

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, 2021 and 2020

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY

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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, 2021

Jules K. Thiessen
Chairman

Jay Springer
Vice Chairman
(Resigned 9/01/21)

Christopher Banks
Commissioner

Jeena Sheppard
Commissioner

Richard DiFolco
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, 2021



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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund 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, (the "Authority"), as of and for the fiscal years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Authority as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for 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.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Authority's 2020 basic financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 18, 2021, in accordance with the financial reporting provisions described in Note 1. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the supplementary information and statistical section, as listed in the table of contents, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 5, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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
August 5, 2022



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 (the "Authority"), County of Burlington, State of New Jersey, as of and for the fiscal year ended December 31, 2021, and related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 5, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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
August 5, 2022

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, 2021
(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
Richard DiFolco, Vice Chairman
Christopher Banks, Commissioner
Jeena Sheppard, 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 cost effective in comparison with Sodium Hypochlorite which the Authority utilized prior to PAA.

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, 2021. 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, 2021 was \$48,851,750 which was an increase of \$6,798,889 from 2020. Net position consisted of \$20,389,397 of Net Investment in Capital Assets Net of Related Debt, \$2,836,404 Restricted for Debt Service Reserve, \$1,177,075 Restricted for Future Debt Service, \$1,300,000 Restricted for Renewal & Replacement, \$2,504,676 Restricted for Operating Reserve and \$20,644,198 of Unrestricted and Unreserved Net Position.

STATEMENT OF NET POSITION

ASSETS

Current Assets:	2021	2020
Total Unrestricted Current Assets	<u>9,465,401</u>	<u>9,487,872</u>
Total Restricted Current Assets	<u>30,060,362</u>	<u>25,770,135</u>
Capital Assets:		
Net Property, Plant and Equipment	<u>44,271,456</u>	<u>45,152,048</u>
Total Assets	<u>83,797,219</u>	<u>80,410,055</u>
DEFERRED OUTFLOW OF RESOURCES		
Total Deferred Outflow of Resources	<u>423,888</u>	<u>761,421</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 84,221,107</u>	<u>\$ 81,171,476</u>

LIABILITIES

Total Current Liabilities Payable From Unrestricted Assets	<u>1,288,995</u>	<u>1,086,649</u>
Total Current Liabilities Payable From Restricted Assets	<u>2,199,545</u>	<u>2,182,487</u>
Total Long-Term Liabilities Payable From Unrestricted Assets	5,092,634	6,848,891
Total Long-Term Liabilities Payable From Restricted Assets	<u>21,938,247</u>	<u>23,993,906</u>
Total Liabilities	<u>30,519,421</u>	<u>34,111,933</u>

DEFERRED INFLOW OF RESOURCES

Total Deferred Inflow of Resources	<u>4,849,936</u>	<u>5,006,682</u>
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NET POSITION

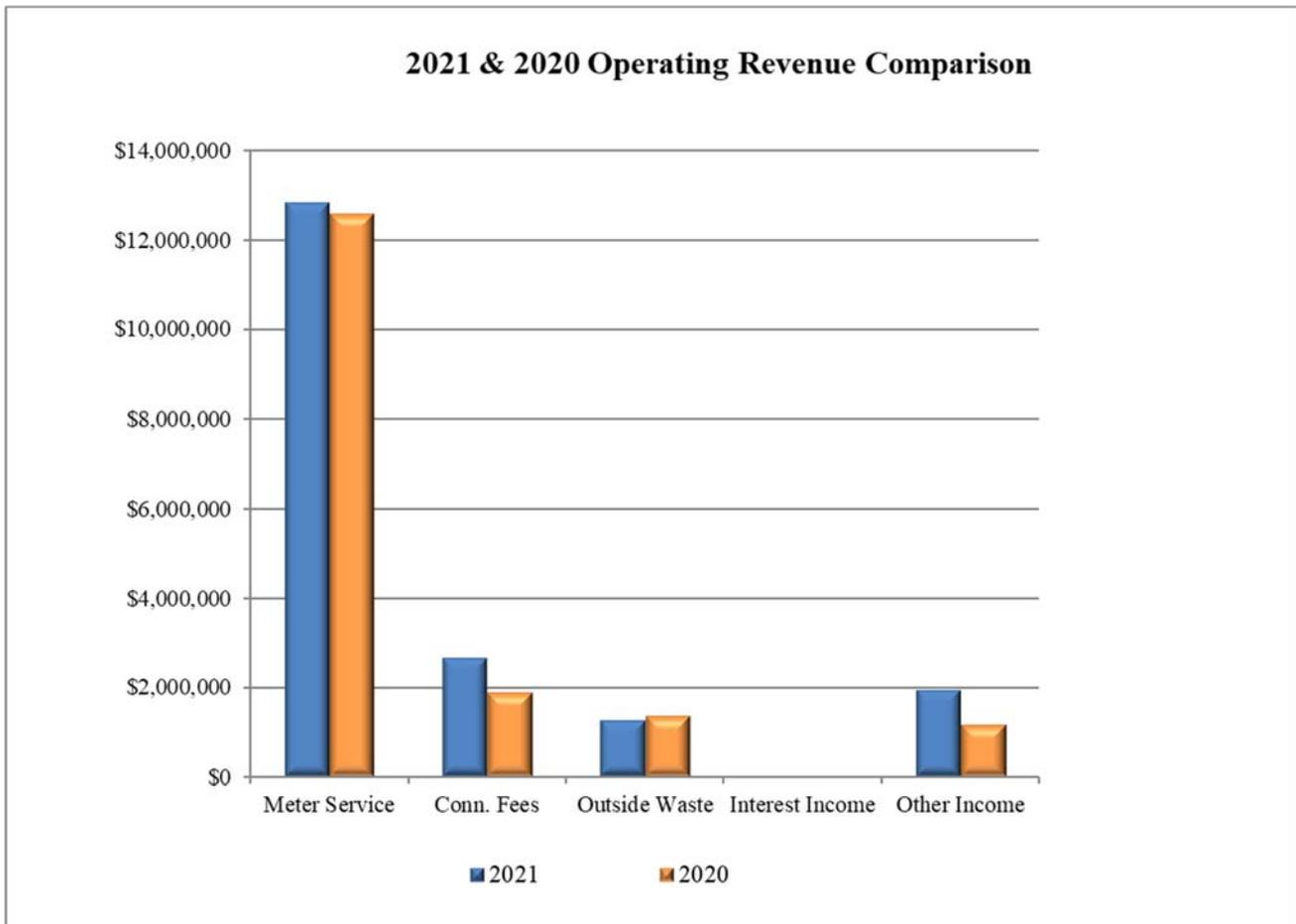
Net Investment in Capital Assets, Net of Related Debt	20,389,397	19,260,335
Restricted for:		
Future Debt Service	1,177,075	1,322,901
Debt Service Reserve	2,836,404	2,836,810
Renewal and Replacement	1,300,000	1,300,000
Operating Reserve	2,504,676	2,469,696
Unrestricted for:		
Unreserved	<u>20,644,198</u>	<u>14,863,119</u>
Total Net Position	<u>48,851,750</u>	<u>42,052,861</u>
Total Liabilities, Deferred Inflow of Resources and Net Position	<u>\$ 84,221,107</u>	<u>\$ 81,171,476</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 by 1.93% or \$243,885 from \$12,610,837 in 2020 to \$12,854,722 in 2021. Total revenues increased from 2020 to 2021 by an amount of \$1,660,167 or 9.73%. This is mainly attributable to the \$780,738 increase in connection fee revenue for 2021 and a \$752,963 increase in other income which consisted of JIF/HIF rebates and a reduction in Pension Liability.

