

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

Financial Statements and Supplementary Schedule

For the years ended December 31, 2019 and 2018

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY

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MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
Board of Commissioners
December 31, 2019

Jules K. Thiessen
Chairman

Robert C. Silcox
Vice Chairman

Christopher Banks
Commissioner

Gina LaPlaca
Commissioner

Jason Jones
Commissioner

Michael B. Dehoff
Treasurer

Brandy C. Boyington
Secretary

Robert G. Maybury Jr.
Executive Director

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

INDEPENDENT AUDITOR'S REPORTS

FOR THE YEAR ENDED DECEMBER 31, 2019



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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of the Mount Holly Municipal Utilities Authority, a component unit of Mount Holly Township, in the County of Burlington, State of New Jersey, as of and for the fiscal years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mount Holly Municipal Utilities Authority as of December 31, 2019 and the results of operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

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

Other Information

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

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 30, 2020 on our consideration of the Mount Holly Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,



Brent W. Lee
Certified Public Accountant

Cinnaminson, New Jersey
June 30, 2020

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, business-type activities and the aggregate remaining fund information of the Mount Holly Municipal Utilities Authority, County of Burlington, State of New Jersey, as of and for the fiscal year ended December 31, 2019, and related notes to the financial statements, which collectively comprise the Mount Holly Municipal Utilities Authority's basic financial statements, and have issued our report thereon dated June 30, 2020.

Internal Control over Financial Reporting

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

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

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

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weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of General Comments section that we consider to be a material weakness as Finding 2019-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mount Holly Municipal Utilities Authority statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which are described in the accompanying General Comments section as Finding 2019-01.

Purpose of this Report

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

Respectfully submitted,



Brent W. Lee
Certified Public Accountant

Cinnaminson, New Jersey
June 30, 2020

REQUIRED SUPPLEMENTARY INFORMATION – PART I

Management's Discussion and Analysis

Mount Holly Municipal Utilities Authority
Management's Discussion and Analysis
for the Year Ended December 31, 2019
(unaudited)

Introduction:

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

Mission:

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

Location: **Administrative Office:**
1 Park Drive, PO Box 486, Mt. Holly, NJ 08060

Treatment Facilities:
300 Rancocas Road, Mt Holly, NJ 08060
26 Maple Avenue, Lumberton, NJ 08048

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

Telephone: 609-267-0015

Fax: 609-267-5420

Web-Site: www.mhmua.com

Board of Directors: Jules K. Thiessen, Chairman
Robert C. Silcox, Vice Chairman
Jason Jones, Commissioner
Christopher Banks, Commissioner
Gina LaPlaca, Commissioner
Brandy C. Boyington, Secretary
Michael B. Dehoff, Treasurer

Executive Director: Robert G. Maybury, Jr.
Operations Superintendent: Robert Young
Safety Director & Special Projects: Anthony G. Stagliano, Sr.
Finance Administrator/CFO: Michael B. Dehoff

I. General

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

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

II. MHMUA's Rancocas Road Water Pollution Control Facility

A. General Description

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

B. Wastewater Treatment Processes

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

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

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

B. Wastewater Treatment Processes (continued)

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

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

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

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

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

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

Disinfection – Following the second (2nd) Cascade Aeration stage, the filtered effluent is disinfected with Peracetic acid (also known as peroxyacetic acid, or PAA). This organic peroxide is a colorless liquid with a characteristic pungent odor reminiscent of acetic acid (vinegar) in three (3) Contact Tanks. The use of PAA is not only environmentally friendly, but the MHMUA has realized a 36% savings since switching over to this chemical in July 2017.

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

C. Sludge Treatment Processes

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

C. Sludge Treatment Processes (continued)

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

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

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

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

III. MHMUA's Maple Avenue Water Pollution Control Facility

A. General Description

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

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

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

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

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

B. Wastewater Treatment Processes

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

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

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

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

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

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

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

IV. Milestones

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

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

- 2005 MHMUA received the 2005 United States Environmental Protection Agency (USEPA) Region II 1st Place Clean Water Act Recognition Award for Operation and Maintenance Excellence for Medium-Size Advanced Treatment Plants.

- 2005 MHMUA received the 2005 USEPA National 1st Place Clean Water Act Recognition Award for Operations and Maintenance Excellence for Medium-Size Advanced Treatment Plants.

- 2010 Start-up of the new 3.0 mgd Maple Avenue Water Pollution Control Facility located in Lumberton Township.

- 2011 The Plant No. 1 Raw Sewage Pumps, Primary Settling Tanks, and Intermediate Settling Tanks; and the Plant No. 3 Wet Air Regeneration System and Dual Packed Carbon Tower Odor Control System were taken out of service at the Rancocas Road Water Pollution Control Facility. Also, the Plant No. 3 PAC/AS process was converted into a completely mixed activated sludge process.

- 2012 MHMUA received The New Jersey Department of Environmental Protection's Environmental Stewardship Initiative for its voluntary and proactive measures taken to go beyond compliance in an effort to improve the environment and ensure a sustainable future.

- 2018 On July 10, 2018, the Authority entered the bond market to refinance the outstanding maturities of its Sewer Revenue Bonds, Series of 1998 and Sewer Revenue Bonds, Series 2007 C. Simultaneously, the Authority released funds to defease the outstanding maturities of its Taxable Sewer Revenue bonds, 2009 Series A. The result of issuing the Series 2018 Refunding Bonds was a total debt service savings in excess of \$3.25 million. This is an approximate savings of \$160,000 annually over the next 20 years. This refunding transaction also reduced the final year of debt payments from the year 2038 to 2037.

V. Responsibility and Control

The MHMUA has retained Brent W. Lee & Co., to prepare an independent audit of the financial statement for the year ending December 31, 2019. The MHMUA is responsible for furnishing financial statements and pertinent data for the auditor's review and analysis.

VI. Financial Highlights

A. Net Position

The MHMUA's net position for the year ended December 31, 2019 was \$36,427,185 which was an increase of \$4,275,582 from 2018. Net position consisted of \$19,029,318 of Net Investment in Capital Assets Net of Related Debt, \$2,836,810 Restricted for Debt Service Reserve, \$573,296 Restricted for Future Debt Service, \$1,300,000 Restricted for Renewal & Replacement, \$2,454,124 Restricted for Operating Reserve and \$10,233,637 of Unrestricted and Unreserved Net Position.

STATEMENT OF NET POSITION

ASSETS

	<u>2019</u>	<u>2018</u>
Current Assets:		
Total Unrestricted Current Assets	9,051,025	9,324,683
Total Restricted Current Assets	<u>21,527,518</u>	<u>16,969,871</u>
Capital Assets:		
Net Property, Plant and Equipment	<u>46,856,381</u>	<u>48,649,331</u>
Total Assets	<u>77,434,924</u>	<u>74,943,885</u>

DEFERRED OUTFLOW OF RESOURCES

Total Deferred Outflow of Resources	<u>1,250,498</u>	<u>1,849,978</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 78,685,422</u>	<u>\$ 76,793,863</u>

LIABILITIES

Total Current Liabilities Payable From Unrestricted Assets	1,166,170	1,209,851
Total Current Liabilities Payable From Restricted Assets	2,543,662	2,098,541
Total Long-Term Liabilities Payable From Unrestricted Assets	8,230,142	8,849,687
Total Long-Term Liabilities Payable From Restricted Assets	<u>25,994,706</u>	<u>27,938,910</u>
Total Liabilities	<u>37,934,680</u>	<u>40,096,989</u>

DEFERRED INFLOW OF RESOURCES

Total Deferred Inflow of Resources	<u>4,323,557</u>	<u>4,545,271</u>
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NET POSITION

