal Revenue Code of 1986, as amended.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Wastewater Bond Resolutions (Continued)

Restricted Funds (Continued)

Debt Service Fund – The Debt Service Fund is to accumulate a balance sufficient to pay the interest and principal to become due at or before the January 15th next ensuing, plus any unpaid principal and interest then due. Interest earnings in excess of the required fund balance may be paid to the Revenue Fund. In addition, a sinking fund is included which shall equal the aggregate amount of all sinking fund installments required to redeem bonds on the next January 15th for the Sewer Revenue Refunding Bonds.

Debt Service Reserve Fund (2001, 2004, 2009 and 2013 Series) – The balance in this Reserve Fund shall be maintained equal to the maximum amount of principal and interest payable in any one year on the Wastewater Revenue Bonds (2001, 2004, 2009 and 2013 Series) less any surety. Interest earnings in excess of the required fund balance may be paid to the Revenue Fund.

Renewal and Replacement Fund – The balance in this fund shall be maintained equal to 3% of gross revenues or such larger amount as determined by the Consulting Engineer. Interest earnings in excess of the required fund balance may be paid to the Revenue Fund. With approval of the Consulting Engineer, this fund may be used to meet reasonable and necessary expenses for major repairs, renewals, replacements or maintenance items of a type not recurring annually. The System Reserve Fund is a component of the Renewal and Replacement Fund.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash in banks and may include petty cash and change funds. It may also include all highly liquid investments with a maturity of ninety days or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. All investments including U.S. treasuries, agency obligations and certificates of deposit are stated at fair value.

New Jersey authorities are required by *N.J.S.A. 40A:5-14* to deposit public funds into a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States of America or State of New Jersey or the New Jersey Cash Management Fund. *N.J.S.A. 40A:5-15.1* provides a list of securities which may be purchased by New Jersey authorities. The Authority is required by *N.J.S.A. 17:9-41* to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents and Investments (Continued)

Additionally, the Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of GUDPA. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

Capital Assets

Capital assets primarily consist of expenditures to acquire, construct, place in operation, and improve the facilities of the Authority. Assets purchased are stated at cost. Assets contributed by developers are valued at estimated fair market value as of the date of contribution. Costs incurred for construction projects are recorded as construction in progress. In the year that the project is completed, these costs are transferred to capital assets.

Depreciation is determined on a straight-line basis for all capital assets. Depreciation was provided over the following estimated useful lives:

| | <u>Years</u> |
|------------------------------|--------------|
| Sewer mains and interceptors | 50 |
| Buildings and improvements | 40 |
| Incinerator facility | 40 |
| Pump stations | 35 |
| Machinery and equipment | 5-10 |
| Vehicles | 5-10 |

Landfill cells are depreciated on the basis of capacity utilized.

The cost and related accumulated depreciation of all capital assets retired or otherwise disposed of are removed from the accounts and any resulting gain or loss is included in income.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statements of net 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.

In addition to liabilities, the statements of net 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

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Deferred Inflows of Resources (Continued)

future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences

Compensated absences represent amounts to which employees are entitled, based on accumulated vacation leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation or compensatory leave in the event of termination or retirement from service at their current salary.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria has been satisfied and are recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue.

Wastewater Revenues

Charges imposed with respect to sewage or other wastes delivered into the Wastewater System by anyone who is not a Participant are included in other operating revenues.

Allocation of Common Costs

Certain administrative salaries and other administrative costs are allocated between the Wastewater and Solid Waste Division based on management's estimates.

Pensions and Other Post-Employment Benefits Other Than Pensions ("OPEB")

For purposes of measuring the net pension, OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and OPEB and additions to/deductions from the PERS's and OPEB's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

In accordance with the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Authority has classified its net position into three components – net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

Investment in Capital Assets, Net of Related Debt – 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction,

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component as the unspent amount.

Restricted Net Position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Income Taxes

The Authority operates as defined by Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Impact of Recently Issued Accounting Principles

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

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement will become effective for the Authority in the fiscal year ending December 31, 2022. Management has not yet determined the impact of this Statement on the financial statements.

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles (Continued)

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The primary objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Statement will become effective for the Authority in 2021. Management has not yet determined the impact of this Statement on the financial statements.

Fair Value Measurement

The Authority categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

Level 2 – Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values.

Subsequent to initial recognition, the Authority may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Rounding

Some schedules in the financial statements may have dollar differences due to rounding adjustments.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

B. CASH AND CASH EQUIVALENTS

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

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|----------------------|
| Deposits: | | |
| Demand deposits | \$ 52,586,021 | \$ 26,630,138 |
| Total deposits | <u>\$ 52,586,021</u> | <u>\$ 26,630,138</u> |
| | | |
| Reconciliation to statement of net position | | |
| Current unrestricted assets | | |
| Cash and cash equivalents | \$ 44,013,426 | \$ 16,273,998 |
| Current restricted assets | | |
| Cash and cash equivalents | 8,572,595 | 10,356,140 |
| Total deposits | <u>\$ 52,586,021</u> | <u>\$ 26,630,138</u> |

As of December 31, 2020 and 2019, the Authority had the following restricted and unrestricted cash and cash equivalents:

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| Wastewater | | |
| Unrestricted | | |
| Cash | \$ 2,845,109 | \$ 3,257,394 |
| First American Treasury Obligation Fund | 9,853,296 | 7,116,636 |
| NJ ARM | 17,023,236 | 1,938,415 |
| Restricted | | |
| NJ ARM | 1,914,608 | 593,326 |
| First American Treasury Money Market | 519,001 | 2,839,394 |
| Solid Waste | | |
| Unrestricted | | |
| Cash | 308,700 | 390,336 |
| NJ ARM | 11,682,099 | 3,550,971 |
| Wells Fargo Government Money Market | 2,300,984 | 20,245 |
| Restricted | | |
| NJ ARM | 3,823,354 | 6,923,421 |
| Escrow Fund Capital Leases | 2,315,633 | - |
| Other Escrow | 296,917 | 753,046 |
| Total | <u>\$ 52,882,937</u> | <u>\$ 27,383,184</u> |

As of December 31, 2020 and 2019, the Authority had the following restricted funds:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|-------------|-------------|
| Restricted funds: | | |
| Construction fund | \$ - | \$ 203 |
| Rebate fund | - | - |
| Debt service fund | 518,847 | 441,940 |
| Debt service reserve fund | 429,726 | 437,279 |
| Renewal and replacement fund* | 8,786,351 | 9,474,247 |

*Includes \$7,000,000 in the system reserve fund at December 31, 2020 and 2019, respectively.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

NOTES TO FINANCIAL STATEMENTS

B. CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk Related to Deposits

Under the provisions of *N.J.S.A. 17:9-41*, authorized public depositories include state or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. The market value of the collateral must equal five percent of the average daily balance of public funds; and, if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent. All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. Deposits were made with contracted depository banks in interest-bearing accounts that were insured under the GUDPA. All such deposits are held in the Authority's name. Deposits in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC") are covered by a collateral pool maintained by the banks under GUDPA requirements. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule below. As of December 31, 2020 and 2019, the Authority's bank balances, excluding cash of \$34,443,297 held with New Jersey Asset & Rebate Management Program that is not insured or guaranteed and \$65,037,311 considered investments, were insured or collateralized as follows:

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Insured by FDIC | \$ 500,000 | \$ 500,000 |
| Collateralized in the Authority's name under GUDPA | 3,785,568 | 4,115,521 |
| Total | <u>\$ 4,285,568</u> | <u>\$ 4,615,521</u> |

C. INVESTMENTS

Custodial Credit Risk

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

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Other than the rules and regulations promulgated by *N.J.S.A. 40A:5-15.1*, the Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure; however, investments are matched with anticipated cash flows to minimize interest rate risk.

ATLANTIC COUNTY UTILITIES AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

C. INVESTMENTS (CONTINUED)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Other than the rules and regulations promulgated by *N.J.S.A. 40A:5-15.1*, the Authority's investment policies place no limit on the amount the Authority may invest in any one issuer.

Investment Credit Risk

New Jersey authorities are limited as to the types of investments and types of financial institutions they may invest in. *N.J.S.A. 40A:5-15.1* provides a list of permissible investments that may be purchased by New Jersey authorities. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or other obligations of the local unit or units within which the Authority is located, bonds or other obligations approved by the Division of Investment in the Department of Treasury for investment by authorities, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions.

The Authority has also adopted a cash management plan stating that "Authority funds may be invested in Investment Obligations, which shall mean and include any security that is legal for the investment of funds of the Authority, at the time of such investment, as authorized by applicable law including, without limitation, *N.J.S. 40A:5-15.1*, provided, however, that such Investment Obligations must be authorized investments pursuant to any applicable Bond Documents."

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

| | 2020 | | 2019 | |
|---|----------------------|----------------------|----------------------|----------------------|
| | Face Value | Fair/Market | Face Value | Fair/Market |
| Wastewater | | | | |
| Unrestricted | | | | |
| Certificates of Deposit - Various Issuers | \$ 8,300,000 | \$ 8,333,730 | \$ 6,800,000 | \$ 6,797,108 |
| US Treasury Notes | 12,029,758 | 11,976,334 | 26,525,518 | 26,592,033 |
| Restricted | | | | |
| US Treasury Notes | 3,478,117 | 3,453,166 | 6,893,709 | 6,920,948 |
| Solid Waste | | | | |
| Unrestricted | | | | |
| Certificates of Deposit - Various Issuers | 2,215,000 | 2,238,243 | 5,215,000 | 5,219,007 |
| US Treasury Notes | 6,279,009 | 6,248,387 | 11,650,901 | 11,665,450 |
| Restricted | | | | |
| US Treasury Notes | 2,498,019 | 2,485,814 | - | - |
| Total | \$ 34,799,903 | \$ 34,735,674 | \$ 57,085,127 | \$ 57,194,546 |

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NOTES TO FINANCIAL STATEMENTS

C. INVESTMENTS (CONTINUED)

Fair Value of Investments

Authority investments are Level 2 investments and are shown at fair value on the statements of net position. Fair value and face value of investments at December 31, 2020 and 2019, are summarized above.