Operating Revenue 2021 & 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues:		
Meter Services	\$ 12,854,722	\$ 12,610,837
Connection Fees	2,659,894	1,879,156
Sludge and Septic Income	1,276,048	1,372,731
Interest Income	2,948	23,684
Other	1,929,472	1,176,509
 Total Operating Revenues	 <u>18,723,084</u>	 <u>17,062,917</u>

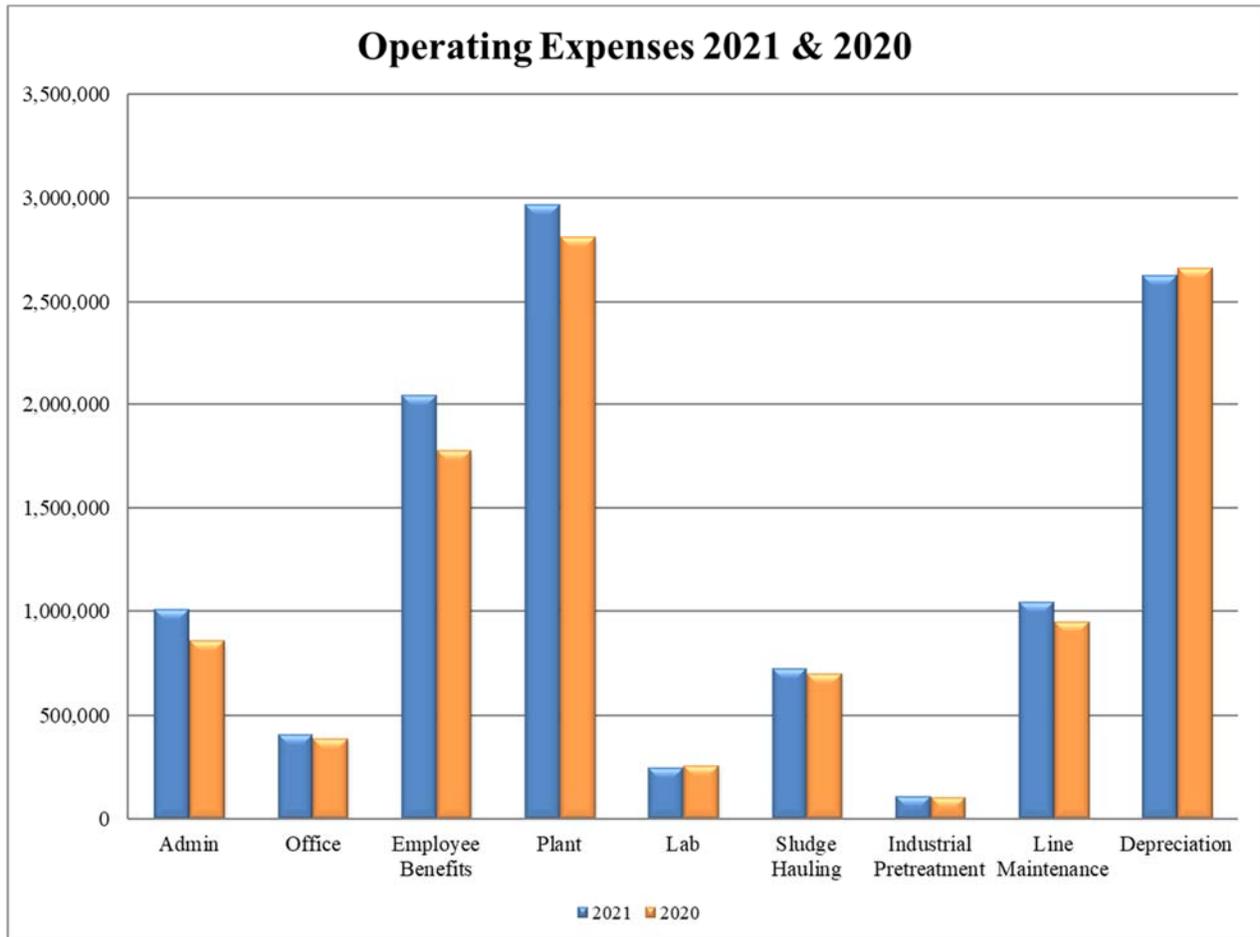


C. Expenses

Total operating expenses increased by 6.19 % in 2021 for a total increase of \$651,589. Administrative expenses increased by \$147,270 due primarily to a reallocation of staff costs to the administrative expense and the addition of a new employee. Employee benefits increased by \$263,278 due to pension expense. Plant expense increased by \$154,239 due to an increase in repair and maintenance to plant equipment. Line maintenance increased by 9.99% or \$95,075 due to repairs and increased chemical costs.

Operating Expenses 2021 & 2020

Operating Expenses:	<u>2021</u>	<u>2020</u>
Administrative	1,009,853	862,583
Office	405,376	387,544
General - Employee Benefits	2,043,661	1,780,383
Plant	2,970,586	2,816,347
Laboratory	245,448	258,783
Sludge Hauling	724,867	702,158
Industrial Pretreatment	108,497	106,340
Line Maintenance	1,047,238	952,163
Depreciation	2,629,190	2,666,826
Total Operating Expenses	<u>11,184,716</u>	<u>10,533,127</u>



BASIC FINANCIAL STATEMENTS

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
STATEMENT OF NET POSITION
DECEMBER 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 4,915,429	\$ 4,858,279
Accounts Receivable	2,460,800	2,534,729
Lien Receivable	174,998	164,127
Unbilled Service Charges	1,821,710	1,874,918
Prepaid Expenses	12,420	12,134
Inventory - Treatment Materials and Fuel	80,044	43,685
Total Unrestricted Current Assets	<u>9,465,401</u>	<u>9,487,872</u>
Restricted Assets:		
Cash and Cash Equivalents	29,096,185	24,043,675
Investments	921,758	1,701,361
Developers' Receivable	42,419	25,099
Total Restricted Current Assets	<u>30,060,362</u>	<u>25,770,135</u>
Capital Assets:		
Property, Plant and Equipment	128,339,800	126,910,348
Less: Accumulated Depreciation	<u>84,068,344</u>	<u>81,758,300</u>
Net Property, Plant and Equipment	<u>44,271,456</u>	<u>45,152,048</u>
Total Assets	<u>83,797,219</u>	<u>80,410,055</u>
 DEFERRED OUTFLOW OF RESOURCES		
Bond Discount, Net of Accumulated Amortization	88,201	96,260
Pension Deferred Outflow	309,136	637,407
OPEB Deferred Outflow	<u>26,551</u>	<u>27,754</u>
Total Deferred Outflow of Resources	<u>423,888</u>	<u>761,421</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 84,221,107</u>	<u>\$ 81,171,476</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, 2021 AND 2020