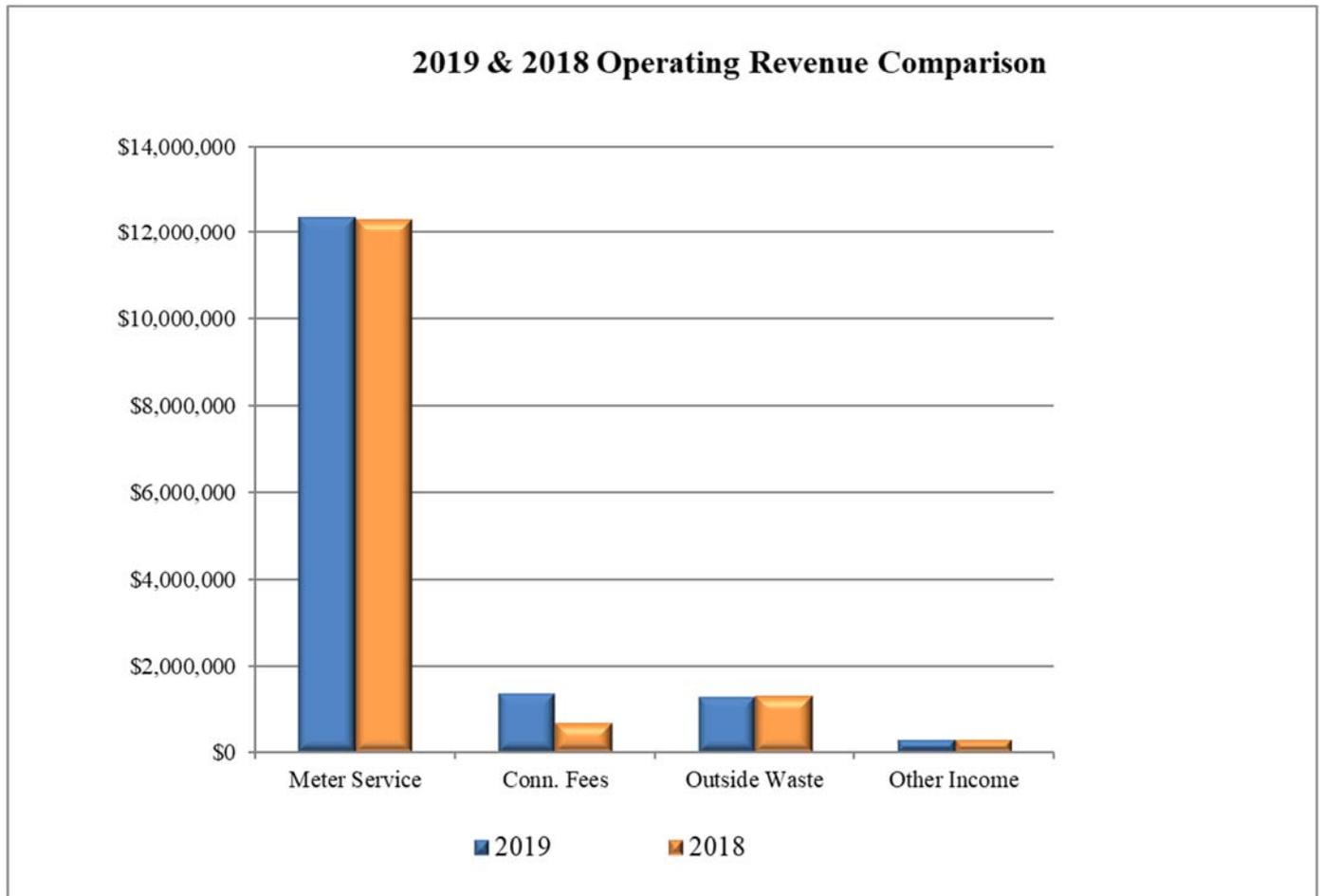
Net Investment in Capital Assets, Net of Related Debt	19,029,318	18,931,680
Restricted for:		
Future Debt Service	573,296	554,313
Debt Service Reserve	2,836,810	2,836,810
Renewal and Replacement	1,300,000	1,300,000
Operating Reserve	2,454,124	2,446,072
Unrestricted for:		
Unreserved	<u>10,233,637</u>	<u>6,082,728</u>
Total Net Position	<u>36,427,185</u>	<u>32,151,603</u>
Total Liabilities, Deferred Inflow of Resources and Net Position	<u>\$ 78,685,422</u>	<u>\$ 76,793,863</u>

B. Revenue

The major source of revenue for the MHMUA is meter service revenue based on the water consumption of residential and commercial ratepayers. Meter service revenue increased slightly by \$45,637 from \$12,309,955 in 2018 to \$12,355,592 in 2019. Total revenues increased from 2018 to 2019 by an amount of \$726,908. This is mainly attributable to the \$690,214 increase in connection fee revenue for 2019. Interest income also increased by \$28,261 due to cash on hand and increased interest rates.

Operating Revenue 2019 & 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Meter Services	\$ 12,355,592	\$ 12,309,955
Connection Fees	1,355,517	665,303
Sludge and Septic Income	1,268,423	1,291,932
Interest Income	58,344	29,983
Unleaded Gas to Township		
Other	<u>222,763</u>	<u>236,558</u>
 Total Operating Revenues	 <u>15,260,639</u>	 <u>14,533,731</u>