D. ACCOUNTS RECEIVABLE

Consumer accounts receivable, net of allowance for doubtful accounts of \$49,814, totaled \$3,819,718 and \$3,692,230 at December 31, 2020 and 2019, respectively. Consumer accounts receivable consisted of unrestricted receivables entirely from customer accounts.

E. CAPITAL ASSETS

The activity in capital assets for the year ended December 31, 2020, is as follows:

| <u>Wastewater Division</u> | Balance December 31, 2019 | Additions | Retirements and Transfers | Balance December 31, 2020 |
|---|---------------------------------|---------------------|------------------------------|---------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 12,691,336 | \$ - | \$ - | \$ 12,691,336 |
| Construction in progress | 286,673 | - | 277,584 | 9,089 |
| Total capital assets not being depreciated | <u>12,978,009</u> | <u>-</u> | <u>277,584</u> | <u>12,700,425</u> |
| Capital assets being depreciated: | | | | |
| Sewer mains and interceptors | 79,852,874 | 3,903,024 | - | 83,755,898 |
| Buildings and improvements | 55,116,684 | - | - | 55,116,684 |
| Equipment and vehicles | 52,079,491 | 672,649 | - | 52,752,140 |
| Incinerator facility | 16,353,524 | - | - | 16,353,524 |
| Atlantic County coastal alternative | 26,629,575 | - | - | 26,629,575 |
| Total capital assets being depreciated | <u>230,032,148</u> | <u>4,575,673</u> | <u>-</u> | <u>234,607,821</u> |
| Less: accumulated depreciation | (180,916,875) | (3,142,610) | - | (184,059,485) |
| Total capital assets being depreciated, net | <u>49,115,273</u> | <u>1,433,063</u> | <u>-</u> | <u>50,548,336</u> |
| Total capital assets, net | <u>\$ 62,093,281</u> | <u>\$ 1,433,063</u> | <u>\$ 277,584</u> | <u>\$ 63,248,761</u> |
| | | | | |
| <u>Solid Waste</u> | Balance December 31, 2019 | Additions | Retirements and Transfers | Balance December 31, 2020 |
| Capital assets not being depreciated: | | | | |
| Land | \$ 14,758,845 | \$ - | \$ - | \$ 14,758,845 |
| Construction in progress | 6,797,598 | 73,827 | (6,797,598) | 73,827 |
| Total capital assets not being depreciated | <u>21,556,443</u> | <u>73,827</u> | <u>(6,797,598)</u> | <u>14,832,672</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 32,526,751 | 213,947 | - | 32,740,698 |
| Equipment and vehicles | 35,599,454 | 5,203,106 | (1,048,415) | 39,754,145 |
| Landfill design and implementation | 64,546,434 | 10,416,407 | - | 74,962,841 |
| Planning and design | 3,375,832 | - | - | 3,375,832 |
| Total capital assets being depreciated | <u>136,048,472</u> | <u>15,833,460</u> | <u>(1,048,415)</u> | <u>150,833,517</u> |
| Less: accumulated depreciation | (110,726,038) | (9,880,534) | 1,048,415 | (119,558,159) |
| Total capital assets being depreciated, net | <u>25,322,434</u> | <u>5,952,926</u> | <u>-</u> | <u>31,275,360</u> |
| Total capital assets, net | <u>\$ 46,878,876</u> | <u>\$ 6,026,753</u> | <u>\$ (6,797,598)</u> | <u>\$ 46,108,031</u> |

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NOTES TO FINANCIAL STATEMENTS

E. CAPITAL ASSETS (CONTINUED)

The activity in capital assets for the year ended December 31, 2019, is as follows:

| <u>Wastewater Division</u> | Balance December 31, 2018 | Additions | Retirements and Transfers | Balance December 31, 2019 |
|---|--|----------------------|--------------------------------------|--|
| Capital assets not being depreciated: | | | | |
| Land | \$ 12,691,336 | \$ - | \$ - | \$ 12,691,336 |
| Construction in progress | 8,229,460 | - | 7,942,787 | 286,673 |
| Total capital assets not being depreciated | <u>20,920,796</u> | <u>-</u> | <u>7,942,787</u> | <u>12,978,009</u> |
| Capital assets being depreciated: | | | | |
| Sewer mains and interceptors | 79,097,487 | 755,387 | - | 79,852,874 |
| Buildings and improvements | 51,150,440 | 3,966,244 | - | 55,116,684 |
| Equipment and vehicles | 46,401,319 | 5,678,173 | - | 52,079,491 |
| Incinerator facility | 16,353,524 | - | - | 16,353,524 |
| Atlantic County coastal alternative | 26,629,575 | - | - | 26,629,575 |
| Total capital assets being depreciated | <u>219,632,345</u> | <u>10,399,803</u> | <u>-</u> | <u>230,032,148</u> |
| Less: accumulated depreciation | (177,992,436) | (2,924,439) | - | (180,916,875) |
| Total capital assets being depreciated, net | <u>41,639,909</u> | <u>7,475,364</u> | <u>-</u> | <u>49,115,273</u> |
| Total capital assets, net | <u>\$ 62,560,705</u> | <u>\$ 7,475,364</u> | <u>\$ 7,942,787</u> | <u>\$ 62,093,281</u> |
| | | | | |
| <u>Solid Waste</u> | Balance December 31, 2018 | Additions | Retirements and Transfers | Balance December 31, 2019 |
| Capital assets not being depreciated: | | | | |
| Land | \$ 14,758,845 | \$ - | \$ - | \$ 14,758,845 |
| Construction in progress | 1,242,690 | 6,797,598 | (1,242,690) | 6,797,598 |
| Total capital assets not being depreciated | <u>16,001,535</u> | <u>6,797,598</u> | <u>(1,242,690)</u> | <u>21,556,443</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 31,666,499 | 860,252 | - | 32,526,751 |
| Equipment and vehicles | 31,074,967 | 7,024,981 | (2,500,493) | 35,599,454 |
| Landfill design and implementation | 64,163,859 | 382,575 | - | 64,546,434 |
| Planning and design | 3,375,832 | - | - | 3,375,832 |
| Total capital assets being depreciated | <u>130,281,157</u> | <u>8,267,808</u> | <u>(2,500,493)</u> | <u>136,048,472</u> |
| Less: accumulated depreciation | (108,817,710) | (4,309,083) | 2,400,755 | (110,726,038) |
| Total capital assets being depreciated, net | <u>21,463,446</u> | <u>3,958,725</u> | <u>(99,738)</u> | <u>25,322,434</u> |
| Total capital assets, net | <u>\$ 37,464,981</u> | <u>\$ 10,756,323</u> | <u>\$ (1,342,428)</u> | <u>\$ 46,878,876</u> |

The Atlantic County Coastal Alternative project comprises the force mains and pumping stations necessary to connect Hamilton and Egg Harbor Townships into the Authority's Wastewater System.

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NOTES TO FINANCIAL STATEMENTS

F. LIABILITIES

During the years ended December 31, 2020 and 2019, the following changes occurred in long-term obligations:

| | Balance December 31, 2019 | Additions | Reductions | Balance December 31, 2020 | Balance Due Within One Year |
|----------------------------------|--|---------------------|---------------------|--|--|
| Bonds payable | \$ 20,872,150 | \$ - | \$ 1,752,665 | \$ 19,119,485 | \$ 1,751,753 |
| Lease payable | 2,800,000 | 5,025,000 | 700,000 | 7,125,000 | 1,705,000 |
| Accrued compensated absences | 842,209 | 56,863 | - | 899,072 | - |
| Post-retirement benefits payable | 1,335,019 | - | - | 1,335,019 | - |
| | <u>\$ 25,849,378</u> | <u>\$ 5,081,863</u> | <u>\$ 2,452,665</u> | <u>\$ 28,478,576</u> | <u>\$ 3,456,753</u> |

| | Balance December 31, 2018 | Additions | Reductions | Balance December 31, 2019 | Balance Due Within One Year |
|----------------------------------|--|---------------------|---------------------|--|--|
| Bonds payable | \$ 18,812,398 | \$ 3,635,165 | \$ 1,575,413 | \$ 20,872,150 | \$ 1,700,354 |
| Lease payable | 3,500,000 | - | 700,000 | 2,800,000 | 700,000 |
| Accrued compensated absences | 803,645 | 38,564 | - | 842,209 | - |
| Post-retirement benefits payable | 1,335,019 | - | - | 1,335,019 | - |
| | <u>\$ 24,451,062</u> | <u>\$ 3,673,729</u> | <u>\$ 2,275,413</u> | <u>\$ 25,849,378</u> | <u>\$ 2,400,354</u> |

Bonds & Loans Payable

The Authority has various bonds and loans outstanding with the New Jersey Infrastructure Bank (formerly New Jersey Environmental Infrastructure Trust). At December 31, 2020 and 2019, bonds and loans payable consisted of the following issues:

\$1,972,543 New Jersey Wastewater Trust Fund Loan dated 2001, due in semiannual installments for principal and interest through August 1, 2021, bearing interest at various rates from 0.00% to 5.50% per annum. The balance remaining as of December 31, 2020 and 2019, is \$108,828 and \$237,198, respectively.

\$4,919,402 New Jersey Environmental Infrastructure Trust Fund Loan dated 2004, due in semiannual installments for principal and interest through August 1, 2024, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2020 and 2019, is \$1,136,857 and \$1,408,298, respectively.

\$2,551,272 New Jersey Environmental Infrastructure Trust Fund Loan dated 2006, due in semiannual installments for principal and interest through August 1, 2026, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2020 and 2019, is \$720,319 and \$858,347, respectively.

\$3,008,252 New Jersey Environmental Infrastructure Trust Fund Loan dated 2007, due in semiannual installments for principal and interest through August 1, 2027, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2020 and 2019, is \$1,157,555 and \$1,320,499, respectively.