LIABILITIES	2021	2020
Current Liabilities Payable From Unrestricted Assets:		
Accounts Payable - Operations	\$ 595,542	\$ 455,903
Accrued Liabilities	200,471	177,675
Compensated Absences Payable	25,122	22,621
Payroll Taxes Payable	108	2,641
Sewer Overpayments	643	404
Pension Payable	467,109	427,405
	<hr/>	<hr/>
Total Current Liabilities Payable From Unrestricted Assets	1,288,995	1,086,649
Current Liabilities Payable From Restricted Assets:		
Developers' and Employees' Deposits	104,495	117,885
Accrued Interest Payable	151,238	166,795
Bonds Payable - Current Portion	565,000	540,000
Loan Payable - Current Portion	1,369,913	1,340,075
Loan Payable - Summit Water Nexus - Current Portion	8,899	17,732
	<hr/>	<hr/>
Total Current Liabilities Payable From Restricted Assets	2,199,545	2,182,487
Long-Term Liabilities Payable From Unrestricted Assets:		
Compensated Absences Payable	224,847	209,628
Post Retirement Benefits Payable	609,826	695,404
Net Pension Liability	4,257,961	5,943,859
	<hr/>	<hr/>
Total Long-Term Liabilities Payable From Unrestricted Assets	5,092,634	6,848,891
Long-Term Liabilities Payable From Restricted Assets:		
Bonds Payable (Net of Unamortized Premium)	14,715,192	15,392,039
Loan Payable	7,223,055	8,592,968
Loan Payable - Summit Water Nexus		8,899
	<hr/>	<hr/>
Total Long-Term Liabilities Payable From Restricted Assets	21,938,247	23,993,906
	<hr/>	<hr/>
Total Liabilities	30,519,421	34,111,933
	<hr/>	<hr/>
DEFERRED INFLOW OF RESOURCES		
Gain on Refunding of Debt	588,000	677,000
Pension Deferred Inflows	4,149,779	4,329,682
OPEB Deferred Inflows	112,157	
	<hr/>	<hr/>
Total Deferred Inflow of Resources	4,849,936	5,006,682
	<hr/>	<hr/>
NET POSITION		
Net Investment in Capital Assets	20,389,397	19,260,335
Restricted for:		
Future Debt Service	1,177,075	1,322,901
Debt Service Reserve	2,836,404	2,836,810
Renewal and Replacement	1,300,000	1,300,000
Operating Reserve	2,504,676	2,469,696
Unrestricted for:		
Unreserved	20,644,198	14,863,119
	<hr/>	<hr/>
Total Net Position	48,851,750	42,052,861
	<hr/>	<hr/>
Total Liabilities, Deferred Inflow of Resources and Net Position	\$ 84,221,107	\$ 81,171,476
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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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues:		
Meter Services	\$ 12,854,722	\$ 12,610,837
Connection Fees	2,659,894	1,879,156
Sludge and Septic Income	1,276,048	1,372,731
Interest Income	2,948	23,684
Other	1,929,472	1,176,509
	<u>18,723,084</u>	<u>17,062,917</u>
Total Operating Revenues		
Operating Expenses:		
Administrative	1,009,853	862,583
Office	405,376	387,544
General - Employee Benefits	2,043,661	1,780,383
Plant	2,970,586	2,816,347
Laboratory	245,448	258,783
Sludge Hauling	724,867	702,158
Industrial Pretreatment	108,497	106,340
Line Maintenance	1,047,238	952,163
Depreciation	2,629,190	2,666,826
	<u>11,184,716</u>	<u>10,533,127</u>
Total Operating Expenses		
Operating Income	<u>7,538,368</u>	<u>6,529,790</u>
Nonoperating Revenue/(Expenses):		
Interest Income	33,985	101,248
Gain/(Loss) on Sale or Disposal of Assets		3,345
Unrealized Gain/(Loss) on Investment	(31,560)	2,337
Interest Expense	(939,706)	(993,760)
Reserve for Future Unemployment	5,014	4,619
Amortization of Gain on Refunding Debt	89,000	92,000
Amortization of Premium/(Original Issue Discount)	103,788	103,788
	<u>(739,479)</u>	<u>(686,423)</u>
Total Nonoperating Revenue/(Expenses)		
Income/(Loss) Before Capital Contributions	6,798,889	5,843,367
Capital Contributions		<u>47,100</u>
Change in Net Position	6,798,889	5,890,467
Net Position - Beginning of Year, As Restated (Note 11)	<u>42,052,861</u>	<u>36,162,394</u>
Net Position - End of Year	<u>\$ 48,851,750</u>	<u>\$ 42,052,861</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Receipts From Service Users	\$ 18,822,030	\$ 17,263,216
Payments to Suppliers & Employees	(10,231,306)	(8,743,403)
Net Cash Provided/(Used) by Operating Activities	<u>8,590,724</u>	<u>8,519,813</u>
Cash Flows From Investing Activities:		
Interest on Investments	33,985	101,248
(Purchase)/Maturities of Investments	748,043	1,239,133
Acquisition of Property, Plant & Equipment	(1,432,768)	(944,544)
Net Cash Provided by Investing Activities	<u>(650,740)</u>	<u>395,837</u>
Cash Flows From Financing Activities:		
Principal Paid on Loans	(1,340,075)	(1,313,502)
Principal Paid on Bonds	(540,000)	(510,000)
Interest Paid	(955,263)	(1,008,476)
Net Cash Provided/(Used) by Capital & Related Financing Activities	<u>(2,835,338)</u>	<u>(2,831,978)</u>
Cash Flows from Noncapital Financing Activities:		
Unemployment Activity	<u>5,014</u>	<u>4,619</u>
Net Cash Provided for Noncapital Financing Activities	<u>5,014</u>	<u>4,619</u>
Net Increase in Cash & Cash Equivalents	5,109,660	6,088,291
Cash and Cash Equivalents at January 1	<u>28,901,954</u>	<u>22,813,663</u>
Cash and Cash Equivalents at December 1	<u>\$ 34,011,614</u>	<u>\$ 28,901,954</u>

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

Operating Income/(Loss)	\$ 7,538,368	\$ 6,529,790
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Operating Activities:		
Depreciation	2,629,190	2,666,826
(Increase)/Decrease in Assets :		
Accounts Receivable	63,058	187,020
Unbilled Service Charges	53,208	21,577
Prepaid Expenses	(286)	(111)
Inventory	36,359	7,596
Developers' Receivable	(17,320)	(8,298)
Increase/(Decrease) in Liabilities:		
Accounts Payable	(1,723,760)	(488,359)
Contracts Payable		(417,567)
Accrued Liability	22,796	15,682
Compensated Absences Payable	2,501	
Developers' and Employees' Deposits	(13,390)	5,657
Net Cash Provided/(Used) by Operating Activities	<u>\$ 8,590,724</u>	<u>\$ 8,519,813</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, 2021 AND 2020

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 renewal permit is currently with DEP for final determination. In accordance with N.J.A.C. 7:14A-2.8, the permit is "administratively continued" until final determination. 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, 2021 AND 2020

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, 2021:

Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. 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, 2020. Management does not expect this statement to have a material impact on the Authority's financial statements.

