EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE
TOWNSHIP OF EAST WINDSOR)

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

NOVEMBER 30, 2019

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

TABLE OF CONTENTS

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Board Members of
East Windsor Municipal Utilities Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the East Windsor Municipal Utilities Authority (the "Authority"), a component unit of the Township of East Windsor, as of and for the years ended November 30, 2019 and 2018, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of November 30, 2019 and 2018, and the changes in financial position and its cash flows thereof and, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of proportionate share of net pension liability and contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Authority's basic financial statements. The budgetary comparison schedule and schedule of water and sewer revenue bonds 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, except for the part marked "unaudited," has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it. In our opinion, except for that portion marked "unaudited," the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Digesh B. Patel

Digesh B. Patel, CPA, MBA, CGMA, PSA
Registered Municipal Accountant
License No. 578

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

August 3, 2020

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the annual report presents management's analysis of the East Windsor Municipal Utilities Authority's (the "Authority") financial condition and activities for the year. This information should be read in conjunction with the Authority's financial statements.

Overview of Annual Financial Report

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

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a statement of net position; a statement of revenues, expenses and changes in net position; a statement of cash flows; and notes to the financial statements.

The statements of net position present the financial position of the Authority on a full accrual historical cost basis. The statements present the Authority's assets and liabilities, with the difference reported as net position. Net position increases and decreases over time, is one indicator of improving or deteriorating financial position of the Authority.

The statements of revenues, expenses and changes in net position present the results of the business activities over the fiscal year and information as to how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. These statements also provide information about the Authority's ability to recover its costs through user fees and other charges.

The statements of cash flows present changes in cash and cash equivalents resulting from operating activities, investing, capital and non-capital activities. The statements present cash receipts and disbursements without consideration of the earnings event. These statements show what sources provided cash, what cash was used for and what the change in cash balance was for the reporting period.

The notes to the financial statements provide required disclosures and other information essential to a complete understanding of information provided in the financial statements. The notes contain information about the Authority's accounting policies, significant account balances and changes, material risks, obligations, commitments, contingencies and subsequent events.

Financial Highlights

2019

Total assets were $73,964,956 and total liabilities were $11,848,659 resulting in net position of $61,653,673 at November 30, 2019. Net position increased by $333,996 from November 30, 2018.

The Authority's unrestricted net position decreased by $37,957 for the year ended November 30, 2019.

The Authority's net pension liability was $4,895,380 and $4,591,599 as of November 30, 2019 and 2018, respectively.

Operating income was $221,430 for the year ended November 30, 2019. This was a decrease of $396,982 when compared to the November 30, 2018 operating income of $618,412.

The decrease in operating income resulted in part from a $344,878 (53.6%) decrease in income from connection fee income and an increase of $75,847 (18.6%) in other income, resulting from an increase in revenue from cell tower revenue of $7,711 and an increase of income from shared service agreements with the Township of East Windsor, which allowed the Authority's executive director to serve as the part time manager, and the Township of Cranbury, for which the Authority maintained their sewer collection system in the amount of $25,286.

Revenues earned from water and sewer operations $7,100,861 remained relatively the same as the year ended November 30, 2018 ($7,061,872) with an increase of $38,989 (0.6%).

Administrative and general expenses increased $85,010 (8.1%) for the year ended November 30, 2019. Salaries and wages increased $51,633 (9.2%), employee benefits increased $45,175 (20.0%), materials and supplies increased $14,461 (104.6%) and other expenses increased $12,951 (113.3%). Contracted services decreased $28,099 (16.9%) and utilities decreased $12,892 (25.9%). Insurance expense remained relatively the same as 2018.

Cost of providing services expenses increased $60,296 (1.4%) for the year ended November 30, 2019. Employee benefits increased $28,634 (3.5%), utilities increased $127,919 (21.6%) and contracted services increased $29,796 (7.7%). Salaries and wages decreased by $46,639 (3.1%) and repairs and maintenance expense decreased by $57,193 (17.8%). Insurance and other costs of providing services remained relatively the same as 2018.

Depreciation expense increased $21,030 (0.9%).

The Authority's outstanding debt at November 30, 2019 was $5,694,673, a decrease of $2,074,925 when compared to November 30, 2018.

Financial Highlights (Continued)

2018

Total assets were $75,603,333 and total liabilities were $13,764,912 resulting in net position of $61,319,677 at November 30, 2018. Net position increased by $3,513,267 from November 30, 2017.

The Authority's unrestricted net position increased by $78,747 for the year ended November 30, 2018.

The Authority's net pension liability was $4,591,599 and $6,131,004 as of November 30, 2018 and 2017, respectively.