\$3,987,500 New Jersey Environmental Infrastructure Trust Fund Loan Series 2010A, dated February 2010, due in semiannual installments for principal and interest through August 1, 2029, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2020 and 2019, is \$2,108,438 and \$2,319,375, respectively.

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NOTES TO FINANCIAL STATEMENTS

F. LIABILITIES (CONTINUED)

Bonds & Loans Payable (Continued)

\$1,710,000 New Jersey Environmental Infrastructure Trust Fund Loan Series 2010B, dated December 2010, due in semiannual installments for principal and interest through September 1, 2030, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2020 and 2019, is \$1,005,714 and \$1,091,786, respectively.

\$2,065,563 New Jersey Environmental Infrastructure Trust Fund Loan Series 2012, dated January 2012, due in semiannual installments for principal and interest through August 1, 2031, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2020 and 2019, is \$1,262,564 and \$1,371,433, respectively.

\$1,504,928 New Jersey Environmental Infrastructure Trust Fund Loan Series 2017, dated November 2017, due in semiannual installments for principal and interest through August 1, 2037, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2020 and 2019, is \$1,269,406 and \$1,394,171, respectively.

\$4,713,095 New Jersey Environmental Infrastructure Trust Fund Loan Series 2018, dated January 2018, due in semiannual installments for principal and interest through August 1, 2037, bearing interest at various rates from 0.00% to 5.00% per annum. The balance remaining as of December 31, 2020 and 2019, is \$3,998,715 and \$4,231,583, respectively.

\$3,099,412 New Jersey Infrastructure Bank Direct Loan, dated December 2018, due in semiannual installments for principal only through August 1, 2038. The balance remaining as of December 31, 2020 and 2019, is \$2,988,719 and \$3,099,412, respectively.

\$3,635,165 New Jersey Infrastructure Bank Direct Loan, dated May 2019, due in semiannual installments for principal only through August 1, 2038. The balance remaining as of December 31, 2020 and 2019, is \$3,362,371 and \$3,540,048, respectively.

The following is a summary of remaining long-term revenue bond payments:

| Years Ending December 31, | Principal | Interest | Total |
|------------------------------|---------------|--------------|---------------|
| 2021 | \$ 1,751,753 | \$ 188,164 | \$ 1,939,917 |
| 2022 | 1,652,113 | 166,401 | 1,818,514 |
| 2023 | 1,689,355 | 146,401 | 1,835,756 |
| 2024 | 1,684,214 | 126,276 | 1,810,491 |
| 2025 | 1,401,872 | 105,120 | 1,506,992 |
| 2026-2030 | 5,877,491 | 282,131 | 6,159,622 |
| 2031-2035 | 3,483,619 | 82,750 | 3,566,369 |
| 2036-2039 | 1,579,068 | 14,513 | 1,593,581 |
| | \$ 19,119,485 | \$ 1,111,756 | \$ 20,231,242 |

ATLANTIC COUNTY UTILITIES AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

F. LIABILITIES (CONTINUED)

Compensated Absences

The estimated liability for vested compensated absences is recorded as a noncurrent liability due to the nature of the account. The current portion of the compensated absences balance is not fully determinable and is considered immaterial and, therefore, is not shown separately from a long-term liability portion of compensated absences.

Net Pension Liability and Net OPEB Liability

For details on the net pension liability, see Note G, *Pension Obligations*. The Authority's annual required contribution to the PERS is budgeted and paid on an annual basis. For details on the net OPEB liability, see Note H, *Other Post-employment Benefits Other Than Pensions*.

Lease Payable

The Authority entered into a lease purchase agreement with TD Equipment Finance, Inc. on October 31, 2018, to lease 11 new garbage trucks and two new Ford F150 trucks. The total lease payable is for \$3,500,000 with a fixed interest rate of 2.91%; \$2,100,000 is payable as of December 31, 2020. The lease payable matures November 1, 2023. The following is a summary of remaining lease payments:

| Years Ending December 31, | Principal | Interest | Total |
|------------------------------|--------------|------------|--------------|
| 2021 | \$ 700,000 | \$ 61,110 | \$ 761,110 |
| 2022 | 700,000 | 40,740 | 740,740 |
| 2023 | 700,000 | 20,370 | 720,370 |
| | \$ 2,100,000 | \$ 122,220 | \$ 2,222,220 |

The Authority entered into a lease purchase agreement with TD Equipment Finance, Inc. on February 5, 2020, to lease five new garbage trucks. The total lease payable is for \$2,700,000 with a fixed interest rate of 1.94%; \$2,700,000 is payable as of December 31, 2020. The lease payable matures February 1, 2025. The following is a summary of remaining lease payments:

| Years Ending December 31, | Principal | Interest | Total |
|------------------------------|--------------|------------|--------------|
| 2021 | \$ 540,000 | \$ 47,142 | \$ 587,142 |
| 2022 | 540,000 | 36,666 | 576,666 |
| 2023 | 540,000 | 26,190 | 566,190 |
| 2024 | 540,000 | 15,714 | 555,714 |
| 2025 | 540,000 | 5,238 | 545,238 |
| | \$ 2,700,000 | \$ 130,950 | \$ 2,830,950 |

ATLANTIC COUNTY UTILITIES AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

F. LIABILITIES (CONTINUED)

Lease Payable (Continued)

The Authority entered into a lease purchase agreement with TD Equipment Finance, Inc. on October 30, 2020, to lease four new garbage trucks. The total lease payable is for \$2,325,000 with a fixed interest rate of 1.94%; \$2,325,000 is payable as of December 31, 2020. The lease payable matures October 1, 2025. The following is a summary of remaining lease payments:

| Years Ending December 31, | Principal | Interest | Total |
|------------------------------|--------------|-----------|--------------|
| 2021 | \$ 465,000 | \$ 20,094 | \$ 485,094 |
| 2022 | 465,000 | 17,484 | 482,484 |
| 2023 | 465,000 | 13,113 | 478,113 |
| 2024 | 465,000 | 8,742 | 473,742 |
| 2025 | 465,000 | 4,371 | 469,371 |
| | \$ 2,325,000 | \$ 63,804 | \$ 2,388,804 |

G. PENSION OBLIGATIONS

Plan Description

The State of New Jersey 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 PERS, please refer to Division's annual financial statements, which can be found at <https://www.state.nj.us/treasury/pensions/annual-reports.shtml>.

The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

| Tier | Definition |
|------|--|
| 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. |

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G. PENSION OBLIGATIONS (CONTINUED)

Plan Description (Continued)

Service retirement benefits of 1/55th of final average salary for each year of service credit are available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit are available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more of service credit before age 62, and tier 5 with 30 years or more 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.

Basis of Presentation

The schedule of employer allocations and the schedule of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with GAAP. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. The Authority allocation percentage is based on the ratio of the contributions of the Authority to the total contributions to PERS during the measurement period July 1, 2019, through June 30, 2020. Contributions from the Authority are recognized when due, based on statutory requirements.

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan. To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentage as of June 30, 2020 and 2019, is based on the ratio of the Authority's contributions to the plan relative to total employer contributions of all the participating employers' contributions for the years ended June 30, 2020 and 2019.

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NOTES TO FINANCIAL STATEMENTS

G. PENSION OBLIGATIONS (CONTINUED)

Contributions

The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers were credited with the full payment and any such amounts were not to be included in their unfunded liability. The actuaries determined the unfunded liability of the System, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012, and will be adjusted by the rate of return on the actuarial value of assets. For the years ended December 31, 2020 and 2019, the Authority's contractually required contribution to PERS was \$2,189,598 and \$1,829,016, respectively.

Components of Net Pension Liability

At December 31, 2020 and 2019, the Authority's proportionate share of the PERS net pension liability was \$32,640,095 and \$33,880,857, respectively. The December 31, 2020 and 2019, net pension liability was determined by an actuarial valuation as of July 1, 2019 and July 1, 2018, which was rolled forward to June 30, 2020 and June 30, 2019, respectively. The Authority's December 31, 2020, proportion measured as of June 30, 2020, was .20016% which was an increase of .01213 from its proportion measured as of June 30, 2019, of .18803%.

Pension Expense and Deferred Outflows/Inflows of Resources

At December 31, 2020 and 2019, the Authority's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2020 and June 30, 2019, measurement dates was \$1,673,345 and \$1,969,683, respectively. At December 31, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

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NOTES TO FINANCIAL STATEMENTS

G. PENSION OBLIGATIONS (CONTINUED)

Pension Expense and Deferred Outflows/Inflows of Resources (Continued)

| | December 31, 2020 | |
|--|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 594,322 | \$ 115,429 |
| Changes of assumptions | 1,058,882 | 13,666,717 |
| Net difference between projected and actual earnings on pension plan investments | 1,115,665 | - |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | 3,163,024 | 223,479 |
| | <u>\$ 5,931,893</u> | <u>\$ 14,005,625</u> |
| | December 31, 2019 | |
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 608,117 | \$ 149,671 |
| Changes of assumptions | 3,383,128 | 11,759,938 |
| Net difference between projected and actual earnings on pension plan investments | - | 534,823 |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | 1,454,562 | 351,316 |
| | <u>\$ 5,445,807</u> | <u>\$ 12,795,748</u> |

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

| <u>Years Ending December 31,</u> | Amount |
|----------------------------------|-----------------------|
| 2021 | \$ (201,351) |
| 2022 | (4,444,409) |
| 2023 | (2,605,928) |
| 2024 | (687,683) |
| 2025 | (134,361) |
| | <u>\$ (8,073,732)</u> |

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NOTES TO FINANCIAL STATEMENTS