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2019, and later.

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 as shown below:

Statement No. 87, *Leases*. Statement No. 87 establishes a 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 of the right to use an underlying asset. Statement No. 87 is effective for reporting periods beginning after June 15, 2021. Management has not yet determined the potential impact on the Authority's financial statements.

Statement 91, *Conduit Debt Obligations*. This statement will provide financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. Management does not expect this statement to have a material impact on the Authority's financial statements.

Statement 92, *Omnibus 2020*. The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. Management does not expect this statement to have a material impact on the Authority's financial statements.

Statement 93, *Replacement of Interbank Offered Rates*. This Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The requirements of this statement are effective for reporting periods beginning after June 15, 2021. Management does not expect this statement to have a material impact on the Authority's financial statements.

Statement 94, *Public-Private and Public-Public Partnerships and availability payment arrangements*. The requirements of this Statement will improve financial reporting by establishing the definitions of public-private and public-public partnerships (PPP) and availability payment arrangements (APA) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. Management has not yet determined the potential 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, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued):

Recently Issued Accounting Pronouncements (continued):

Statement 96, *Subscription Based Information Arrangements (SBITA)*, The statement defines what a subscription-based information technology arrangement is and explains how to account for them. This standard was published to improve financial reporting among governmental organizations by providing uniform guidance for SBITAs. The guidance will also provide transparency in financial reporting by requiring governments to report a subscription asset and liability on their statement of net position, representing the obligations incurred and related assets received from SBITAs. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. Management has not yet determined the potential impact on the Authority's financial statements.

Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, Requirements of this statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of 1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and 2) investment information for all section 457 plans. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. 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.

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.

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Balance at January 1,	\$48,662,272	\$48,615,172
Additions	<u>-</u>	<u>47,100</u>
Balance at December 31,	48,662,272	48,662,272
Accumulated Depreciation	<u>(44,385,194)</u>	<u>(43,340,234)</u>
Net Contributed Capital at December 31,	<u>\$ 4,277,078</u>	<u>\$ 5,322,038</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 for regular union workers.

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, 2021 and 2020 is as follows:

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Compensated Absences (continued):

	<u>2021</u>		<u>2020</u>	
	<u>Accrued</u> <u>Salaries</u>	<u>Payroll</u> <u>Taxes</u>	<u>Accrued</u> <u>Salaries</u>	<u>Payroll</u> <u>Taxes</u>
Sick Time	\$ 67,892	\$ 5,194	\$ 63,750	\$ 4,877
Vacation Time	<u>164,313</u>	<u>12,570</u>	<u>151,995</u>	<u>11,627</u>
Total	<u>\$232,205</u>	<u>\$17,764</u>	<u>\$215,745</u>	<u>\$16,504</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.

	<u>2021</u> <u>Amortization</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Unamortized</u> <u>Balance</u>
Bond Discount	\$ 8,059	\$ 72,971	\$ 88,201
Bond Premium	\$ 111,847	\$ 591,745	\$1,645,192

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.

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

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$2,836,404.

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, 2021 and 2020, and reported at fair value are as follows:

<u>Type</u>	2021 Carrying Value	2020 Carrying Value
Deposits		
Demand Deposits	\$34,011,614	\$28,901,954
Investments	<u>921,758</u>	<u>1,701,361</u>
Total Deposits	<u>\$34,933,372</u>	<u>\$30,603,315</u>

Reconciliation of Statements of Net Position

Current:

Unrestricted Assets:

Cash and Cash Equivalents	\$ 4,915,429	\$ 4,858,279
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Restricted Assets:

Cash and Cash Equivalents	29,096,185	24,043,675
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Investments	<u>921,758</u>	<u>1,701,361</u>
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Total	<u>\$34,933,372</u>	<u>\$30,603,315</u>
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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, 2021 and 2020, the Authority's bank balance of \$34,939,838 and \$30,768,449 respectively, was insured or collateralized as follows:

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NOTE 3: INVESTMENTS

	2021	2020
Insured	\$ 502,750	\$ 502,750
Collateralized in the Authority's name under GUDPA	34,437,088	30,265,699
Total	\$ 34,939,838	\$ 30,768,449

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, 2021 and 2020 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;
 - 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.

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NOTE 3: INVESTMENTS (continued):

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, 2021 and 2020, the Authority had the following investments and maturities:

<u>Investment</u>	<u>2021</u> <u>Fair Value</u>	<u>2020</u> <u>Fair Value</u>
Government Obligations	<u>\$ 921,758</u>	<u>\$1,701,361</u>

NOTE 4: ACCOUNTS RECEIVABLE:

Accounts receivable at December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Accounts Receivable – Customers	\$2,460,800	\$2,534,729
Lien Receivable	<u>174,998</u>	<u>164,127</u>
Total	<u>\$2,635,798</u>	<u>\$2,698,856</u>

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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, 2021 and 2020:

<u>Description</u>	<u>Balance December 31, 2020</u>	<u>Additions</u>	<u>Adjust/ Deletions</u>	<u>Balance December 31, 2021</u>
Land	\$ 908,612			\$ 908,612
<u>Capital Assets Being Depreciated:</u>				
Buildings & Improvements	113,697,571	372,943	(319,145)	113,751,369
Equipment	3,776,778	1,144,830		4,921,608
Engineering & Other Costs	8,527,386	230,825		8,758,211
Total Assets Being Depreciated	<u>126,001,735</u>	<u>1,748,598</u>	<u>(319,145)</u>	<u>127,431,188</u>
<u>Less: Accumulated Depreciation:</u>				
Building & Improvements	(72,036,007)	(2,402,502)	319,145	(74,119,364)
Equipment	(1,984,374)	(182,849)		(2,167,223)
Engineering & Other Costs	(7,737,918)	(43,839)		(7,781,757)
Total Accumulated Depreciation	<u>(81,758,299)</u>	<u>(2,629,190)</u>	<u>319,145</u>	<u>(84,068,344)</u>
Net Capital Assets Being Depreciated	<u>44,243,436</u>	<u>(880,592)</u>	<u>-</u>	<u>43,362,844</u>
Total Capital Assets	<u>\$ 45,152,048</u>	<u>(880,592)</u>	<u>-</u>	<u>\$ 44,271,456</u>