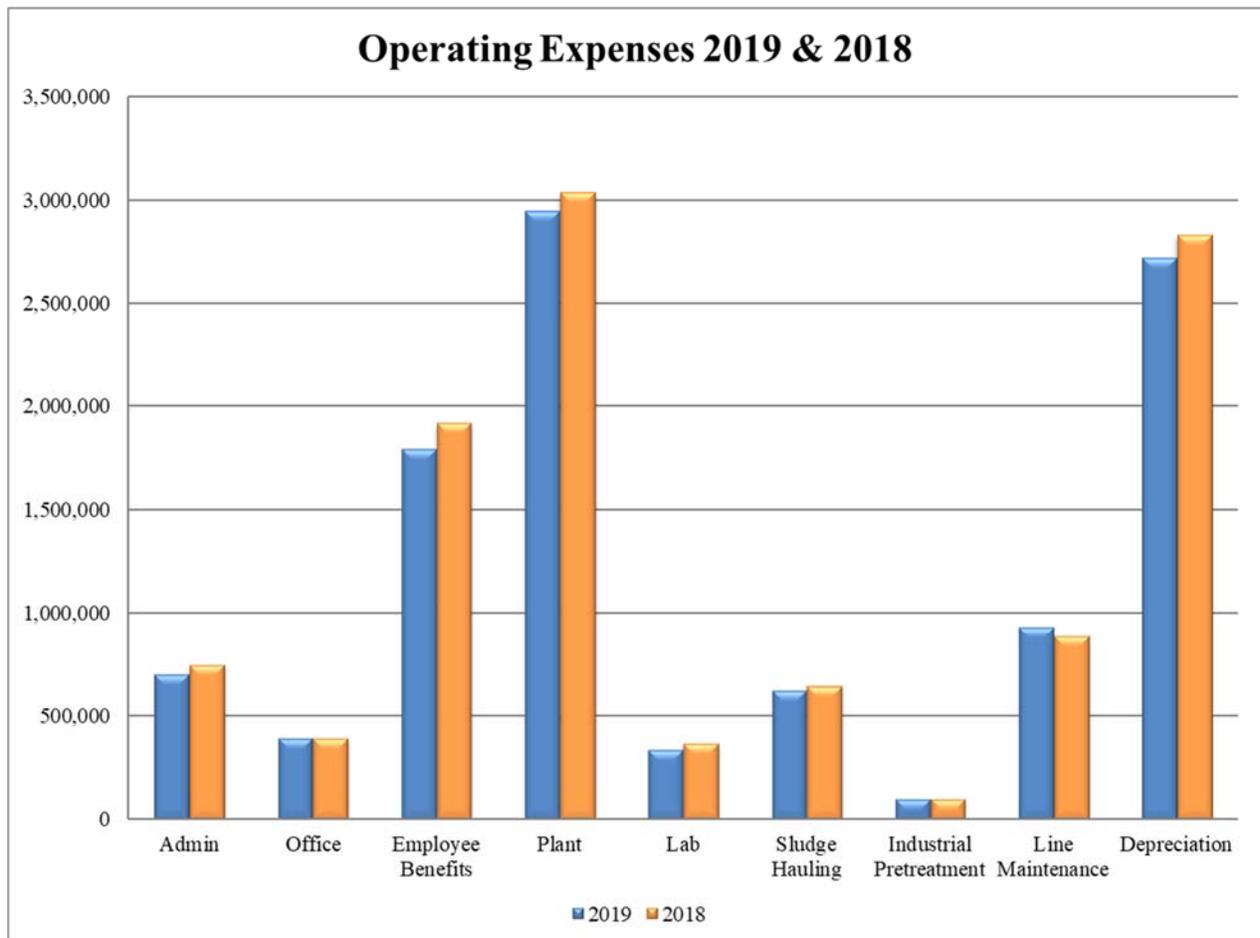


C. Expenses

Total operating expenses decreased by 3.49% in 2019 for a total decrease of \$381,829. Administrative, plant, employee benefits and laboratory expenses all saw substantial decreases due to a reduction in staffing. Line maintenance increased by 5.11% or \$45,367 due to a demand for more road repairs throughout the year.

Operating Expenses 2019 & 2018

	<u>2019</u>	<u>2018</u>
Operating Expenses:		
Administrative	702,294	747,384
Office	396,028	394,114
General - Employee Benefits	1,794,664	1,921,046
Plant	2,948,777	3,043,689
Laboratory	337,806	369,375
Sludge Hauling	624,896	644,740
Industrial Pretreatment	101,977	102,633
Line Maintenance	932,604	887,237
Depreciation	2,725,108	2,835,765
Total Operating Expenses	10,564,154	10,945,983



BASIC FINANCIAL STATEMENTS

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
STATEMENT OF NET POSITION
DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 4,205,350	\$ 4,467,037
Accounts Receivable	2,737,246	2,846,553
Lien Receivable	148,630	140,259
Unbilled Service Charges	1,896,495	1,791,352
Prepaid Expenses	12,023	11,730
Inventory - Treatment Materials and Fuel	51,281	67,752
Total Unrestricted Current Assets	<u>9,051,025</u>	<u>9,324,683</u>
Restricted Assets:		
Cash and Cash Equivalents	18,608,313	11,926,920
Investments	2,902,404	5,026,589
Developers' Receivable	16,801	16,362
Total Restricted Current Assets	<u>21,527,518</u>	<u>16,969,871</u>
Capital Assets:		
Property, Plant and Equipment	125,947,854	125,015,696
Less: Accumulated Depreciation	<u>79,091,473</u>	<u>76,366,365</u>
Net Property, Plant and Equipment	<u>46,856,381</u>	<u>48,649,331</u>
Total Assets	<u>77,434,924</u>	<u>74,943,885</u>
DEFERRED OUTFLOW OF RESOURCES		
Bond Discount, Net of Accumulated Amortization	104,318	112,377
Pension Deferred Outflows	<u>1,146,180</u>	<u>1,737,601</u>
Total Deferred Outflow of Resources	<u>1,250,498</u>	<u>1,849,978</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 78,685,422</u>	<u>\$ 76,793,863</u>

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

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
STATEMENT OF NET POSITION
DECEMBER 31, 2019 AND 2018

LIABILITIES	2019	2018
Current Liabilities Payable From Unrestricted Assets:		
Accounts Payable - Operations	\$ 320,339	\$ 422,181
Accrued Liabilities	390,984	351,642
Payroll Taxes Payable	2,726	2,327
Sewer Overpayments	653	718
Pension Payable	451,468	432,983
Total Current Liabilities Payable From Unrestricted Assets	1,166,170	1,209,851
Current Liabilities Payable From Restricted Assets:		
Developers' and Employees' Deposits	112,228	124,237
Contracts Payable	417,567	
Accrued Interest Payable	181,510	195,563
Bonds Payable - Current Portion	510,000	490,000
Loan Payable - Current Portion	1,313,502	1,279,908
Loan Payable - Summit Water Nexus - Current Portion	8,855	8,833
Total Current Liabilities Payable From Restricted Assets	2,543,662	2,098,541
Long-Term Liabilities Payable From Unrestricted Assets:		
Post Retirement Benefits Payable	339,379	303,538
Net Pension Liability	7,890,763	8,546,149
Total Long-Term Liabilities Payable From Unrestricted Assets	8,230,142	8,849,687
Long-Term Liabilities Payable From Restricted Assets:		
Bonds Payable (Net of Unamortized Premium)	16,043,886	16,665,733
Loan Payable	9,933,043	11,246,545
Loan Payable - Summit Water Nexus	17,777	26,632
Total Long-Term Liabilities Payable From Restricted Assets	25,994,706	27,938,910
Total Liabilities	37,934,680	40,096,989
DEFERRED INFLOW OF RESOURCES		
Gain on Refunding of Debt	769,000	862,000
Pension Deferred Inflows	3,554,557	3,683,271
Total Deferred Inflow of Resources	4,323,557	4,545,271
NET POSITION		
Net Investment in Capital Assets	19,029,318	18,931,680
Restricted for:		
Future Debt Service	573,296	554,313
Debt Service Reserve	2,836,810	2,836,810
Renewal and Replacement	1,300,000	1,300,000
Operating Reserve	2,454,124	2,446,072
Unrestricted for:		
Unreserved	10,233,637	6,082,728
Total Net Position	36,427,185	32,151,603
Total Liabilities, Deferred Inflow of Resources and Net Position	\$ 78,685,422	\$ 76,793,863

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

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Meter Services	\$ 12,355,592	\$ 12,309,955
Connection Fees	1,355,517	665,303
Sludge and Septic Income	1,268,423	1,291,932
Interest Income	58,344	29,983
Other	222,763	236,558
	<u>15,260,639</u>	<u>14,533,731</u>
Operating Expenses:		
Administrative	702,294	747,384
Office	396,028	394,114
General - Employee Benefits	1,794,664	1,921,046
Plant	2,948,777	3,043,689
Laboratory	337,806	369,375
Sludge Hauling	624,896	644,740
Industrial Pretreatment	101,977	102,633
Line Maintenance	932,604	887,237
Depreciation	2,725,108	2,835,765
	<u>10,564,154</u>	<u>10,945,983</u>
Operating Income	<u>4,696,485</u>	<u>3,587,748</u>
Nonoperating Revenue/(Expenses):		
Interest Income	344,709	261,007
Gain/(Loss) on Sale or Disposal of Assets	28,839	
Unrealized Gain/(Loss) on Investment	52,596	18,098
Unemployment Reimbursement		(13,325)
Interest Expense	(1,048,520)	(1,334,553)
Reserve for Future Unemployment	4,685	4,884
Cost of Bond Issuance Expenses		(107,450)
Amortization of Gain on Refunding Debt	93,000	89,000
Amortization of Premium/(Original Issue Discount)	103,788	(219,042)
	<u>(420,903)</u>	<u>(1,301,381)</u>
Change in Net Position	4,275,582	2,286,367
Net Position - Beginning of Year	<u>32,151,603</u>	<u>29,865,236</u>
Net Position - End of Year	<u>\$ 36,427,185</u>	<u>\$ 32,151,603</u>