G. PENSION OBLIGATIONS (CONTINUED)

Actuarial Assumptions

The collective total pension liability for the June 30, 2020 and June 30, 2019, measurement dates was determined by an actuarial valuation as of July 1, 2019 and July 1, 2018, which were rolled forward to June 30, 2020 and June 30, 2019, respectively. This actuarial valuation used the following actuarial assumptions:

| | 2020 | 2019 |
|--|---------------|---------------|
| Inflation | | |
| Price | 2.75% | 2.75% |
| Wage | 3.25% | 3.25% |
| Salary increases | | |
| Through 2026 (based on years of service) | 2.00% - 6.00% | 2.00% - 6.00% |
| Thereafter (based on years of service) | 3.00% - 7.00% | 3.00% - 7.00% |
| Investment rate of return | 7.00% | 7.00% |
| Mortality rate table | Pub-2010 | Pub-2010 |

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

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2020 and 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. 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

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G. PENSION OBLIGATIONS (CONTINUED)

Long-Term Expected Rate of Return (Continued)

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 and 2019, are summarized in the following tables:

| Asset Class | 2020 | |
|----------------------------------|-------------------|--|
| | Target Allocation | Long-Term Expected Real Rate of Return |
| U.S. Equity | 27.00% | 7.71% |
| Non-U.S. Developed Market Equity | 13.50% | 8.57% |
| Emerging Market Equity | 5.50% | 10.23% |
| Private Equity | 13.00% | 11.42% |
| Real 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% |
| | <u>100.00%</u> | |

| Asset Class | 2019 | |
|-----------------------------------|-------------------|--|
| | Target Allocation | Long-Term Expected Real Rate of Return |
| Risk Mitigation Strategies | 3.00% | 4.67% |
| Cash Equivalents | 5.00% | 2.00% |
| U.S. Treasuries | 5.00% | 2.68% |
| Investment Grade Credit | 10.00% | 4.25% |
| High Yield | 2.00% | 5.37% |
| Private Credit | 6.00% | 7.92% |
| Real Assets | 2.50% | 9.31% |
| Real Estate | 7.50% | 8.33% |
| U.S. Equity | 28.00% | 8.26% |
| Non-U.S. Developed Markets Equity | 12.50% | 9.00% |
| Emerging Markets Equity | 6.50% | 11.37% |
| Private Equity | 12.00% | 10.85% |
| | <u>100.00%</u> | |

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020, and 6.28% as of June 30, 2019. 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.

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NOTES TO FINANCIAL STATEMENTS

G. PENSION OBLIGATIONS (CONTINUED)

Discount Rate (Continued)

Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

| | At June 30, 2020 | | |
|---|------------------------|----------------------------------|------------------------|
| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
| Authority's proportionate share of net pension liability | \$ 41,411,529 | \$ 32,640,095 | \$ 25,671,740 |
| | At June 30, 2019 | | |
| | 1% Decrease (5.28%) | Current Discount Rate (6.28%) | 1% Increase (7.28%) |
| Authority's proportionate share of net pension liability | \$ 42,797,028 | \$ 33,880,857 | \$ 26,367,720 |

H. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Authority contributes to the State Health Benefit Local Government Retired Employees Plan (the "OPEB Plan"), a cost-sharing, multi-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. For additional information about the OPEB Plan, refer to the State of New Jersey (the "State"), Division of Pension and Benefits' (the "Division") annual financial statements, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The OPEB Plan provides medical and prescription drug coverage to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide post-retirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer-paid health benefits coverage for retired employees. Under Chapter 48, the employer may

NOTES TO FINANCIAL STATEMENTS

H. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Plan Description (Continued)

assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer-paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

The Authority provides that its retirees will be covered if they have 25 years participation in the pension. The OPEB Plan meets the definition of a qualified trust under GASB 75. The Authority's participation in the OPEB Plan does not meet the criteria as a special funding situation.

Contribution Requirements and Benefit Provisions

The funding policy for the OPEB Plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB Plan are collected from the State, participating local employers and retired members. The Authority remits employer contributions on a monthly basis. Retired member contributions are generally received on a monthly basis by the State. Contributions for retirees made by the Authority to the OPEB Plan for the year-ended December 31, 2020 and 2019 were \$1,140,206 and \$1,133,889, respectively. Total contributions including active employees totaled \$6,557,697 and \$6,520,139 as of December 31, 2020 and 2019, respectively.

Net OPEB Liability

At December 31, 2020, the Authority reported a liability of \$66,654,259 for its proportionate share of the net OPEB liability. The current year net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. For the June 30, 2020, measurement date, the Authority's proportionate share of the OPEB Plan liability was 0.371403%.

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NOTES TO FINANCIAL STATEMENTS

H. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Net OPEB Liability (Continued)

At December 31, 2019, the Authority reported a liability of \$44,454,458 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. For the June 30, 2019, measurement date, the Authority's proportionate share of the OPEB Plan liability was 0.026826%.

The change in net OPEB liability for the year ended December 31, 2020, was \$22,199,711. The difference between expected and actual experience increased the net OPEB liability by \$587,977 due to changes in the census, claims and premiums experience. Valuation assumption changes increased the net OPEB liability by \$930,825. This was due to the increase in the assumed discount rate from 3.50% as of June 30, 2019, to 2.21% as of June 30, 2020 and a decrease in the assumed health care cost trend and excise tax assumptions.

The change in net OPEB liability for the year ended December 31, 2019, was (\$6,314,221). The difference between expected and actual experience increased the net OPEB liability by \$2,895,216 due to changes in the census, claims and premiums experience. Valuation assumption changes increased the net OPEB liability by \$3,128,964. This was due to the increase in the assumed discount rate from 3.87% as of June 30, 2018, to 3.50% as of June 30, 2019, and a decrease in the assumed health care cost trend and excise tax assumptions.

The components of the Authority's net OPEB liability as of June 30, 2020 and 2019, is as follows:

| | June 30, 2020 | June 30, 2019 |
|---|----------------------|----------------------|
| Total OPEB liability | \$ 67,266,562 | \$ 45,351,030 |
| Plan Fiduciary Net Position | 612,303 | 896,482 |
| Net OPEB Liability | <u>\$ 66,654,259</u> | <u>\$ 44,454,548</u> |
| Plan Fiduciary Net Position as a % of total OPEB liability | 0.91% | 1.98% |

Actuarial Assumptions and Other Inputs

Actuarial assumptions used in the July 1, 2019 valuation were based on the results of the PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively. 100% of active members are considered to participate in the Plan upon retirement.

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H. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Net OPEB Liability (Continued)

The net OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | 2020 | 2019 |
|-------------------|--------------|--------------|
| Inflation | 2.50% | 2.50% |
| Salary increases* | | |
| Through 2026 | 2.00 - 6.00% | 2.00 - 6.00% |
| Thereafter | 3.00 - 7.00% | 3.00 - 7.00% |

* Salary increases are based on years of service.

Mortality rates were based on the Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP- 2020.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially 5.6% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage rates for OBEB Plan Year 2020 and OPEB Plan Year 2021 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% decreasing to a 4.5% long-term trend rate after eight years.

Discount Rate

The discount rate for June 30, 2020 and 2019, was 2.21% and 3.50%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate as of December 31, 2020:

| At June 30, 2020 | | |
|---------------------------|-------------------------------------|---------------------------|
| At 1% Decrease (1.21%) | At Current Discount Rate (2.21%) | At 1% Increase (3.21%) |
| \$ 78,799,417 | \$ 66,654,259 | \$ 57,040,262 |

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NOTES TO FINANCIAL STATEMENTS

H. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate (Continued)

The following presents the net OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate as of December 31, 2019:

| At June 30, 2019 | | |
|---------------------------|-------------------------------------|---------------------------|
| At 1% Decrease (2.50%) | At Current Discount Rate (3.50%) | At 1% Increase (4.50%) |
| \$ 51,400,766 | \$ 44,454,548 | \$ 38,809,828 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using health care cost trend rates that are 1% lower or 1% higher than the current healthcare cost trends as of December 31, 2020:

| At June 30, 2020 | | |
|-------------------|-------------------------------|-------------------|
| At 1% Decrease | Healthcare Cost Trend Rate | At 1% Increase |
| \$ 55,156,468 | \$ 66,654,259 | \$ 81,710,774 |

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using health care cost trend rates that are 1% lower or 1% higher than the current healthcare cost trends as of December 31, 2019:

| At June 30, 2019 | | |
|-------------------|-------------------------------|-------------------|
| At 1% Decrease | Healthcare Cost Trend Rate | At 1% Increase |
| \$ 37,514,160 | \$ 44,454,548 | \$ 53,308,181 |

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

The For the year ended December 31, 2020, the Authority recognized OPEB expense of (\$947,518). At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | December 31, 2020 | |
|--|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 1,755,622 | \$ 12,412,266 |
| Changes of assumptions | 9,969,380 | 14,822,878 |
| Net difference between projected and actual earnings on OPEB Plan investments | 42,329 | - |
| Changes in proportion | 12,164,879 | 1,073,160 |
| | <u>\$ 23,932,210</u> | <u>\$ 28,308,304</u> |

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NOTES TO FINANCIAL STATEMENTS

H. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (Continued)

The For the year ended December 31, 2019, the Authority recognized OPEB expense of \$2,282,713. At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | December 31, 2019 | |
|--|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ - | \$ 13,000,243 |
| Changes of assumptions | - | 15,753,703 |
| Net difference between projected and actual earnings on OPEB Plan investments | 36,618 | - |
| Changes in proportion | 4,427,835 | 1,338,794 |
| | <u>\$ 4,464,453</u> | <u>\$ 30,092,740</u> |

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

| Years Ending | OPEB |
|--------------|------------------------|
| 2021 | \$ (5,833,159) |
| 2022 | (1,532,852) |
| 2023 | (1,537,434) |
| 2024 | (1,541,161) |
| 2025 | (3,535,259) |
| Thereafter | (1,487,948) |
| | <u>\$ (15,467,813)</u> |

I. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Authority adopted the provisions of GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, in 1993. This Standard requires the Authority to recognize an expense and a liability in each period it accepts solid waste for a portion of the landfill closure and postclosure costs expected to be incurred in future periods. The estimated current cost is based on use of landfill capacity rather than passage of time. The estimated liability as of December 31, 2020 and 2019, totaled \$34,564,375 and \$33,865,826, respectively. For the years ended December 31, 2020 and 2019, landfill closure capacity used was 75.4% and 71.5%, respectively.