<u>Description</u>	<u>Balance December 31, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2020</u>
Land	\$ 908,612			\$ 908,612
<u>Capital Assets Being Depreciated:</u>				
Buildings & Improvements	113,508,890	188,681		113,697,571
Equipment	3,084,361	692,418		3,776,779
Engineering & Other Costs	8,445,991	81,395		8,527,386
Total Assets Being Depreciated	<u>125,039,242</u>	<u>962,494</u>	<u>-</u>	<u>126,001,736</u>
<u>Less: Accumulated Depreciation:</u>				
Building & Improvements	(69,528,902)	(2,507,105)		(72,036,007)
Equipment	(1,862,068)	(122,307)		(1,984,375)
Engineering & Other Costs	(7,700,503)	(37,415)		(7,737,918)
Total Accumulated Depreciation	<u>(79,091,473)</u>	<u>(2,666,827)</u>	<u>-</u>	<u>(81,758,300)</u>
Net Capital Assets Being Depreciated	<u>45,947,769</u>	<u>(1,704,333)</u>	<u>-</u>	<u>44,243,436</u>
Total Capital Assets	<u>\$ 46,856,381</u>	<u>(1,704,333)</u>	<u>-</u>	<u>\$ 45,152,048</u>

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

Outstanding Debt

The following is a summary of long-term debt at December 31, 2021 and 2020:

	Balance 12/31/2020	Issued	Retired	Balance 12/31/2021	Amounts Due Within One Year
Bonds Payable	\$ 14,175,000		\$ (540,000)	\$ 13,635,000	\$ 565,000
Unamortized Bond Premium	1,757,039		(111,847)	1,645,192	111,847
Post Retirement Benefits	695,404		-	609,826	-
Loan Payable - PSE&G	26,632	-	(17,733)	8,899	8,899
Loan Payable	9,933,043	-	(1,340,075)	8,592,968	1,369,913
Net Pension Liability	6,371,264		(427,405)	5,943,859	467,109
Long Term Liabilities	\$ 32,958,382	\$ -	\$ (2,437,060)	\$ 30,435,744	\$ 2,522,768

	Balance 12/31/2019	Issued	Adjustment/ Retired	Balance 12/31/2020	Amounts Due Within One Year
Bonds Payable	\$ 14,685,000		\$ (510,000)	\$ 14,175,000	\$ 540,000
Unamortized Bond Premium	1,868,886		(111,847)	1,757,039	111,847
Post Retirement Benefits	633,800	61,604		695,404	-
Loan Payable - PSE&G	26,632	-		26,632	17,733
Loan Payable	11,246,545	-	(1,313,502)	9,933,043	1,340,075
Net Pension Liability	8,342,231	-	(1,970,967)	6,371,264	427,405
Long Term Liabilities	\$ 36,803,094	\$ 61,604	\$ (3,906,316)	\$ 32,958,382	\$ 2,437,060

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.

**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020**

NOTE 6: LONG-TERM DEBT (continued):

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

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>\$13,635,000</u>

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Rate of Interest</u>
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	<u>915,000</u>	<u>30,881</u>	<u>945,881</u>	3.375%
Total	<u>\$13,635,000</u>	<u>\$ 5,761,596</u>	<u>\$19,396,596</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.

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NOTE 6: LONG-TERM DEBT (continued):

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

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.

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

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NOTE 6: LONG-TERM DEBT (continued):

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

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.

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

<u>Year</u>	<u>NJEIT TRUST LOAN</u>			<u>NJEIT FUND</u>	<u>TOTAL</u>
	<u>Principal</u>	<u>Interest</u>	<u>Rate of Interest</u>	<u>LOAN</u>	<u>Principal</u>
2022	\$ 646,000	\$ 220,506	5.0%	\$ 625,167	\$ 1,271,167
2023	681,000	187,394	4.2%	627,113	1,308,113
2024	713,000	154,106	4.5%	625,070	1,338,070
2025	751,000	118,450	4.5%	627,372	1,378,372
2026	786,000	80,813	4.5%	625,264	1,411,264
2027	<u>825,000</u>	<u>40,281</u>	4.2%	<u>625,378</u>	<u>1,450,378</u>
Total	<u>\$ 4,402,000</u>	<u>\$ 801,500</u>		<u>\$ 3,755,364</u>	<u>\$ 8,157,364</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:

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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
2029	<u>33,000</u>	<u>1,320</u>	4.0%	<u>-</u>	<u>33,000</u>
Total	<u>\$237,000</u>	<u>\$ 44,560</u>		<u>\$198,604</u>	<u>\$ 435,604</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>
2022	\$ 8,899	22	\$ 8,921

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.

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.

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DECEMBER 31, 2021 and 2020

NOTE 7: PENSION NOTE (continued):

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.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for PERS:

Tier **Definition**

- 1 Members who were enrolled prior to July 1, 2007
- 2 Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3 Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
- 4 Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
- 5 Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

At December 31, 2021 the Authority reported a liability of \$4,725,070 for its proportionate share of the net pension liability as measured as of June 30, 2021, 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 \$467,109 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, 2021, the authority's proportion was .0398857936% which slightly decreased by .00816% from its proportion measured as of June 30, 2020.

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.

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
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DECEMBER 31, 2021 and 2020

NOTE 7: PENSION NOTE (continued):

For the year ended December 31, 2021 and 2020 the Authority recognized pension expense of \$427,405 and \$191,802, respectively. At December 31, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	Deferred Outflow of <u>Resources</u>	Deferred Inflow of <u>Resources</u>	Deferred Outflow of <u>Resources</u>	Deferred Inflow of <u>Resources</u>
Difference Between Expected and Actual Experience	74,520	33,826	\$ 116,010	22,532
Changes of Assumptions	24,608	1,682,156	206,691	2,667,709
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		1,244,708		217,775
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions	210,008	1,189,089	96,931	1,639,441
Authority Contributions Subsequent to The Measurement Date	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 309,136</u>	<u>\$4,149,779</u>	<u>\$ 637,407</u>	<u>\$4,329,682</u>

\$309,136 and \$637,407 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, 2021 and 2020 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 :	
2022	\$ (1,809,581)	2021	\$ (711,605)
2023	(1,274,481)	2022	(711,605)
2024	(573,019)	2023	(711,605)
2025	(211,785)	2024	(711,604)
2026	28,223	2025	(711,604)
Thereafter	<u> </u>	Thereafter	<u>(134,252)</u>
Total	<u>\$ (3,840,643)</u>	Total	<u>\$ (3,692,275)</u>