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

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Receipts From Service Users	\$ 15,255,993	\$ 14,196,888
Payments to Suppliers & Employees	(7,653,670)	(8,225,490)
Net Cash Provided/(Used) by Operating Activities	<u>7,602,323</u>	<u>5,971,398</u>
Cash Flows From Investing Activities:		
Interest on Investments	344,709	261,007
(Purchase)/Maturities of Investments	2,212,534	(3,356,294)
Acquisition of Property, Plant & Equipment	(903,319)	(362,186)
Net Cash Provided by Investing Activities	<u>1,653,924</u>	<u>(3,457,473)</u>
Cash Flows From Financing Activities:		
Net Proceeds Received from Bond Refunding		1,452,667
Principal Paid on Loans	(1,288,741)	(1,255,556)
Principal Paid on Bonds	(490,000)	(535,000)
Interest Paid	(1,062,485)	(1,221,845)
Net Cash Provided/(Used) by Capital & Related Financing Activities	<u>(2,841,226)</u>	<u>(1,559,734)</u>
Cash Flows from Noncapital Financing Activities:		
Unemployment Activity	<u>4,685</u>	<u>(8,441)</u>
Net Cash Provided for Noncapital Financing Activities	<u>4,685</u>	<u>(8,441)</u>
Net Increase in Cash & Cash Equivalents	6,419,706	945,750
Cash and Cash Equivalents at January 1	<u>16,393,957</u>	<u>15,448,207</u>
Cash and Cash Equivalents at December 1	<u>\$ 22,813,663</u>	<u>\$ 16,393,957</u>

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

Operating Income/(Loss)	\$ 4,696,485	\$ 3,587,748
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Operating Activities:		
Depreciation	2,725,108	2,835,765
(Increase)/Decrease in Assets :		
Accounts Receivable	100,936	(264,065)
Unbilled Service Charges	(105,143)	(74,490)
Prepaid Expenses	(293)	(2,350)
Inventory	16,471	(8,392)
Developers' Receivable	(439)	(513)
Increase/(Decrease) in Liabilities:		
Accounts Payable	(275,702)	(103,292)
Contracts Payable	417,567	
Accrued Liability	39,342	19,984
Unearned Revenue		2,225
Developers' and Employees' Deposits	(12,009)	(21,222)
Net Cash Provided/(Used) by Operating Activities	<u>\$ 7,602,323</u>	<u>\$ 5,971,398</u>

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

NOTES TO THE FINANCIAL STATEMENTS

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

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

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

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

B. Basis of Presentation

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

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued):

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements:

The following GASB Statements became effective for the year ended December 31, 2019:

Statement 83, *Certain Asset Retirement Obligations*. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. Management does not expect this statement to have a material impact on the Authority's financial statements.

Statement 84, *Fiduciary Activities*. The statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Statement 84 is effective for the reporting period beginning after December 31, 2018. Management does not expect this statement to have a material impact on the Authority's financial statements.

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

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued):

Recently Issued Accounting Pronouncements

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

Statement 86, *Accounting for Certain Debt Extinguishment*. Statement 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. Statement 86 is effective for the period beginning after June 15, 2017. Management does not expect this statement to have a material impact on the School District's financial statements. Statement 87, *Leases*. Statement 87 establishes single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing the right to use an underlying asset. Statement 87 is effective for the reporting period beginning after December 15, 2019. Management does not expect this statement to have a material impact on the Authority's financial statements.

Statement 87, *Leases*. The statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of the financial statements among governments by requiring lessees and lessors to report leases under a single model. Also, the statement will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Management does not expect this statement to have a material impact on the Authority's financial statements.

Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Management has not yet determined the potential impact on the Authority's financial statements.

C. Budgetary Data:

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

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

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Prepaid Items:

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

E. Inventory:

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

F. Contributed Capital:

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

The following is a reconciliation of the Contributed Capital account for 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Balance at January 1,	\$48,615,172	\$48,615,172
Additions	<u>-</u>	<u>-</u>
Balance at December 31,	48,615,172	48,615,172
Accumulated Depreciation	<u>(42,203,454)</u>	<u>(40,988,114)</u>
Net Contributed Capital at December 31,	<u>\$ 6,411,718</u>	<u>\$ 7,627,058</u>

G. Capital Assets:

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

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

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

H. Compensated Absences

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

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Compensated Absences (continued):

The total compensated absences liability is recorded as an expense. A current liability is recorded for the value of the accrual. The amount of accrual for compensated absences as of December 31, 2019 and 2018 is as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Accrued Salaries</u>	<u>Payroll Taxes</u>	<u>Accrued Salaries</u>	<u>Payroll Taxes</u>
Sick Time	\$ 57,433	\$ 4,394	\$ 54,909	\$ 4,201
Vacation Time	<u>155,285</u>	<u>11,879</u>	<u>142,897</u>	<u>10,931</u>
Total	<u>\$212,718</u>	<u>\$16,273</u>	<u>\$197,806</u>	<u>\$15,132</u>

I. Revenues and Unbilled Services:

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

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

J. Bond Discounts/Premiums:

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

	2018	Accumulated	Unamortized
	Amortization	Amortization	Balance
Bond Discount	\$ 8,059	\$ 56,853	\$ 104,318
Bond Premium	\$ 111,847	\$ 368,051	\$1,868,886

K. Net Position

Net Position is distributed into the following two categories:

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

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Net Position (continued):

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

L. Unrestricted and Restricted Accounts

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

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

NOTE 2: CASH AND CASH EQUIVALENTS

The Authority is governed by the deposit and investment limitations of New Jersey state law. The Deposits and investments held at December 31, 2019 and 2018, and reported at fair value are as follows:

<u>Type</u>	2019 Carrying Value	2018 Carrying Value
Deposits		
Demand Deposits	\$22,813,663	\$16,393,957
Investments	<u>2,902,404</u>	<u>5,026,589</u>
Total Deposits	<u>\$25,716,067</u>	<u>\$21,420,546</u>
 Reconciliation of Statements of Net Position		
Current:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 4,205,350	\$ 4,467,037
Restricted Assets:		
Cash and Cash Equivalents	18,608,313	11,926,920
Investments	<u>2,902,404</u>	<u>5,026,589</u>
Total	<u>\$25,716,067</u>	<u>\$21,420,546</u>

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2: CASH AND CASH EQUIVALENTS (continued):

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2019 and 2018, the Authority's bank balance of \$25,661,053 and \$21,435,359 respectively, was insured or collateralized as follows:

NOTE 3: INVESTMENTS

	2019	2018
Insured	\$ 501,850	\$ 500,000
Collateralized in the Authority's name under GUDPA	25,159,203	20,935,359
Total	\$ 25,661,053	\$ 21,435,359

A. Custodial Credit Risk

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

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

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

1. Pursuant to N.J. S.A. 40A:5-15.1, the Authority hereby authorizes the following type of securities to be purchased on its behalf:
 - a. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
 - b. Government money market mutual funds;
 - c. Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
 - d. Bonds or other obligations of the Authority or bonds or other obligations of the local unit or units within which the Authority is located;

**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018**

NOTE 3: INVESTMENTS (continued)

- e. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Authority;
- f. Local Governments investment pools;
- g. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- h. Agreements for the repurchase of fully collateralized securities with certain limitations.
- 1. (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of subsection A herein;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral.
- 2. Any investment instruments in which the security is not physically held by the Authority shall be covered by a third party custodial agreement which shall provide for the designation of such investments in the name of the Authority and prevent unauthorized use of such investments;
- 3. Purchase of investment securities shall be executed by the "delivery versus payment" method to ensure that securities are either received by the Authority or a third party custodian prior to or upon the release of the Authority's funds.
- 4. Any investments not purchased and redeemed directly from the issuer, government money market mutual fund, local government investment pool, or the State of New Jersey Cash Management Fund, shall be purchased and deemed through the use of a national or State bank located within this State or through a broker-dealer which, at the time of purchase or redemption, has been registered continuously for a period of at least two years pursuant to section 9 of P.L.1967, c. 93 (C.49:3-56) and has at least \$25 million in capital stock (or equivalent capitalization if not a corporation), surplus reserves for contingencies and undivided profits, or through a securities dealer who makes primary markets in U.S. Government securities and reports daily to the Federal Reserve Bank of New York its position in and borrowing on such U.S. Government securities.