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NOTES TO FINANCIAL STATEMENTS

J. AMOUNTS HELD BY THE STATE OF NEW JERSEY

The State of New Jersey holds the Landfill Closure Escrow Account in the name of the Authority. The cash and investments consisted of the following at December 31, 2020 and 2019, respectively:

| | 2020 | 2019 |
|------------------------|----------------------|----------------------|
| United States Treasury | \$ 29,982,334 | \$ 29,016,659 |
| Cash | 296,917 | 753,046 |
| Total | <u>\$ 30,279,251</u> | <u>\$ 29,769,705</u> |

K. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

L. DEFERRED COMPENSATION

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all eligible regular employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights have been removed from the books and accounts of the Authority as they are not the property or rights of the Authority.

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NOTES TO FINANCIAL STATEMENTS

M. CONTINGENCIES

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Authority operates. Due to the impact of New Jersey Governor Murphy's Executive Order No. 107 dated March 21, 2020, mandating statewide stay-at home practices and closure of all non-essential retail businesses, it is reasonably possible that Authority revenues and cash flows will be slightly impacted in a negative manner.

The Authority has been and will continue to consistently monitor the operations and cash flows of the Solid Waste and Wastewater Divisions. Over the last several months, the Authority has recognized that tonnages disposed of at the Solid Waste Division Landfill have been negatively impacted resulting in lower than anticipated Tip Fee Income. However, somewhat offsetting the decline was the recognition of increased revenue from other income sources and lower than anticipated expenses for the year. Accordingly, the Authority anticipates that the overall financial impact due to pandemic will be minimal. The Authority has not recognized and does not anticipate any negative impacts on the revenues of the Wastewater Division. In addition, the Authority has not identified any negative impacts on the collectability of outstanding receivables and accordingly recognized no adverse impacts on the cash flow position of the Authority. Although it is unknown how long these conditions will last and what the complete financial effect will be, the Authority fully expects to be able to maintain operations and make the required debt service payments on their loans and payments for any other amounts due.

SUPPLEMENTARY INFORMATION

ATLANTIC COUNTY UTILITIES AUTHORITY
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WASTEWATER DIVISION
STATEMENTS OF NET POSITION
MODIFIED ACCRUAL BASIS
December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Unrestricted current assets: | | |
| Cash and cash equivalents | \$ 29,721,643 | \$ 12,312,445 |
| Investments | 20,310,064 | 33,389,140 |
| Accrued interest receivable | 23,098 | 245,254 |
| Accounts receivable (net of allowance) | 405,464 | 570,402 |
| Other receivable | 348,761 | 369,970 |
| | <u>50,809,029</u> | <u>46,887,210</u> |
| Restricted noncurrent assets: | | |
| Cash and cash equivalents | 2,433,607 | 3,432,721 |
| Investments | 3,453,166 | 6,920,949 |
| Accrued interest receivable | - | 50,328 |
| Loans receivable | 220,925 | 702,740 |
| | <u>6,107,698</u> | <u>11,106,738</u> |
| Capital assets, gross | 247,308,246 | 243,010,156 |
| Accumulated depreciation | <u>(184,059,485)</u> | <u>(180,916,875)</u> |
| Capital assets, net | <u>63,248,761</u> | <u>62,093,282</u> |
| TOTAL ASSETS | <u>\$ 120,165,488</u> | <u>\$ 120,087,230</u> |

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WASTEWATER DIVISION
STATEMENTS OF NET POSITION (CONTINUED)
MODIFIED ACCRUAL BASIS
December 31, 2020 and 2019

| | 2020 | 2019 |
|--|-----------------------|-----------------------|
| LIABILITIES | | |
| Current liabilities payable from current assets: | | |
| Accounts payable and accrued expenses | \$ 4,399,771 | \$ 4,027,651 |
| Unearned revenue, current | - | 41,361 |
| Due to Solid Waste Division | 595,572 | 923,717 |
| Pension payable | 822,732 | 820,472 |
| Total current liabilities payable from current assets | <u>5,818,075</u> | <u>5,813,201</u> |
| Current liabilities payable from restricted assets: | | |
| Construction contracts payable | 105,828 | 687,207 |
| Current portion of long-term debt | 1,751,753 | 1,700,354 |
| Accrued interest | 78,402 | 87,761 |
| Total current liabilities payable from restricted assets | <u>1,935,983</u> | <u>2,475,321</u> |
| Noncurrent liabilities: | | |
| Accrued compensated absences | 361,497 | 336,769 |
| Post-retirement benefits payable | 535,019 | 535,019 |
| Long-term portion of bonds payable | 17,367,732 | 19,171,798 |
| Total noncurrent liabilities | <u>18,264,248</u> | <u>20,043,586</u> |
| TOTAL LIABILITIES | <u>26,018,306</u> | <u>28,332,107</u> |
| NET POSITION | | |
| Net investments in capital assets | 44,129,276 | 41,221,130 |
| Restricted for: | | |
| Renewal and replacement | 7,000,000 | 7,000,000 |
| Debt service fund | 518,847 | 441,940 |
| Debt service reserve fund | 424,898 | 427,879 |
| Unrestricted | 42,074,161 | 42,664,173 |
| TOTAL NET POSITION | <u>94,147,182</u> | <u>91,755,122</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 120,165,488</u> | <u>\$ 120,087,230</u> |

ATLANTIC COUNTY UTILITIES AUTHORITY
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WASTEWATER DIVISION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MODIFIED ACCRUAL BASIS
Years Ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| Operating revenues: | | |
| User service agreements: | | |
| Operating | \$ 22,007,299 | \$ 21,657,148 |
| General | 1,686,774 | 1,686,771 |
| Sludge | 2,261,913 | 1,956,774 |
| Septage | 395,872 | 414,530 |
| Other | 1,433,622 | 1,439,912 |
| Total operating revenues | <u>27,785,480</u> | <u>27,155,136</u> |
| Operating expenses: | | |
| Salaries | 6,976,608 | 6,883,636 |
| Employee benefits | 3,846,904 | 3,871,770 |
| Power and utilities | 2,593,503 | 2,356,412 |
| Chemicals | 758,007 | 921,740 |
| Fuel | 1,344,730 | 1,116,597 |
| Supplies and miscellaneous maintenance | 3,035,687 | 3,361,510 |
| Contractual services | 1,558,612 | 1,455,740 |
| Indirect operating expenses | 532,828 | 592,167 |
| Administrative | 1,471,346 | 1,593,400 |
| Licenses and permits | 157,919 | 194,543 |
| Depreciation | 3,142,610 | 2,924,439 |
| Total operating expenses | <u>25,418,754</u> | <u>25,271,954</u> |
| Operating income | <u>2,366,726</u> | <u>1,883,181</u> |
| Non-operating revenues/(expenses): | | |
| County appropriation | (335,403) | (338,842) |
| Interest income | 562,002 | 1,302,301 |
| Interest expense | (201,267) | (211,420) |
| Total non-operating revenues/(expenses) | <u>25,332</u> | <u>752,039</u> |
| Net income | 2,392,058 | 2,635,221 |
| Net position, January 1, | <u>91,755,123</u> | <u>89,119,902</u> |
| Net position, December 31, | <u>\$ 94,147,182</u> | <u>\$ 91,755,123</u> |
| Reconciliation to Statements of Revenues, Expenses and Changes in Net Position - GAAP Basis: | | |
| Net income - modified accrual basis | \$ 2,392,058 | \$ 2,635,221 |
| Prior year wastewater GAAP adjustment | (1,901,429) | (348,998) |
| Current year wastewater GAAP adjustment | 2,088,121 | 1,901,429 |
| Unbudgeted pension expense | 209,580 | (63,825) |
| Unbudgeted OPEB expense | (454,573) | 1,070,592 |
| Net income - GAAP basis | <u>\$ 2,333,757</u> | <u>\$ 5,194,419</u> |

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

WASTEWATER DIVISION
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING
REVENUES COMPARED TO BUDGET
RATE BASIS
Year Ended December 31, 2020

| | Original Budget (Unaudited) | Modified Budget (Unaudited) | Actual | Favorable/ (Unfavorable) Variance |
|---|-----------------------------------|-----------------------------------|---------------------|---|
| Revenues: | | | | |
| User service agreements | \$ 23,694,079 | \$ 23,694,079 | \$ 23,694,079 | \$ - |
| Sludge and septage | 2,387,020 | 2,387,020 | 2,657,785 | 270,765 |
| Interest on investments and deposits | 850,000 | 850,000 | 562,002 | (287,998) |
| Miscellaneous | 1,347,853 | 1,347,853 | 1,433,617 | 85,764 |
| Fund balance and reserves anticipated | 335,403 | 335,403 | 335,403 | - |
| Total revenues | 28,614,355 | 28,614,355 | 28,682,886 | 68,531 |
| Expenses: | | | | |
| Salaries | 7,124,464 | 7,124,464 | 6,976,608 | 147,856 |
| Employee benefits | 3,943,388 | 3,943,388 | 3,851,516 | 91,872 |
| Power and utilities | 2,790,000 | 2,790,000 | 2,593,503 | 196,497 |
| Chemicals | 1,395,000 | 1,395,000 | 881,830 | 513,170 |
| Fuel | 1,358,000 | 1,358,000 | 1,344,897 | 13,103 |
| Supplies and miscellaneous maintenance | 1,893,500 | 1,893,500 | 1,677,891 | 215,609 |
| Contractual services | 1,884,845 | 1,884,845 | 1,648,911 | 235,934 |
| Indirect operation expenses | 1,105,543 | 1,105,543 | 695,285 | 410,258 |
| Administrative | 2,355,415 | 2,355,415 | 1,525,641 | 829,774 |
| Maintenance program expense | 1,500,000 | 1,500,000 | 1,431,593 | 68,407 |
| Cancelled purchase order | - | - | (351,531) | 351,531 |
| Total operating expenses | 25,350,154 | 25,350,154 | 22,276,144 | 3,074,010 |
| Non-operating expenses: | | | | |
| County appropriation | 335,403 | 335,403 | 335,403 | - |
| System reserve requirements | 1,027,177 | 1,027,177 | 1,027,177 | - |
| Debt service interest | 201,267 | 201,267 | 201,267 | - |
| Debt service principal | 1,700,354 | 1,700,354 | 1,700,354 | - |
| Total non-operating expenses | 3,264,201 | 3,264,201 | 3,264,201 | - |
| Total expenses | 28,614,355 | 28,614,355 | 25,540,345 | 3,074,010 |
| Net income from operations | \$ - | \$ - | \$ 3,142,542 | \$ 3,142,542 |
| Reconciliation to Statements of Revenues, Expenses and Changes in Net Position - Modified Accrual Basis: | | | | |
| Net income - rate basis | | | \$ 3,142,542 | |
| Fund balance and reserves anticipated | | | (335,403) | |
| System reserve requirements | | | 1,027,177 | |
| Principal payments | | | 1,700,354 | |
| Depreciation expense | | | (3,142,610) | |
| Prior year wastewater GAAP adjustment | | | (1,901,429) | |
| Current year wastewater GAAP adjustment | | | 2,088,121 | |
| Unbudgeted pension expense | | | 209,580 | |
| Unbudgeted OPEB expense | | | (454,573) | |
| Net income - GAAP basis | | | \$ 2,333,758 | |