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 7: PENSION NOTE (continued):

Additional Information

Collective local balances at December 31, 2021 and 2020 are as follows

	12/31/2021	12/31/2020
Collective Deferred outflows of resources	\$ 309,136	\$ 637,407
Collective Deferred inflows of resources	4,149,779	4,329,682
Collective net pension liability	4,725,070	6,371,264
Authority's Proportion	0.03989%	0.03907%

Actuarial Assumptions

The total pension liability in the June 30, 2021 and 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

	<u>2021</u>		<u>2020</u>
Inflation Rate		Inflation Rate	
Price	2.75%	Price	2.75%
Wage	3.25%	Wage	3.25%
Salary Increases:	2.00 – 6.00%	Salary Increases:	2.00 – 6.00%
Through 2026	Based on Years of Service	Through 2026	Based on Years of Service
Thereafter	3.00 – 7.00%	Thereafter	3.00 – 7.00%
	Based on Years of Service		Based on Years of Service

The actuarial assumptions used in the July 1, 2020 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, 2021) 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, 2021 and 2020 are summarized in the following tables:

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 7: PENSION NOTE (continued):

Asset Class	2021 Target Allocation	2021 Long-Term Expected Real Rate of Return
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Market Equity	13.50%	8.71%
Emerging Market Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Estate	8.00%	9.15%
Real Assets	3.00%	7.40%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	.500%
U.S. Treasuries	5.00%	.95%
Risk Mitigation Strategies	3.00%	3.35%

Asset Class	2020 Target Allocation	2020 Long-Term Expected Real Rate of Return
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Market Equity	13.50%	8.57%
Emerging Market Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Estate	3.00%	9.73%
Real Assets	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	.500%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	3.00%	103.40%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% and 7.00% as of June 30, 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
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DECEMBER 31, 2021 and 2020

NOTE 7: PENSION NOTE (continued):

contributions from employers and the non-employer contributing entity will be made based on 100% 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. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments 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, 2021 and 2020, 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:

2021			
	<u>At 1% Decrease (6.00%)</u>	<u>At Current Discount Rate (7.00%)</u>	<u>At 1% Increase (8.00%)</u>
Authority's Proportionate Share of Net Pension Liability	\$ 6,434,587	\$ 4,725,070	\$ 3,274,302
2020			
	<u>At 1% Decrease (5.00%)</u>	<u>At Current Discount Rate (7.00%)</u>	<u>At 1% Increase (8.00%)</u>
Authority's Proportionate Share of Net Pension Liability	\$ 8,020,358	\$ 6,371,264	\$ 4,971,962

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 years ending December 31, 2021 and 2020 was \$467,109 and \$427,404 respectively.

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
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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

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. 75 *Accounting and Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans* ("OPEB") the Authority has hired an independent actuarial firm, Cirkiel Actuarial Consulting, LLC, to calculate their annual OPEB costs and unfunded accrued liability as required by GASB 75. (This actuarial report was not audited and the Authority does not plan on having an audit performed on this report). The actuarial cost method used to determine the Plan's funding requirements is the "Entry Age Normal Funding" method. Under this method, the cost of each individual's health benefit is allocated on a level percent of payroll between the time employment starts (entry age) and the assumed retirement date. The goal is to spread the cost over the career of the member as a level percentage of payroll. 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 2.06%.

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 9: RETIREE HEALTH BENEFIT COVERAGE (continued):

Basis of Valuation

The valuation has been conducted based on census, plan design and financial information provided by the Fund. Census includes no retirees currently receiving retiree benefits, and forty (40) active participants of whom one (1) is eligible to retire as of the valuation date. The average age of the active population is forty-three (43).

Actuarial assumptions were selected with the intention of satisfying the requirements of New Jersey Local Finance Notice 2007-15 in addition to *Statement of Governmental Accounting Standard No. 75*.

Demographic assumptions were selected based on those used by the State Division of Pensions and Benefits in calculating pension benefits taken from the July 1, 2020 report from Cheiron. While some assumptions were simplified to reflect the smaller population, and to simplify the valuation process, the valuation results reasonably conform to the requirements of LFN 2007-15.

Health care (economic) assumptions were selected based on those used by the State Health Benefits Program in calculating SHBP member OPEB requirements taken from June 30, 2020 report from Aon Consultants.

Results of Valuation

Total OPEB Liability and OPEB Liability

The total OPEB Liability (TOL) is the actuarial accrued liability. The Net OPEB Liability (NOL) is the TOL less the Fiduciary Net Position (assets). Since there are no assets to offset the liability, the two are equal. The components of the Net OPEB Liability as of December 31, 2020, are as follows:

Total OPEB Liability	\$609,826
Plan Fiduciary Net Position	<u> - 0 -</u>
Net OPEB Liability	\$609,826
Net Position/OPEB Liability	0%

Total OPEB Expense

The Total OPEB Expense (TOE) is the measurement of annual cost based on the actuarial funding method utilized. It is comprised of the Service Cost (normal cost) which is the portion of future liabilities attributable to the measurement year, plus the recognized portion of the experience gain or loss, and interest on the NOL during the year.

Sensitivity – Impact of 1% Change in Discount Rate

Actuarial measurements are sensitive to changes in actuarial assumptions and where actual experience differs from assumptions. If the discount rate were to increase 1% per annum, the NOL would decrease and

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 9: RETIREE HEALTH BENEFIT COVERAGE (continued):

if it were to decrease by 1% the NOL would increase. The following presents the net OPEB liability as of December 31, 2021 and 2020 respectively, calculated using the discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

2021			
	<u>At 1% Decrease (1.06%)</u>	<u>Current Discount Rate (2.06%)</u>	<u>At 1% Increase (3.06%)</u>
Authority's Net OPEB Liability	\$622,753	\$609,826	\$598,708
2020			
	<u>At 1% Decrease (1.12%)</u>	<u>Current Discount Rate (2.12%)</u>	<u>At 1% Increase (3.12%)</u>
Authority's Net OPEB Liability	\$713,416	\$695,404	\$678,614

Sensitivity of 1% Change in Trend Rate

Actuarial measurements are sensitive to changes in actuarial assumptions and where actual experience differs from assumptions. If medical trend were to increase 1% per annum, the NOL would increase and if were to decrease by 1% the NOL would decrease. The following presents the net OPEB liability as of December 31, 2021 and 2020 respectively, calculated using the healthcare trend rate:

2021			
	<u>At 1% Decrease (1.00%)</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>At 1% Increase (1.00%)</u>
Authority's Net OPEB Liability	N/A	\$609,826	N/A
2020			
	<u>At 1% Decrease (1.00%)</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>At 1% Increase (1.00%)</u>
Authority's Net OPEB Liability	N/A	\$695,404	N/A

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 9: RETIREE HEALTH BENEFIT COVERAGE (continued):