As of December 31, 2019 and 2018, the Authority had the following investments and maturities:

<u>Investment</u>	<u>2019</u> <u>Fair Value</u>	<u>2018</u> <u>Fair Value</u>
Government Obligations	<u>\$ 2,902,404</u>	<u>\$5,026,589</u>

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NOTE 4: ACCOUNTS RECEIVABLE:

Accounts receivable at December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Accounts Receivable – Customers	\$2,737,246	\$2,846,553
Lien Receivable	<u>148,630</u>	<u>140,259</u>
Total	<u>\$2,885,876</u>	<u>\$2,986,812</u>

NOTE 5: CAPITAL ASSETS:

The following is a summary of changes in the Authority's property, plant and equipment for the years ended December 31, 2019 and 2018:

<u>Description</u>	<u>Balance</u> <u>December 31,</u> <u>2018</u>	<u>Additions</u>	<u>Adjust/</u> <u>Deletions</u>	<u>Balance</u> <u>December 31,</u> <u>2019</u>
Land	\$ 908,612	\$ -	\$ -	\$ 908,612
Buildings & Improvements	113,111,645	417,567	(20,322)	113,508,890
Equipment	2,730,717	333,322	20,322	3,084,361
Engineering & Other Costs	<u>8,264,722</u>	<u>181,269</u>		<u>8,445,991</u>
Total Property, Plant & Equipment	125,015,696	932,158	-	125,947,854
Less: Accumulated Depreciation	<u>(76,366,365)</u>	<u>(2,725,108)</u>	-	<u>(79,091,473)</u>
Net Property, Plant & Equipment	<u>\$ 48,649,331</u>	<u>\$ (1,792,950)</u>	<u>\$ -</u>	<u>\$ 46,856,381</u>

<u>Description</u>	<u>Balance</u> <u>December 31,</u> <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31,</u> <u>2018</u>
Land	\$ 908,612	\$ -	\$ -	\$ 908,612
Buildings & Improvements	113,111,645	-	-	113,111,645
Equipment	2,520,754	239,425	(29,462)	2,730,717
Engineering & Other Costs	<u>8,141,962</u>	<u>122,760</u>	-	<u>8,264,722</u>
Total Property, Plant & Equipment	124,682,973	362,185	(29,462)	125,015,696
Less: Accumulated Depreciation	<u>(73,530,600)</u>	<u>(2,835,765)</u>		<u>(76,366,365)</u>
Net Property, Plant & Equipment	<u>\$ 51,152,373</u>	<u>\$ (2,473,580)</u>	<u>\$ (29,462)</u>	<u>\$ 48,649,331</u>

NOTE 6: LONG-TERM DEBT

Outstanding Debt

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

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NOTE 6: LONG-TERM DEBT (continued):

	Balance 12/31/2018	Issued	Retired	Balance 12/31/2019	Amounts Due Within One Year
Bonds Payable	\$ 15,175,000		\$ (490,000)	\$ 14,685,000	\$ 510,000
Unamortized Bond Premium	1,980,733		(111,847)	1,868,886	111,847
Post Retirement Benefits	303,538	35,841	-	339,379	-
Loan Payable - PSE&G	35,465	-	(8,833)	26,632	8,855
Loan Payable	12,526,453	-	(1,279,908)	11,246,545	1,313,502
Long Term Liabilities	\$ 30,021,189	\$ 35,841	\$ (1,890,588)	\$ 28,166,442	\$ 1,944,204

	Balance 12/31/2017	Issued	Adjustment/ Retired	Balance 12/31/2018	Amounts Due Within One Year
Bonds Payable	\$ 18,160,000	15,710,000	\$ (18,695,000)	\$ 15,175,000	\$ 490,000
Unamortized Bond Premium	151,363	1,941,217	(111,847)	1,980,733	111,847
Post Retirement Benefits	257,532	46,006		303,538	
Loan Payable - PSE&G	44,276	-	(8,811)	35,465	8,833
Loan Payable	13,798,008	-	(1,271,555)	12,526,453	1,279,908
Long Term Liabilities	\$ 32,411,179	\$ 17,697,223	\$ (20,087,213)	\$ 30,021,189	\$ 1,890,588

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

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

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

<u>Issue</u>	<u>Initial Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Principal Balance Outstanding</u>
2018 Sewer Revenue Refunding Bonds	07/24/2018	12/1/2037	3.375% to 5.00%	<u>\$15,710,000</u>	<u>\$14,685,000</u>

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NOTE 6: LONG-TERM DEBT (continued):

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

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

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Rate of</u> <u>Interest</u>
2020	\$ 510,000	719,381	1,229,381	5.0%
2021	540,000	693,881	1,233,881	5.0%
2022	565,000	666,881	1,231,881	5.0%
2023	590,000	638,631	1,228,631	5.0%
2024	625,000	609,131	1,234,131	5.0%
2025	650,000	577,881	1,227,881	5.0%
2026	685,000	545,381	1,230,381	5.0%
2027	725,000	511,131	1,236,131	5.0%
2028	1,905,000	474,881	2,379,881	5.0%
2029	1,675,000	379,631	2,054,631	5.0%
2030	650,000	295,881	945,881	5.0%
2031	685,000	263,381	948,381	5.0%
2032	720,000	229,131	949,131	5.0%
2033	755,000	193,131	948,131	5.0%
2034	790,000	155,381	945,381	5.0%
2035	830,000	115,881	945,881	5.0%
2036	870,000	74,381	944,381	5.0%
2037	915,000	30,881	945,881	3.375%
Total	<u>\$14,685,000</u>	<u>\$ 7,174,858</u>	<u>\$21,859,858</u>	

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

Redemption Provisions

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

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NOTE 6: LONG-TERM DEBT (continued):

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

Notice of Redemption

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

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

The Authority has determined there exists a need within its service area to undertake various capital improvements to its System, including reconstruction of its central treatment plant and rehabilitation of various water mains, all as more particularly describe in the report prepared therefore by the Authority's Consulting Engineer as further defined in that certain Loan Agreement to be entered into between the Authority and the New Jersey Wastewater Treatment Trust and that certain Loan Agreement to be entered into between the Authority and the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection, all pursuant to the 2007 New Jersey Environmental Infrastructure Trust financing program; and on November 9, 2006, the Authority adopted a note resolution pursuant to which the Authority has heretofore issued its Project Notes, Series 2006 to temporarily finance a portion of the 2007 Project; and on July 12, 2007, the Authority adopted a note resolution pursuant to which the Authority will issue its Project Notes, Series 2007 to temporarily finance a portion of the 2007 Project; and the Authority has determined to finance a portion of the acquisition, construction, renovation or installation of the 2007 Project with the proceeds of a loan to be made by each of the Trust and the State pursuant to the Trust Loan Agreement and the Fund Loan Agreement, respectively. During 2015 the Authority did not utilize the entire Trust funding portion of the 2007A NJEIT Loan and the New Jersey Infrastructure Trust forgave and refunded bonds, Series 2015A-R1, to the Authority that resulted in a \$1,036,000 gain on refunding of bonds amortized over twelve years.