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

WASTEWATER DIVISION
SCHEDULE OF CASH AND CASH EQUIVALENTS AND INVESTMENTS
December 31, 2020

| Description | Face Amount | Interest Rate | Maturity Date | Fair Value December 31, 2020 |
|---|----------------------|------------------|------------------------|------------------------------------|
| Unrestricted accounts: | | | | |
| Cash | \$ 2,845,109 | | | \$ 2,845,109 |
| First American Treasury Obligation Fund | 9,662,608 | 0.01% | | 9,662,608 |
| Certificates of Deposit - Various Issuers | 5,000,000 | 1.55%-1.98% | 7/28/2021 - 11/15/2021 | 5,033,730 |
| PFM Asset Management - NJ ARM | 8,685,136 | 0.02% | | 8,685,136 |
| PFM Asset Management - US Treasury Notes | 6,199,766 | 2.5%-2.875% | 2/28/2021 - 11/15/2021 | 6,163,053 |
| PFM Asset Management - NJ ARM | 6,490,454 | 0.02% | | 6,490,454 |
| PFM Asset Management - US Treasury Notes | 5,829,992 | 2.125%-2.875% | 2/28/2021 - 12/15/2021 | 5,813,282 |
| | <u>41,867,956</u> | | | <u>41,848,263</u> |
| Operating reserve: | | | | |
| First American Treasury Obligation Fund | 190,688 | 0.01% | | 190,688 |
| Certificate of Deposit-Capital Bank of NJ | 3,300,000 | 1.50% | 8/21/2021 | 3,300,000 |
| PFM Asset Management - NJ ARM | 1,847,646 | 0.02% | | 1,847,646 |
| | <u>5,338,334</u> | | | <u>5,338,334</u> |
| Total unrestricted accounts | <u>50,051,399</u> | | | <u>50,031,706</u> |
| Restricted accounts: | | | | |
| Wastewater Trust Fund: | | | | |
| First American Treasury Money Market | 154 | 0.01% | | 154 |
| Debt Service Fund: | | | | |
| First American Treasury | 518,847 | 0.01% | | 518,847 |
| Debt Service Reserve Fund: | | | | |
| PFM Asset Management - NJ ARM | 429,726 | 0.02% | | 429,726 |
| Renewal and Replacement Fund: | | | | |
| PFM Asset Management - NJ ARM | 1,484,880 | 0.02% | | 1,484,880 |
| PFM Asset Management - US Treasury Notes | 3,478,117 | 2.5%-2.75% | 2/28/2021 - 8/15/2021 | 3,453,166 |
| | <u>4,962,997</u> | | | <u>4,938,046</u> |
| Total restricted accounts | <u>5,911,724</u> | | | <u>5,886,773</u> |
| Total | <u>\$ 55,963,123</u> | | | <u>\$ 55,918,479</u> |

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

WASTEWATER DIVISION
SCHEDULES OF PROPERTY, PLANT AND EQUIPMENT
MODIFIED ACCRUAL BASIS
Years Ended December 31, 2020, 2019, 2018, 2017, 2016, 2015 and 2014

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Property, plant and equipment: | | | | | | | |
| Property, plant and equipment, gross - January 1, | \$ 243,010,157 | \$ 240,553,141 | \$ 231,904,726 | \$ 225,924,312 | \$ 225,276,984 | \$ 225,276,984 | \$ 223,760,258 |
| Additions: | | | | | | | |
| Sewer mains and interceptors | 3,903,024 | 755,387 | - | 1,043,421 | - | - | 1,516,726 |
| Buildings and improvements | - | 3,966,244 | - | - | - | - | - |
| Construction in progress | (277,584) | (7,942,787) | 2,930,711 | 4,651,421 | 647,328 | - | - |
| Equipment and vehicles | 672,649 | 5,678,173 | 5,717,704 | 285,572 | - | - | - |
| Total additions | <u>4,298,089</u> | <u>2,457,016</u> | <u>8,648,415</u> | <u>5,980,414</u> | <u>647,328</u> | <u>-</u> | <u>1,516,726</u> |
| Property, plant and equipment, gross - December 31, | 247,308,246 | 243,010,157 | 240,553,141 | 231,904,726 | 225,924,312 | 225,276,984 | 225,276,984 |
| Less: | | | | | | | |
| Accumulated depreciation and amortization | <u>(184,059,485)</u> | <u>(180,916,875)</u> | <u>(177,992,436)</u> | <u>(172,430,062)</u> | <u>(167,035,343)</u> | <u>(161,648,228)</u> | <u>(156,246,558)</u> |
| Property, plant and equipment, net - December 31, | <u>\$ 63,248,761</u> | <u>\$ 62,093,282</u> | <u>\$ 62,560,705</u> | <u>\$ 59,474,664</u> | <u>\$ 58,888,969</u> | <u>\$ 63,628,756</u> | <u>\$ 69,030,426</u> |

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

WASTEWATER DIVISION
SPECIAL PURPOSE STATEMENT OF REVENUES AND EXPENSES TO COMPLY WITH
REVENUE BOND RESOLUTIONS
Years Ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Operating revenues: | | |
| User service agreements: | | |
| Operating | \$ 22,007,299 | \$ 21,657,148 |
| General | 1,686,774 | 1,686,771 |
| Sludge | 2,261,913 | 1,956,774 |
| Septage | 395,872 | 414,530 |
| Grants | 25,686 | 25,686 |
| Other | 1,407,936 | 1,414,226 |
| | <u>27,785,480</u> | <u>27,155,136</u> |
| Total operating revenues | | |
| Operating expenses: | | |
| Salaries | 6,976,608 | 6,883,636 |
| Employee benefits | 3,846,904 | 3,871,770 |
| Power and utilities | 2,593,503 | 2,356,412 |
| Chemicals | 758,007 | 921,740 |
| Fuel | 1,344,730 | 1,116,597 |
| Supplies and miscellaneous maintenance | 3,035,687 | 3,361,510 |
| Contractual services | 1,558,612 | 1,455,740 |
| Indirect operating expenses | 532,828 | 592,167 |
| Administrative | 1,471,346 | 1,593,400 |
| Licenses and permits | 157,919 | 194,543 |
| | <u>22,276,144</u> | <u>22,347,515</u> |
| Total operating expenses | | |
| Operating income | <u>5,509,336</u> | <u>4,807,620</u> |
| Non-operating revenues/(expenses): | | |
| County appropriation | (335,403) | (338,842) |
| Interest income | 562,002 | 1,302,301 |
| Interest expense | (201,267) | (211,420) |
| | <u>25,332</u> | <u>752,039</u> |
| Total non-operating revenues | | |
| Net income | <u>\$ 5,534,668</u> | <u>\$ 5,559,660</u> |

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

SOLID WASTE DIVISION
STATEMENTS OF NET POSITION
MODIFIED ACCRUAL BASIS
December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|------------------------------|------------------------------|
| ASSETS | | |
| Unrestricted current assets: | | |
| Cash and cash equivalents | \$ 14,291,783 | \$ 3,961,553 |
| Investments | 8,486,631 | 16,884,457 |
| Accrued interest receivable | 22,953 | 230,409 |
| Accounts receivable (net of allowance of \$49,814 and \$52,240 in 2020 and 2019, respectively) | 3,414,254 | 3,121,828 |
| Other receivable | 384,777 | 278,433 |
| Due from Wastewater Division | 595,572 | 923,717 |
| Total unrestricted current assets | <u>27,195,970</u> | <u>25,400,398</u> |
| Restricted noncurrent assets: | | |
| Cash and cash equivalents | 6,138,988 | 6,923,419 |
| Investments | 2,485,813 | - |
| Amounts held by State of New Jersey | 30,279,251 | 29,769,705 |
| Accrued interest receivable | 105,102 | 116,644 |
| Total restricted noncurrent assets | <u>39,009,154</u> | <u>36,809,768</u> |
| Capital assets, gross | 165,666,190 | 157,604,913 |
| Accumulated depreciation | <u>(119,558,159)</u> | <u>(110,726,037)</u> |
| Capital assets, net | <u>46,108,031</u> | <u>46,878,876</u> |
| TOTAL ASSETS | <u><u>\$ 112,313,155</u></u> | <u><u>\$ 109,089,042</u></u> |