Key Actuarial Assumptions

Mortality	RP 2000 Combined healthy male mortality rates set forward one year and adjusted for generational improvement.
Turnover	NJ State pensions ultimate withdraw rates – prior to benefits eligibility.
Assumed Retirement Age	At first eligible after age 55 and completion of 30 years of service benefits end at age 65.
Full Attribution Period	Service to assumed retirement age.
Annual Discount Rate	2.74% Based on the Bond Buyer 20 Index December 31, 2019 2.12% Based on the Bond Buyer 20 Index December 31, 2020 2.06% Based on the Bond Buyer 20 Index December 31, 2021
CPI Increase	2.5%
Rate of Salary Increase	2.5%
Medical Trend	None
Medical Cost Aging Factor	NJ SHBP medical morbidity rates

Deferred Outflows of Resources and Deferred Inflows of Resources

The amounts reported as a deferred outflow of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for December 31, 2021 and 2020 respectively as follows:

Year ended December 31,:		Year ended December 31,:	
2022	\$ (6,173)	2021	\$ 1,876
2023	(6,173)	2022	1,876
2024	(6,173)	2023	1,876
2025	(6,173)	2024	1,876
2026	(6,173)	2025	1,876
Thereafter	<u>(54,741)</u>	Thereafter	<u>18,374</u>
Total	<u>\$ (85,606)</u>	Total	<u>\$27,754</u>

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.

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, 2021 and was \$609,826 and \$695,404 respectively. The Authority paid \$17,000 in 2021 for retiree health benefits.

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 10: UNRESTRICTED NET POSITION APPROPRIATED

2021 Unrestricted Net Position amounts to \$20,644,198. Of that amount, \$438,000 was appropriated for payment to Mount Holly Township in the 2022 budget.

NOTE 12: SERVICE ORGANIZATION'S SAS 70 AND SSAE 16 REQUIREMENT

The Authority utilizes NJ American Water Company, Inc. to provide consumption data of the Authority's customers' water usage. This data is used to bill the customers of the Authority, as sewer charges are based on the amount of water consumed. Statement of Auditing Standards (SAS) 70 and Statement on Standards for Attestation Engagements (SSAE) 16 requires the Authority to receive an internal control report from service organizations providing such services mentioned above. The Authority has requested an internal control report from NJ American Water Company, Inc. and they have refused to accommodate the Authority's request.

NOTE 13: SUBSEQUENT EVENTS

The Mount Holly Municipal Utilities Authority has evaluated all other subsequent events occurring after December 31, 2021 through the date of August 5, 2022, which is the date the financial statements were available to be issued.

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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, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	DECEMBER 31, 2021			DECEMBER 31, 2020		
	ORIGINAL	AMENDED	ACTUAL	ORIGINAL	AMENDED	ACTUAL
	BUDGET	BUDGET		BUDGET	BUDGET	
Revenues:						
Meter Services	\$ 12,450,000	\$ 12,450,000	\$ 12,854,722	\$ 12,425,000	\$ 12,425,000	\$ 12,610,837
Connection Fees	400,000	400,000	2,659,894	400,000	400,000	1,879,156
Sludge & Septic Income	1,039,000	1,039,000	1,276,048	994,500	994,500	1,372,731
Interest Income	20,950	20,950	2,948	20,950	20,950	23,684
Other	113,050	113,050	1,929,472	119,550	119,550	1,176,509
Total Revenues	14,023,000	14,023,000	18,723,084	13,960,000	13,960,000	17,062,917
Operating Expenses:						
Administrative:						
Salaries	722,500	722,500	763,133	662,500	662,500	636,158
Professional Fees	146,000	146,000	128,920	151,000	151,000	119,078
Trustee Fees	10,000	10,000	7,350	10,000	10,000	7,350
Computer Expenses	26,000	26,000	45,389	25,000	25,000	49,633
Travel	11,900	11,900	5,351	12,500	12,500	909
Other Expenses	61,500	61,500	59,710	63,500	63,500	49,455
Total Administrative Expense	977,900	977,900	1,009,853	924,500	924,500	862,583
Office:						
Municipal Appropriation	338,000	338,000	338,000	338,000	338,000	338,000
Utility Expenses	18,500	18,500	6,450	18,500	18,500	5,013
Telephone Expenses	15,000	15,000	9,479	15,000	15,000	11,238
Repair and Maintenance	5,000	5,000	2,934	5,000	5,000	1,714
Supplies	17,000	17,000	11,138	16,000	16,000	8,353
Small Tools/Equipment			13,760			
Postage	35,500	35,500	23,615	34,000	34,000	23,226
Total Office Expense	429,000	429,000	405,376	426,500	426,500	387,544
General - Employee Benefits:						
Employee Taxes	312,500	312,500	252,931	346,300	346,300	232,416
Pension	575,000	575,000	427,405	530,000	530,000	191,802
Insurance Expenses	314,500	314,500	281,024	342,000	342,000	280,602
Health Benefits	1,416,233	1,416,233	1,082,301	1,369,345	1,369,345	1,075,563
Total General-Employee Benefits	2,618,233	2,618,233	2,043,661	2,587,645	2,587,645	1,780,383
Plant:						
Salaries	2,250,000	2,250,000	1,916,117	2,350,000	2,350,000	1,861,354
Professional Fees	10,000	10,000	900	10,000	10,000	
Contracted Services	100,000	100,000	113,045	97,500	97,500	73,275
Utilities Expense	579,500	579,500	389,943	577,500	577,500	361,711
Telephone Expense	20,000	20,000	13,766	20,000	20,000	13,056
Repair & Maintenance	155,000	155,000	196,546	145,000	145,000	137,992
Supplies	86,000	86,000	40,027	82,200	82,200	35,759
Other Expenses	88,700	88,700	63,048	85,700	85,700	55,560
Travel	20,000	20,000	16,831	20,000	20,000	1,878
Small Tools/Equipment	49,200	49,200	30,985	45,000	45,000	29,377