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
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NOTE 6: LONG-TERM DEBT (continued):

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

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

Year	<u>NJEIT TRUST LOAN</u>		Rate of Interest	<u>NJEIT FUND LOAN</u>		<u>TOTAL</u>	
	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Principal</u>		
2019	557,000	312,438	4.0%	624,162		1,181,162	
2020	588,000	286,438	4.0%	626,756		1,214,756	
2021	616,000	259,238	5.0%	625,329		1,241,329	
2022	646,000	223,988	5.0%	625,167		1,271,167	
2023	681,000	186,988	4.2%	627,113		1,308,113	
2024	713,000	153,838	4.5%	625,070		1,338,070	
2025	751,000	117,388	4.5%	627,372		1,378,372	
2026	786,000	79,138	4.5%	625,264		1,411,264	
2027	825,000	39,312	4.2%	625,378		1,450,378	
Total	<u>\$ 5,606,000</u>	<u>\$1,346,328</u>		<u>\$ 5,007,449</u>		<u>\$ 10,613,449</u>	

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

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

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

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

Year	<u>NJEIT TRUST LOAN</u>		Rate of Interest	<u>NJEIT FUND LOAN</u>		<u>TOTAL</u>	
	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Principal</u>		
2020	\$ 24,000	11,400	5.0%	74,746		\$ 98,746	
2021	24,000	10,440	3.0%	74,746		98,746	

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NOTE 6: LONG-TERM DEBT (continued):

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

<u>Year</u>	<u>NJEIT TRUST LOAN</u>			<u>NJEIT FUND LOAN</u>	<u>TOTAL</u>
	<u>Principal</u>	<u>Interest</u>	<u>Rate of Interest</u>	<u>Principal</u>	<u>Principal</u>
2022	24,000	9,480	4.0%	74,746	98,746
2023	29,000	8,520	4.0%	74,746	103,746
2024	29,000	7,360	4.0%	49,112	78,112
2025	28,000	6,200	4.0%	-	28,000
2026	28,000	5,080	4.0%	-	28,000
2027	33,000	3,960	4.0%	-	33,000
2028	33,000	2,640	4.0%	-	33,000
2027	<u>33,000</u>	<u>1,320</u>	4.0%	<u>-</u>	<u>33,000</u>
Total	<u>\$289,000</u>	<u>\$ 66,400</u>		<u>\$348,096</u>	<u>\$ 633,096</u>

D. Loan Payable – Summit Water Nexus

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 8,855	67	8,922
2021	8,877	44	8,921
2022	<u>8,899</u>	<u>22</u>	<u>8,921</u>
Total	<u>\$ 26,631</u>	<u>133</u>	<u>26,764</u>

NOTE 7: PENSION NOTE

Description of System and Vesting

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

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NOTE 7: PENSION NOTE (continued):

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service and 25 years for health care coverage.

At December 31, 2019 the Authority reported a liability of \$8,342,231 for its proportionate share of the net pension liability as measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The authority elected to record \$451,468 as current pension liability from the above amount. The authority's proportion of the net pension liability was based on a projection of the authority's long – term share of contributions to the pension plan relative to the projected contributions of all participating authorities, actuarially determined. At June 30, 2019, the authority's proportion was .0462981889% which slightly increased by .04584% from its proportion measured as of June 30, 2018.

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

For the year ended December 31, 2019 and 2018 the Authority recognized pension expense of \$280,662 and \$355,198, respectively. At December 31, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference Between Expected and Actual Experience	149,732	36,852	\$ 171,233	46,299
Changes of Assumptions	833,002	2,895,562	1,479,612	2,871,049
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		131,685		84,225
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions	163,446	490,458	86,756	681,698
Authority Contributions Subsequent to The Measurement Date	-	-	-	-
	<u>\$1,146,180</u>	<u>\$3,554,557</u>	<u>\$1,737,601</u>	<u>\$3,683,271</u>

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
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NOTE 7: PENSION NOTE (continued):

\$1,146,180 and \$1,737,601 will be reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the years ended December 31, 2019 and 2018 respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as shown below. The amounts represent the Authority's proportionate share of deferred outflows of resources and deferred inflows of resources.

Year ended December 31 :		Year ended December 31 :	
2020	\$ (453,021)	2019	\$ (306,702)
2021	(453,021)	2020	(306,702)
2022	(453,021)	2021	(306,702)
2023	(453,021)	2022	(306,702)
2024	(453,021)	2023	(306,702)
Thereafter	<u>(143,272)</u>	Thereafter	<u>(421,161)</u>
Total	\$ <u>(2,408,377)</u>	Total	\$ <u>(1,954,671)</u>

Additional Information

Collective local balances at December 31, 2019 and 2018 are as follows

	12/31/2019	12/31/2018
Collective Deferred outflows of resources	\$ 3,149,522,616	\$ 4,684,852,302
Collective Deferred inflows of resources	7,645,087,574	7,646,736,226
Collective net pension liability	18,143,832,135	19,689,501,539
Authority's Proportion	0.04630%	0.00046%

Actuarial Assumptions

The total pension liability in the June 30, 2019 and 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

<u>2019</u>		<u>2018</u>	
Inflation Rate		Inflation Rate	2.25%
Price	2.75%		
Wage	3.25%		
Salary Increases:	2.00 – 6.00%	Salary Increases:	1.65 – 4.15%
Through 2026	Based on Years of Service	Through 2026	Based on Age
Thereafter	3.00 – 7.00%	Thereafter	2.65 – 5.15%
	Based on Years of Service		Based on Age

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NOTE 7: PENSION NOTE (continued):

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.

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

Asset Class	2019 Target Allocation	2019 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. Develop Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

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DECEMBER 31, 2019 and 2018

NOTE 7: PENSION NOTE (continued):

Long-Term Expected Rate of Return (continued):

Asset Class	2018 Target Allocation	2018 Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Develop Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 6.28% and 5.66% as of June 30, 2019 and 2018, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% as of June 30 2019 and 2018, respectively, and a municipal bond rate of 3.50% and 3.87% as of June 30, 2019 and 2018, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2019 and 2018, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018

NOTE 7: PENSION NOTE (continued):

2019			
	<u>At 1% Decrease (4.66%)</u>	<u>At Current Discount Rate (5.66%)</u>	<u>At 1% Increase (6.66%)</u>
Authority's Proportionate Share of Net Pension Liability	\$ 16,993,172	\$ 13,452,879	\$ 10,469,680
2018			
	<u>At 1% Decrease (4.66%)</u>	<u>At Current Discount Rate (5.66%)</u>	<u>At 1% Increase (6.66%)</u>
Authority's Proportionate Share of Net Pension Liability	\$ 18,867,138	\$ 15,883,939	\$ 12,454,130

Description of System and Vesting

Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

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

Contribution Requirements

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

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

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018

NOTE 8: JOINT INSURANCE FUND

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

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

NOTE 9: RETIREE HEALTH BENEFIT COVERAGE

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

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

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

As a result of implementing GASB statement No.'s 43 and 45 *Accounting and Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans ("OPEB")* the Authority has hired an independent actuarial firm to calculate their annual OPEB costs and unfunded accrued liability as required by GASB 45. The Authority's annual Other Post-Employment Benefit cost is calculated based on the Annual Required Contribution. The actuarial cost method used to determine the Plan's funding requirements is the "Projected Unit Credit" method. Under this method, an actuarial accrued liability is determined as the present value of the portion of projected benefits, which is allocated to service before the current plan year. In addition, a normal cost is determined as the actuarial present value of the portion of projected benefits, which is allocated to service in the current plan year for each active participant under the assumed retirement age. The normal cost amount is expected to increase annually at the discount rate, currently 4.5%. The Plan is currently unfunded. The unfunded actuarial liability is amortized over a period not to exceed 30 years. The following table shows the changes in the Authority's annual Other Post-Employment Benefit cost for the year, the amount actually contributed to the Plan and changes in the Authority's net Other Post-Employment Benefit obligation to the plan:

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018

NOTE 9: RETIREE HEALTH BENEFIT COVERAGE (continued):

	<u>2019</u>	<u>2018</u>
Annual Required Contribution	\$ 46,006	\$ 46,006
Payments to Retirees	<u>(10,165)</u>	<u>-</u>
Increase in Net Other Post Employment Benefit Obligation	35,841	46,006
Post-Employment Benefits – Beginning of the Year	<u>257,532</u>	<u>257,532</u>
Net Other Post-Employment Benefits – December 31	<u>\$339,379</u>	<u>\$303,538</u>

The Authority’s annual Other Post-Employment Benefit cost, the percentage of annual Other Post-Employment Benefit cost contributed to the Plan, and the net Other Post Employment Benefit obligation (OPEB) for the year ending December 31, 2019 and 2018 is as follows:

<u>YEAR ENDED</u>	<u>ANNUAL OPEB COST</u>	<u>PERCENTAGE CONTRIBUTED</u>	<u>NET OPEB OBLIGATION</u>
12/31/19	\$ 35,841	0.00%	\$ 339,379
12/31/18	46,006	0.00%	303,538

Actuarial assumptions were used to value the post-retirement medical liabilities. Actuarial assumptions were based on the actual experience of the covered group, to the extent that creditable experience data was available, with an emphasis on expected long-term future trends rather giving undue weight to recent past experience. The reasonableness of each actuarial assumption was considered independently based on its own merits, its consistency with each other assumption, and the combined impact of all assumptions. In accordance with Local 2008-15 issued by the New Jersey Department of Community Affairs, we used demographic and health care assumptions consistent with the assumptions used by New Jersey Division of Pensions and Benefits and the State Health Benefits Plan as reported in their July 1, 2006 Actuarial Valuation to value the GASB obligations, except where it was appropriate to use different assumptions.

Two economic assumptions used in the valuation are the discount rate and the health care cost trend rates. The economic assumptions are used to account for changes in the cost of benefits over time and to discount future benefit payments for the time value of money.

The investment return assumption (discount rate) should be the estimated long-term investment yield on the investments that are expected to be used to finance the payments of benefits. The investments expected to be used to finance the payments of benefits would be plan assets for funded plans, assets of the employer for pay-as-you-go plans, or a proportionate combination of the two for plans that are being partially funded. We assumed a discount rate of 4.5 percent for purposes of developing the liabilities and Annual Required Contribution on the basis that the Plan would not be funded.

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

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018

NOTE 9: RETIREE HEALTH BENEFIT COVERAGE (continued):

The Authority is required by New Jersey regulations to recalculate the Net Other Post-Employment Benefit Obligation every three years. An actuarial calculation will be required for the year ended December 31, 2019.

The Authority currently has two eligible retired employee receiving retirement benefits. The net Other Post-Employment Benefit obligation to the Authority to provide benefits to the retirees for the year ended December 31, 2019 was \$339,379. The Authority paid \$10,165 in 2019 and \$-0- in 2018 for retiree health benefits.

NOTE 10: UNRESTRICTED NET POSITION APPROPRIATED

2019 Unrestricted Net Position amounts to \$10,233,637. Of that amount, \$338,000 was appropriated for payment to Mount Holly Township in the 2020 budget.

NOTE 11: SUBSEQUENT EVENTS

The Mount Holly Municipal Utilities Authority has evaluated subsequent events occurring after December 31, 2019 through the date of June 30, 2020, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
SCHEDULE OF OPERATING REVENUES AND COST FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	DECEMBER 31, 2019			DECEMBER 31, 2018		
	ORIGINAL	AMENDED	ACTUAL	ORIGINAL	AMENDED	ACTUAL
	BUDGET	BUDGET		BUDGET	BUDGET	
Revenues:						
Meter Services	\$ 12,425,000	\$ 12,425,000	\$ 12,355,592	\$ 12,421,000	\$ 12,421,000	\$ 12,309,955
Connection Fees	400,000	400,000	1,355,517	400,000	400,000	665,303
Sludge & Septic Income	974,000	974,000	1,268,423	974,000	974,000	1,291,932
Interest Income	12,000	12,000	58,344	10,000	10,000	29,983
Unleaded Gas to Township						
Other	118,000	118,000	222,763	107,000	107,000	236,558
Total Revenues	13,929,000	13,929,000	15,260,639	13,912,000	13,912,000	14,533,731
Operating Expenses:						
Administrative:						
Salaries	637,500	637,500	489,678	627,500	627,500	518,355
Professional Fees	153,750	153,750	132,056	143,000	143,000	136,801
Trustee Fees	18,000	18,000	7,350	15,000	15,000	11,550
Computer Expenses	25,000	25,000	20,862	25,000	25,000	16,166
Travel	10,000	10,000	2,043	8,000	8,000	6,529
Other Expenses	75,500	75,500	50,305	71,500	71,500	57,983
Total Administrative Expense	919,750	919,750	702,294	890,000	890,000	747,384
Office:						
Municipal Appropriation	338,000	338,000	338,000	338,000	338,000	338,000
Utility Expenses	23,000	23,000	6,276	23,000	23,000	5,642
Telephone Expenses	12,000	12,000	16,825	12,000	12,000	7,602
Repair and Maintenance	5,000	5,000	867	5,000	5,000	5,554
Supplies	16,000	16,000	6,270	15,000	15,000	8,836
Small Tools/Equipment						243
Postage	32,000	32,000	27,790	32,000	32,000	28,237
Total Office Expense	426,000	426,000	396,028	425,000	425,000	394,114
General - Employee Benefits:						
Employee Taxes	346,300	346,300	246,135	325,000	325,000	257,857
Pension	530,000	530,000	280,662	480,000	480,000	355,198
Insurance Expenses	325,000	325,000	258,935	325,000	325,000	244,213
Health Benefits	1,376,850	1,376,850	1,008,932	1,352,534	1,352,534	1,063,778
Total General-Employee Benefits	2,578,150	2,578,150	1,794,664	2,482,534	2,482,534	1,921,046
Plant:						
Salaries	2,450,000	2,450,000	2,019,072	2,450,000	2,450,000	2,141,646
Professional Fees	10,000	10,000	5,500	10,000	10,000	
Contracted Services	97,500	97,500	61,233	97,500	97,500	63,253
Utilities Expense	577,500	577,500	428,729	632,500	632,500	392,660
Telephone Expense	20,000	20,000	11,396	20,000	20,000	10,953
Repair & Maintenance	145,000	145,000	96,663	135,000	135,000	120,622
Supplies	82,188	82,188	33,752	81,000	81,000	56,344
Other Expenses	82,700	82,700	37,724	75,500	75,500	44,377
Travel	15,000	15,000	11,982	15,000	15,000	6,168
Small Tools/Equipment	40,000	40,000	20,913	41,750	41,750	18,544