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

SOLID WASTE DIVISION
STATEMENTS OF NET POSITION (CONTINUED)
MODIFIED ACCRUAL BASIS
December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------|-----------------------|
| LIABILITIES | | |
| Current liabilities payable from current assets: | | |
| Accounts payable and accrued expenses | \$ 3,783,206 | \$ 3,183,788 |
| Customer deposits | 320,332 | 277,068 |
| Pension payable | 1,054,437 | 1,056,697 |
| Total current liabilities payable from current assets | <u>5,157,975</u> | <u>4,517,553</u> |
| Current liabilities payable from restricted assets: | | |
| TD Lease payable | 1,705,000 | 700,000 |
| Accrued interest | 36,593 | 13,580 |
| Construction contracts payable | 14,965 | - |
| Total current liabilities payable from restricted assets | <u>1,756,558</u> | <u>713,580</u> |
| Noncurrent liabilities payable from restricted assets: | | |
| TD Lease payable | 5,420,000 | 2,100,000 |
| Accrued landfill closure and post-closure care costs | 34,564,375 | 33,865,826 |
| Total noncurrent liabilities payable from restricted assets | <u>39,984,375</u> | <u>35,965,826</u> |
| Noncurrent liabilities: | | |
| Accrued compensated absences | 537,575 | 505,440 |
| Post-retirement benefits payable | 800,000 | 800,000 |
| Total noncurrent liabilities | <u>1,337,575</u> | <u>1,305,440</u> |
| TOTAL LIABILITIES | <u>48,236,483</u> | <u>42,502,399</u> |
| NET POSITION | | |
| Investment in capital assets, net of related debt | 46,108,031 | 46,878,876 |
| Unrestricted | 17,968,641 | 19,707,766 |
| TOTAL NET POSITION | <u>64,076,672</u> | <u>66,586,642</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 112,313,155</u> | <u>\$ 109,089,042</u> |

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

SOLID WASTE DIVISION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MODIFIED ACCRUAL BASIS
Years Ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------|----------------------|
| Operating revenues: | | |
| Tipping fees | \$ 25,247,060 | \$ 23,916,814 |
| Collections and recycling income | 11,917,827 | 11,039,101 |
| Grant income | 111,911 | 110,357 |
| Composting and EcoProduct income | 1,369,363 | 1,156,850 |
| Other | 1,614,044 | 1,268,064 |
| Total operating revenues | <u>40,260,206</u> | <u>37,491,185</u> |
| Operating expenses: | | |
| Salaries | 12,073,383 | 11,410,888 |
| Employee benefits | 6,993,852 | 6,378,113 |
| Power and utilities | 516,676 | 720,604 |
| Fuel | 1,066,101 | 1,181,803 |
| Supplies and miscellaneous maintenance | 2,994,811 | 3,183,278 |
| Indirect operating expenses | 3,887,056 | 3,829,766 |
| Administrative | 1,058,638 | 1,167,922 |
| Community benefit | 2,671,314 | 2,570,125 |
| Recycling and other taxes | 1,133,285 | 1,114,676 |
| Depreciation | 9,880,536 | 4,309,083 |
| Bad debt | - | - |
| Total operating expenses | <u>42,275,652</u> | <u>35,866,258</u> |
| Operating income | <u>(2,015,446)</u> | <u>1,624,927</u> |
| Non-operating revenues/(expenses): | | |
| County appropriation | (464,597) | (461,158) |
| Interest income | 845,653 | 1,319,576 |
| Interest expense | (130,101) | (98,455) |
| Gain on sale of fixed assets | 169,122 | 78,920 |
| Adjustment to landfill closure and post-closure care costs | (914,601) | (760,069) |
| Total non-operating expenses | <u>(494,524)</u> | <u>78,814</u> |
| Net (loss) income | <u>(2,509,971)</u> | <u>1,703,741</u> |
| Net position, January 1, | <u>66,586,642</u> | <u>64,882,901</u> |
| Net position, December 31, | <u>\$ 64,076,672</u> | <u>\$ 66,586,642</u> |
| Reconciliation to Statements of Revenues, Expenses and Changes in Net Position - GAAP Basis: | | |
| Net income - modified accrual basis | \$ (2,509,971) | \$ 1,703,741 |
| Prior year solid waste GAAP adjustment | (298,612) | (134,769) |
| Current year solid waste GAAP adjustment | 310,874 | 298,612 |
| Unbudgeted pension expense | 307,391 | (76,666) |
| Unbudgeted OPEB expense | (492,946) | 1,212,121 |
| Net (loss) income - GAAP basis | <u>\$ (2,683,264)</u> | <u>\$ 3,003,039</u> |

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

SOLID WASTE DIVISION
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING
REVENUES COMPARED TO BUDGET
RATE BASIS
Year Ended December 31, 2020

| | Original Budget (Unaudited) | Modified Budget (Unaudited) | Actual | Favorable/ (Unfavorable) Variance |
|---|-----------------------------------|-----------------------------------|-----------------------|---|
| Operating revenues: | | | | |
| Tipping fees | \$ 24,853,154 | \$ 24,853,154 | \$ 25,247,060 | \$ 393,906 |
| Collections and recycling income | 11,810,538 | 11,810,538 | 11,827,117 | 16,579 |
| Composting and EcoProduct income | 1,134,693 | 1,134,693 | 1,369,363 | 234,670 |
| Interest on investments and deposits | 325,000 | 325,000 | 172,306 | (152,694) |
| Miscellaneous | 1,048,346 | 1,048,346 | 1,816,665 | 768,319 |
| Fund balance and reserves anticipated | 464,597 | 464,597 | 464,597 | - |
| Total operating revenues | <u>39,636,328</u> | <u>39,636,328</u> | <u>40,897,109</u> | <u>1,260,781</u> |
| Operating expenses: | | | | |
| Administration | 4,245,064 | 4,245,064 | 3,625,433 | 619,631 |
| Solid waste administration | 1,415,844 | 1,415,844 | 1,313,340 | 102,503 |
| Transfer station operations | 1,572,289 | 1,572,289 | 1,362,229 | 210,060 |
| Composting | 479,176 | 479,176 | 328,997 | 150,178 |
| Landfill operations | 9,552,064 | 9,552,064 | 8,978,208 | 573,856 |
| Recycling center processing | 173,699 | 173,699 | 176,413 | (2,714) |
| Collections | 9,480,299 | 9,480,299 | 10,441,831 | (961,531) |
| Maintenance center | 7,494,297 | 7,494,297 | 6,399,496 | 1,094,801 |
| Interest expense | 146,147 | 146,147 | 130,101 | 16,046 |
| Cancelled purchase orders | - | - | (230,829) | 230,829 |
| Total operating expenses | <u>34,558,877</u> | <u>34,558,877</u> | <u>32,525,218</u> | <u>2,033,659</u> |
| Net income from operating activities | 5,077,451 | 5,077,451 | 8,371,891 | 3,294,440 |
| Non-operating expenses: | | | | |
| County appropriation | (464,597) | (464,597) | (464,597) | - |
| Cell replacement and capital improvement transfers | (3,912,854) | (3,912,854) | (3,943,832) | 30,978 |
| Capital Lease | (700,000) | (700,000) | (700,000) | - |
| Total non-operating expenses | <u>(5,077,451)</u> | <u>(5,077,451)</u> | <u>(5,108,429)</u> | <u>30,978</u> |
| Net income from operations | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,263,462</u> | <u>\$ 3,325,418</u> |
| Reconciliation to Statements of Revenues, Expenses and Changes in Net Position - Modified Accrual Basis: | | | | |
| Net income - rate basis | | | \$ 3,263,462 | |
| Fund balance and reserves anticipated | | | (464,597) | |
| Transfers to Cell Replacement & Capital Improvement Fund | | | 3,943,832 | |
| Transfers to Capital Lease | | | 700,000 | |
| Depreciation expense | | | (9,880,536) | |
| Escrow account interest income | | | 673,348 | |
| Gain on sale of fixed assets | | | 169,122 | |
| Adjustment to landfill closure and post-closure care cost | | | (914,601) | |
| Prior year solid waste GAAP adjustment | | | (298,612) | |
| Current year solid waste GAAP adjustment | | | 310,874 | |
| Unbudgeted pension expense | | | 307,391 | |
| Unbudgeted OPEB expense | | | (492,946) | |
| Net income - GAAP basis | | | <u>\$ (2,683,264)</u> | |

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

SOLID WASTE DIVISION
SCHEDULE OF CASH AND CASH EQUIVALENTS AND INVESTMENTS
December 31, 2020

| Description | Face Amount | Interest Rate | Maturity Date | Fair Value December 31, 2020 |
|--|----------------------|------------------|------------------------|------------------------------------|
| Unrestricted accounts: | | | | |
| Operations: | | | | |
| Cash | \$ 308,700 | | | \$ 308,700 |
| PFM Asset Management - NJ ARM | 5,932,987 | 0.02% | | 5,932,987 |
| PFM Asset Management - US Treasury Notes | 2,362,397 | 2.25-2.75% | 2/15/2021 - 8/15/2021 | 2,350,527 |
| Wells Fargo Government Money Market | 2,300,984 | 0.02% | | 2,300,984 |
| Certificates of Deposit - Various | 2,215,000 | 1.65-1.85% | 2/26/2021 - 9/3/2021 | 2,238,243 |
| PFM Asset Management - NJ ARM | 5,295,930 | 0.02% | | 5,295,930 |
| PFM Asset Management - US Treasury Notes | 3,916,611 | 2.125-2.875% | 2/28/2021 - 11/15/2021 | 3,897,860 |
| PFM Asset Management - NJ ARM | 453,183 | 0.02% | | 453,183 |
| | <u>22,477,092</u> | | | <u>22,469,714</u> |
| Total unrestricted accounts | <u>22,785,792</u> | | | <u>22,778,414</u> |
| Restricted accounts: | | | | |
| Renewal and Replacement Fund: | | | | |
| PFM Asset Management - NJ ARM | 1,670,684 | 0.02% | | 1,670,684 |
| PFM Asset Management - NJ ARM | 2,152,670 | 0.02% | | 2,152,670 |
| PFM Asset Management - US Treasury Notes | 2,498,019 | 2.25% | 2/15/2021 | 2,485,814 |
| TD Bank - Escrow Fund Capital Leases | 2,315,633 | 0.03% | | 2,315,633 |
| | <u>8,637,006</u> | | | <u>8,624,801</u> |
| Escrow Funds: | | | | |
| ACUA Standard Escrow | 6,518,188 | | | 6,518,188 |
| ACUA Alternative Escrow | 4,806,932 | | | 4,806,932 |
| Pinelands Park Standard Escrow | 11,331,330 | | | 11,331,330 |
| Pinelands Park Alternative Escrow | 7,622,801 | | | 7,622,801 |
| | <u>30,279,251</u> | | | <u>30,279,251</u> |
| Total restricted accounts | <u>38,916,257</u> | | | <u>38,904,052</u> |
| Total | <u>\$ 61,702,050</u> | | | <u>\$ 61,682,466</u> |