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Mount Holly Township, New Jersey)
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OPERATING REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	DECEMBER 31, 2021			DECEMBER 31, 2020		
	ORIGINAL	AMENDED	ACTUAL	ORIGINAL	AMENDED	ACTUAL
	BUDGET	BUDGET		BUDGET	BUDGET	
Operating Expenses (continued):						
Plant (continued):						
License Fees	36,000	36,000	26,457	32,500	32,500	25,922
Chemicals	251,000	251,000	118,093	238,500	238,500	183,290
Hauling Expense	75,000	75,000	44,828	70,000	70,000	37,173
Total Plant Expenses	3,720,400	3,720,400	2,970,586	3,773,900	3,773,900	2,816,347
Laboratory:						
Salaries	300,000	300,000	190,417	320,000	320,000	203,074
Contracted Services	35,000	35,000	19,817	34,250	34,250	20,280
Repair & Maintenance	12,000	12,000	2,870	13,000	13,000	5,083
Supplies	35,500	35,500	28,176	34,500	34,500	27,824
Other Expenses	1,750	1,750	939	1,250	1,250	607
Travel	800	800	444	800	800	
Small Tools/Equipment	2,250	2,250	35	2,000	2,000	
License Fees	1,950	1,950	2,750	1,700	1,700	1,915
Total Laboratory Expenses	389,250	389,250	245,448	407,500	407,500	258,783
Sludge Hauling:						
Hauling Expense	725,000	725,000	724,867	680,000	680,000	702,158
Total Sludge Hauling Expense	725,000	725,000	724,867	680,000	680,000	702,158
Industrial Pretreatment:						
Salaries	112,000	112,000	108,221	110,000	110,000	106,071
Telephone Expense	500	500	276	500	500	269
Other Expenses	1,250	1,250		1,250	1,250	
Travel	1,000	1,000		1,000	1,000	
Total Industrial Pretreatment Expenses	114,750	114,750	108,497	112,750	112,750	106,340
Line Maintenance:						
Salaries	600,000	600,000	540,784	600,000	600,000	534,899
Contracted Services	55,000	55,000	64,040	52,000	52,000	52,782
Utilities Expense	319,000	319,000	200,401	324,000	324,000	173,186
Telephone Expense	10,000	10,000	898	15,000	15,000	1,373
Repair & Maintenance	114,500	114,500	99,617	112,000	112,000	91,566
Supplies	1,450	1,450	52	1,450	1,450	
Other Expenses	28,300	28,300	2,768	28,250	28,250	5,381
Travel	5,000	5,000	3,942	5,000	5,000	552
Small Tools/Equipment	11,500	11,500	9,069	11,500	11,500	387
License Fees	2,500	2,500	2,833	2,500	2,500	3,540
Chemicals	95,000	95,000	122,834	90,000	90,000	88,497
Total Plant Expenses	1,242,250	1,242,250	1,047,238	1,241,700	1,241,700	952,163
Total Operating Expenses	10,216,783	10,216,783	8,555,526	10,154,495	10,154,495	7,866,301

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, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	DECEMBER 31, 2021			DECEMBER 31, 2020		
	ORIGINAL BUDGET	AFTER TRANSFERS	ACTUAL	ORIGINAL BUDGET	AFTER TRANSFERS	ACTUAL
Non-operating Expenses:						
Interest Paid	955,265	955,265	939,706	1,011,148	1,011,148	993,760
Debt Service	1,888,952	1,888,952	1,880,075	1,832,357	1,832,357	1,823,502
Total Non-operating Expenses	2,844,217	2,844,217	2,819,781	2,843,505	2,843,505	2,817,262
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	14,361,000	14,361,000	11,375,307	14,298,000	14,298,000	10,683,563
Total Expenses & Other Cost Funded by Operating Revenues	<u>\$ (338,000)</u>	<u>\$ (338,000)</u>	\$ 7,347,777	<u>\$ (338,000)</u>	<u>\$ (338,000)</u>	\$ 6,379,354
Plus:						
Adjustment for interest accrued						
Debt Service			1,880,075			1,823,502
Amortization premium/ (bond costs) , net			103,788			103,788
Interest Income			33,985			101,248
Reserve for future Unemployment			5,014			4,619
Amortization of Gain on Refunding NJEIT Loan			89,000			92,000
Capital Contributions						47,100
Less:						
Depreciation			(2,629,190)			(2,666,826)
Unrealized gain /(loss) on investments			(31,560)			2,337
Cost of Bond Issuance Expenses						
Unemployment reimbursement						
Gain/(Loss) on disposal of asset						3,345
Change in net position per Statements of Revenue , Expenses and Changes in Net Position			<u>\$ 6,798,889</u>			<u>\$ 5,890,467</u>

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REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

	Measurement Date								
	2021	2020	2019	2018	2017	2016	2015	2014	2013
Authority's Proportion of the Net Pension Liability (Asset)	0.03947%	0.03876%	0.04598%	0.04560%	0.04846%	0.04878%	0.04916%	0.04767%	0.04936%
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$4,725,070	\$6,371,264	\$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	\$3,088,208	\$2,960,759	\$3,049,993	\$3,164,622	\$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	58.32%	58.32%	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								
	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially Determined Contribution	\$467,109	\$427,404	\$450,347	\$453,609	\$448,898	\$433,352	\$422,681	\$392,948	\$371,941
Contributions in relation to the Actuarially Determined Contributions	467,109	427,404	450,347	453,609	448,898	433,352	422,681	392,948	371,941
Covered-Employee Payroll	\$3,088,208	\$2,960,759	\$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	15.126%	14.436%	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.

**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF NET OPEB LIABILITY
AND RELATED RATIOS ***

Last 10 Fiscal Years*

	2021	2020
Proportion of the Net OPEB liability	0.000000%	0.000000%
Authority's Net OPEB liability	\$ 609,826	\$ 695,404
Authority's covered employee payroll	\$ 3,051,406	\$ 3,006,991
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	19.99%	23.13%
Plan Fiduciary Net Position as a % of total OPEB liability	0.00%	0.00%

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

Public Employees' Retirement System (PERS)

Changes in Benefit Terms - None.

Changes in Assumptions – None.

Other Postemployment Benefits (OPEB)

Changes in Benefit Terms - None.

Changes in Assumptions - The discount rate changed from 2.12% as of June 30, 2020, to 2.06% as of June 30, 2021.

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OTHER SUPPLEMENTAL INFORMATION

**MOUNT HOLLY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF LOANS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2021**

PURPOSE	ORIGINAL		INTEREST RATE	MATURITIES		BALANCE	
	DATE	AMOUNT		DATE	AMOUNT	DECEMBER 31, 2020	DECEMBER 31, 2021
2007 New Jersey Environmental Infrastructure Trust Loan	11/09/06	12,160,000	5.000%	8/1/22	\$ 646,000		
			4.250%	8/1/23	681,000		
			4.500%	8/1/24	713,000		
			4.500%	8/1/25	751,000		
			4.500%	8/1/26	786,000		
		4.250%	8/1/27	825,000			
				<u>4,402,000</u>	\$ 5,018,000	616,000	\$ 4,402,000
2007 New Jersey Environmental Infrastructure Fund Loan	11/09/06	12,177,025	N/A	8/22/22	625,167		
				8/1/23	627,113		
				8/1/24	625,070		
				8/1/25	627,372		
				8/1/26	625,264		
			8/1/27	625,378			
				<u>3,755,364</u>	\$ 4,380,693	625,329	\$ 3,755,364

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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, 2021. 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 \$44,000 except by contract or agreement.

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, Pump Station & Pump Station Replacement, Pipe Replacement, Blower Replacement, Truck, and Chimney Demolition.

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 \$6,600 "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.

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.

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.



Brent W. Lee
Certified Public Accountant

August 5, 2022