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
SCHEDULE OF OPERATING REVENUES AND COST FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	DECEMBER 31, 2019			DECEMBER 31, 2018		
	ORIGINAL	AMENDED	ACTUAL	ORIGINAL	AMENDED	ACTUAL
	BUDGET	BUDGET		BUDGET	BUDGET	
Operating Expenses (continued):						
Plant (continued):						
License Fees	32,500	32,500	24,561	32,500	32,500	20,836
Chemicals	233,500	233,500	152,929	228,000	228,000	117,813
Hauling Expense	70,000	70,000	44,323	70,000	70,000	50,473
Total Plant Expenses	3,855,888	3,855,888	2,948,777	3,888,750	3,888,750	3,043,689
Laboratory:						
Salaries	320,000	320,000	269,729	320,000	320,000	308,113
Contracted Services	31,750	31,750	26,091	28,000	28,000	25,453
Repair & Maintenance	12,000	12,000	8,359	12,000	12,000	3,852
Supplies	32,000	32,000	29,868	32,100	32,100	28,278
Other Expenses	1,250	1,250	1,054	4,500	4,500	1,118
Travel	800	800	544	800	800	466
Small Tools/Equipment	2,000	2,000	246	1,000	1,000	180
License Fees	1,500	1,500	1,915	1,500	1,500	1,915
Total Laboratory Expenses	401,300	401,300	337,806	399,900	399,900	369,375
Sludge Hauling:						
Hauling Expense	630,000	630,000	624,896	580,000	580,000	644,740
Total Sludge Hauling Expense	630,000	630,000	624,896	580,000	580,000	644,740
Industrial Pretreatment:						
Salaries	107,000	107,000	101,732	100,000	100,000	102,309
Telephone Expense	500	500	245	500	500	264
Other Expenses	1,250	1,250		1,250	1,250	60
Travel	1,000	1,000		1,000	1,000	
Total Industrial Pretreatment Expenses	109,750	109,750	101,977	102,750	102,750	102,633
Line Maintenance:						
Salaries	575,000	575,000	527,014	550,000	550,000	510,002
Contracted Services	50,000	50,000	48,775	50,000	50,000	31,322
Utilities Expense	324,000	324,000	178,358	323,500	323,500	166,752
Telephone Expense	15,000	15,000	2,207	15,000	15,000	2,782
Repair & Maintenance	102,000	102,000	79,665	98,000	98,000	94,126
Supplies	1,450	1,450		500	500	754
Other Expenses	27,000	27,000	6,232	27,000	27,000	6,137
Travel	5,000	5,000	1,763	5,000	5,000	828
Small Tools/Equipment	10,500	10,500	9,654	10,500	10,500	5,746
License Fees	1,500	1,500	1,640	1,500	1,500	820
Chemicals	90,000	90,000	77,296	90,000	90,000	67,968
Total Plant Expenses	1,201,450	1,201,450	932,604	1,171,000	1,171,000	887,237
Total Operating Expenses	10,122,288	10,122,288	7,839,046	9,939,934	9,939,934	8,110,218

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
SCHEDULE OF OPERATING REVENUES AND COST FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	DECEMBER 31, 2019			DECEMBER 31, 2018		
	ORIGINAL BUDGET	AFTER TRANSFERS	ACTUAL	ORIGINAL BUDGET	AFTER TRANSFERS	ACTUAL
Non-operating Expenses:						
Interest Paid	1,064,971	1,064,971	1,048,520	1,205,699	1,205,699	1,334,553
Debt Service	1,779,741	1,779,741	1,769,908	1,804,367	1,804,367	1,790,556
Total Non-operating Expenses	2,844,712	2,844,712	2,818,428	3,010,066	3,010,066	3,125,109
Capital Outlay and Reserves:						
Renewal and Replacement	1,300,000	1,300,000	-	1,300,000	1,300,000	-
Total Capital Outlay and Reserves	1,300,000	1,300,000	-	1,300,000	1,300,000	-
Total Expenses	14,267,000	14,267,000	10,657,474	14,250,000	14,250,000	11,235,327
Total Expenses & Other Cost Funded by Operating Revenues	<u>\$ (338,000)</u>	<u>\$ (338,000)</u>	\$ 4,603,165	<u>\$ (338,000)</u>	<u>\$ (338,000)</u>	\$ 3,298,404
Plus:						
Adjustment for interest accrued						
Debt Service			1,769,908			1,790,556
Amortization premium/ (bond costs) , net			103,788			(219,042)
Interest Income			344,709			261,007
Reserve for future Unemployment			4,685			4,884
Amortization of Gain on Refunding NJEIT Loan			93,000			89,000
Capital Contributions						
Less:						
Depreciation			(2,725,108)			(2,835,765)
Unrealized gain /(loss) on investments			52,596			18,098
Cost of Bond Issuance Expenses						(107,450)
Unemployment reimbursement						(13,325)
Gain/(Loss) on disposal of asset			28,839			
Change in net position per Statements of Revenue , Expenses and Changes in Net Position			<u>\$ 4,275,582</u>			<u>\$ 2,286,367</u>

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

	Measurement Date						
	<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)	0.02027%	0.02069%	0.02306%	0.02448%	0.02390%	0.02297%	0.02456%
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$8,342,231	\$8,979,132	\$11,279,906	\$14,447,152	\$11,036,397	\$8,924,296	9,434,272
Authority's covered employee payroll	\$2,961,265	\$3,175,945	\$3,135,676	\$3,234,111	\$3,228,957	\$3,316,429	\$3,263,544
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.27%	53.60%	48.10%	31.20%	52.08%	47.92%	48.72%

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION – PART III

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019 AND 2018

Public Employees' Retirement System (PERS)

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

Allocation Methodology. GASB Statement No. 68, Accounting and 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 employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer are based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2018 through June 30, 2019. Employer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of pension amounts by employer may result in immaterial differences. Contributions for employers are recognized when due, based on statutory requirements.

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2019, the State's pension contribution was less than the actuarial determined amount.

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 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, which began with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of assets.

Changes of assumptions. Preretirement 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 base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019 AND 2018

Public Employees' Retirement System (PERS) (continued):

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

GENERAL COMMENTS AND RECOMMENDATIONS



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

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

I have audited the financial accounts and transactions of the Mount Holly Municipal Utilities Authority in the County of Burlington for the year ended December 31, 2019. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS

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

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500 except by contract or agreement.

The Authority has a qualified purchasing agent on staff and therefore may award contracts up to \$40,000 without competitive bids.

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

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

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

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

Chemicals, Sanitary Sewer Main Improvement, Installation of Cured-In-Place Pipe and Coating Manhole Structure Rehab, Design and Fabricate Exterior Fiberglass Stairs with Railing, Asphalt Improvements, Replace Generator and Removal of Pressed Sludge, Grit , Screen Residual and Trash.

609-456-8804
3008 New Albany Rd., Cinnaminson, NJ 08077

Contracts and Agreements Requiring Solicitation of Quotations

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

Collection of Service Revenue

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

Collection of Interest on Delinquent Service Fees

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

***Finding 2019-01:**

Service Organization

New Jersey American Water Company, a service organization, provides water meter readings to the Authority which are used in the sewer billing process. Management has not documented its understanding of the operating effectiveness of the service organization controls by obtaining service auditor reports or other appropriate procedures.

Recommendation:

Management should document its understanding of the operating effectiveness of the service organization controls by obtaining service auditor reports or other appropriate procedures.

Examination of Bills

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

Property, Plant and Equipment

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

Follow-up on Prior Years' Findings

In accordance with government auditing standards, my procedures included a review of all prior year findings. Corrective action had been taken on all prior year findings with exception of the following, which is repeated in this year's recommendations noted as current year finding "2019-01."

Management has not documented its understanding of the operating effectiveness of the service organization controls by obtaining service auditor reports or other appropriate procedures. (2019-01)

Acknowledgment

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

A handwritten signature in black ink, appearing to read "Brent W. Lee". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Brent W. Lee
Certified Public Accountant

June 30, 2020