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

SOLID WASTE DIVISION
SCHEDULES OF PROPERTY, PLANT AND EQUIPMENT
MODIFIED ACCRUAL BASIS
Years Ended December 31, 2020, 2019, 2018, 2017, 2016, 2015 and 2014

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Waste Disposal: | | | | | | | |
| Property, plant and equipment: | | | | | | | |
| Property, plant and equipment, gross - January 1, | \$ 124,427,987 | \$ 115,711,209 | \$ 113,870,320 | \$ 112,563,204 | \$ 111,965,508 | \$ 109,113,091 | \$ 100,566,525 |
| Additions: | | | | | | | |
| Buildings and improvements | 213,947 | 860,252 | - | - | 245,618 | 563,231 | 10,747 |
| Construction in progress | 73,827 | 6,797,598 | 328,788 | 9,442 | 303,651 | - | - |
| Equipment and vehicles | 2,625,732 | 1,594,679 | 1,763,274 | 1,157,063 | - | 655,592 | 1,496,984 |
| Landfill design and implementation | 10,416,407 | 382,575 | 208,811 | 662,144 | 273,160 | 2,143,647 | 7,038,835 |
| Total additions | 13,329,913 | 9,635,104 | 2,300,873 | 1,828,649 | 822,429 | 3,362,470 | 8,546,566 |
| Disposals: | | | | | | | |
| Buildings and improvements | - | - | - | - | - | - | - |
| Construction in progress | (6,797,598) | (328,788) | (9,441) | (303,651) | - | - | - |
| Equipment and vehicles | (693,132) | (589,538) | (450,543) | (217,882) | (224,733) | (510,053) | - |
| Total disposals | (7,490,730) | (918,326) | (459,984) | (521,533) | (224,733) | (510,053) | - |
| Property, plant and equipment, gross - December 31, | 130,267,170 | 124,427,987 | 115,711,209 | 113,870,320 | 112,563,204 | 111,965,508 | 109,113,091 |
| Less: | | | | | | | |
| Accumulated depreciation and amortization | (94,766,830) | (87,420,703) | (85,130,871) | (82,563,812) | (79,358,203) | (76,019,206) | (71,775,228) |
| Property, plant and equipment, net - December 31, | <u>\$ 35,500,340</u> | <u>\$ 37,007,284</u> | <u>\$ 30,580,338</u> | <u>\$ 31,306,508</u> | <u>\$ 33,205,001</u> | <u>\$ 35,946,302</u> | <u>\$ 37,337,863</u> |

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

SOLID WASTE DIVISION
SCHEDULES OF PROPERTY, PLANT AND EQUIPMENT
MODIFIED ACCRUAL BASIS
Years Ended December 31, 2020, 2019, 2018, 2017, 2016, 2015 and 2014

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Waste Recycling: | | | | | | | |
| Property, plant and equipment: | | | | | | | |
| Property, plant and equipment, gross - January 1, | 43,036,429 | 40,430,984 | 37,881,615 | 37,688,803 | 37,362,979 | 37,977,540 | 37,689,306 |
| Additions: | | | | | | | |
| Buildings and improvements | - | - | - | - | - | - | 59,142 |
| Equipment and vehicles | 2,577,374 | 5,430,302 | 1,635,467 | 704,262 | 1,255,528 | 61,355 | 229,092 |
| Construction in progress | - | - | 913,902 | - | - | - | - |
| Total additions | 2,577,374 | 5,430,302 | 2,549,369 | 704,262 | 1,255,528 | 61,355 | 288,234 |
| Disposals: | | | | | | | |
| Buildings and improvements | - | - | - | - | - | - | - |
| Equipment and vehicles | (355,283) | (1,910,955) | - | (511,450) | (929,704) | (675,916) | - |
| Construction in progress | - | (913,902) | - | - | - | - | - |
| Total disposals | (355,283) | (2,824,857) | - | (511,450) | (929,704) | (675,916) | - |
| Property, plant and equipment, gross - December 31, | 45,258,520 | 43,036,429 | 40,430,984 | 37,881,615 | 37,688,803 | 37,362,979 | 37,977,540 |
| Less: | | | | | | | |
| Accumulated depreciation and amortization | (34,650,829) | (33,164,836) | (33,546,341) | (32,353,592) | (31,767,921) | (31,020,353) | (31,007,146) |
| Property, plant and equipment, net - December 31, | 10,607,691 | 9,871,593 | 6,884,643 | 5,528,023 | 5,920,882 | 6,342,626 | 6,970,394 |
| Grand total | <u>\$ 46,108,031</u> | <u>\$ 46,878,877</u> | <u>\$ 37,464,981</u> | <u>\$ 36,834,531</u> | <u>\$ 39,125,883</u> | <u>\$ 42,288,928</u> | <u>\$ 44,308,257</u> |

REQUIRED SUPPLEMENTARY INFORMATION

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (UNAUDITED)
Last Ten Years*

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Authority's proportion of the net pension liability (asset) | 0.20016% | 0.18803% | 0.18872% | 0.17958% | 0.18174% | 0.18177% | 0.17659% | 0.17743% |
| Authority's proportionate share of the net pension liability (asset) | \$32,640,095 | \$33,880,857 | \$37,158,319 | \$41,803,959 | \$53,824,768 | \$40,804,441 | \$33,062,762 | \$33,910,352 |
| Authority's covered-employee payroll | 15,277,994 | 13,043,021 | 12,814,155 | 12,431,741 | 12,312,031 | 12,482,810 | 12,482,810 | 12,145,642 |
| Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 213.64% | 259.76% | 289.98% | 336.27% | 437.17% | 326.89% | 264.87% | 279.20% |
| Total pension liability | 78,670,161 | 78,018,019 | 80,077,494 | 80,547,047 | 89,912,966 | 78,361,663 | 68,996,903 | 66,132,144 |
| Plan fiduciary net position | 46,030,067 | 44,137,162 | 42,919,175 | 38,743,088 | 36,088,198 | 37,557,222 | 35,934,141 | 32,221,791 |
| Plan fiduciary net position as a percentage of the total pension liability | 58.51% | 56.57% | 53.60% | 48.10% | 40.14% | 47.93% | 52.08% | 52.08% |

*In accordance with the Governmental Accounting Standards Board, the Authority is required to present ten years of detail in the above Schedule of Proportionate Share of Net Pension Liability Public Employees' Retirement System, however, only eight years of data are available at this time.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (UNAUDITED)
Last Ten Years*

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 2,189,598 | \$ 1,829,016 | \$ 1,877,169 | \$ 1,663,641 | \$ 1,614,510 | \$ 1,562,762 | \$ 1,455,795 | \$ 1,336,897 |
| Contributions in relation to the contractually required contributions | <u>2,189,598</u> | <u>1,829,016</u> | <u>1,877,169</u> | <u>1,663,641</u> | <u>1,614,510</u> | <u>1,562,762</u> | <u>1,455,795</u> | <u>1,336,897</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Authority's covered-employee payroll | \$15,277,994 | \$14,507,253 | \$13,043,021 | \$12,814,155 | \$12,431,741 | \$12,312,031 | \$12,482,810 | \$12,051,171 |
| Contributions as a percentage of covered-employee payroll | 14.33% | 12.61% | 14.39% | 12.98% | 12.99% | 12.69% | 11.66% | 11.09% |

*In accordance with the Governmental Accounting Standards Board, the Authority is required to present ten years of detail in the above Schedule of Contributions Public Employees' Retirement System, however, only eight years of data are available at this time.

ATLANTIC COUNTY UTILITIES AUTHORITY
 (A Component Unit of the County of Atlantic, New Jersey)

SCHEDULE OF PROPORTIONATE SHARE OF THE OPEB LIABILITY AND CONTRIBUTIONS (UNAUDITED)
 Last Ten Years*

| | <u>2020</u> | | <u>2019</u> | | <u>2018</u> | | <u>2017</u> | | <u>2016</u> |
|--|---------------|----|-------------|----|-------------|----|-------------|----|-------------|
| Proportion of the net OPEB liability | 0.371403% | | 0.026826% | | 0.317680% | | 0.304051% | | 0.313885% |
| Proportionate share of net OPEB liability | \$ 66,654,259 | \$ | 44,454,548 | \$ | 50,768,769 | \$ | 62,722,817 | \$ | 68,167,863 |
| Contributions | 1,140,206 | | 1,133,889 | | 1,799,727 | | 1,807,088 | | 1,715,239 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.91% | | 1.98% | | 1.97% | | 1.03% | | 0.69% |

*In accordance with the Governmental Accounting Standards Board, the Authority is required to present ten years of detail in the above Schedule of Proportionate Share of the OPEB Liability and Contributions, however, only five years of data are available at this time.

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

To the Chairman and Members of
Atlantic County Improvement Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Atlantic County Utilities Authority (the "Authority"), a component unit of the County of Atlantic, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated March 15, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Mercadieu, P.C.
Certified Public Accountants

March 15, 2022

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2020

None reported.

ATLANTIC COUNTY UTILITIES AUTHORITY
(A Component Unit of the County of Atlantic, New Jersey)

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2020

None reported.