Operating income was $618,412 for the year ended November 30, 2018. This was an increase of $1,098,937 when compared to the November 30, 2017 operating loss of $480,525.

The increase in operating income resulted in part from a $324,594 (101.9%) increase in income from connection fees and an increase of $74,568 (22.3%) in other income. The increase in other income resulted from a shared service agreement with the Township of East Windsor which allowed the Authority's executive director to serve as the part time Township manager for the term of February 1, 2018 through January 31, 2019 in the amount of $101,542.

Revenues earned from water and sewer operation ($7,061,872) remained relatively the same as the year ended November 30, 2017 ($7,074,783).

Administrative and general expenses decreased $66,828 (6.0%) for the year ended November 30, 2018. Employee benefits decreased $62,188 (21.6%), with pension benefits decreasing $66,033 (45.2%).

Cost of providing service expenses decreased $709,506 (14.4%) for the year ended November 30, 2018. Employee benefits decreased $219,753 (21.0%) with pension benefits decreasing $210,560 (48.0%) and contracted services decreased by $542,930 (58.3%). During the year ended November 30, 2017 the Authority awarded a contract for the painting and rehabilitation of the Pine Lane Water Tower including inspection services in the amount of $573,786. There were no comparable contracts awarded in the year ended November 30, 2018.

Salaries and wages increased $113,185 (8.1%) as a result of adding two new employees required by a new state (D.E.P.) legislative requirements the water quality accountability act requiring the operation and maintenance of all water valves within certain time limits.

Depreciation expense increased $54,139 (2.5%).

The Authority's outstanding debt at November 30, 2018 was $7,769,598, a decrease of $2,365,026 when compared to November 30, 2017.
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Financial Analysis of the Authority

The following tables and other information are provided as key financial data used by management for monitoring and planning purposes.

Net Position – Table 1 summarizes the changes in net position between November 30, 2019 and 2018.

Table 1
Condensed Summary of Net Position

	November 30, 2019	November 30, 2018	November 30, 2017	2018-2019 Change	%Change
Assets:					
Current Assets - Unrestricted	$ 10,776,114	$ 10,795,574	$ 11,643,922	$ (19,460)	-0.18%
Restricted Assets	3,025,800	3,017,327	2,940,301	8,473	0.28%
Capital Assets (Net of Depreciation)	60,163,042	61,790,432	61,018,297	(1,627,390)	-2.63%
Total Assets	$ 73,964,956	$ 75,603,333	$ 75,602,520	(1,638,377)	-2.17%
Deferred Outflows of Resources:					
Pension	$ 1,461,702	$ 1,185,149	$ 1,922,660	276,553	23.33%
Loss on Bond Refunding	312,590	390,738	$ 468,885	(78,148)	-20.00%
Total Deferred Outflows of Resources	$ 1,774,292	$ 1,575,887	$ 2,391,545	198,405	12.59%
Liabilities:					
Current Liabilities:					
Payable from Unrestricted:					
Current Assets	$ 346,707	$ 313,400	$ 1,268,922	33,307	10.63%
Restricted Assets	2,158,044	2,393,576	2,744,154	(235,532)	-9.84%
Net Pension Liability	4,895,380	4,591,599	6,131,004	303,781	6.62%
Non-Current Liabilities	4,448,528	6,466,337	8,812,917	(2,017,809)	-31.20%
Total Liabilities	$ 11,848,659	$ 13,764,912	$ 18,956,997	(1,916,253)	-13.92%
Deferred Inflows of Resources:					
Pension	$ 2,236,916	$ 2,094,631	$ 1,230,658	142,285	6.79%
Total Deferred Inflows of Resources	$ 2,236,916	$ 2,094,631	$ 1,230,658	142,285	6.79%
Net Position:					
Invested in Capital Fixed Assets,					
Net of Revenue Bonds Payable	$ 54,469,375	$ 54,021,823	$ 50,884,652	447,552	0.83%
Restricted for:					
Capital Improvements	2,778,107	2,854,204	2,127,008	(76,097)	-2.67%
Future Debt Service	3,838	3,339	433,186	499	14.94%
Unrestricted	4,402,353	4,440,311	4,361,564	(37,958)	-0.85%
Total Net Position	$ 61,653,673	$ 61,319,677	$ 57,806,410	333,996	0.54%

Financial Analysis of the Authority (Continued)

2019

Net position may over time serve as a useful measure of the Authority's financial position. In the Authority's case, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $61,653,673 at November 30, 2019 an increase of $333,996 for the fiscal year ended November 2019.

The largest portion of the Authority's net position ($54,469,375 or 88.3%) at November 30, 2019 is reflected in its investment in capital assets, as shown on Table 1. These assets are used by the Authority to pump, treat and deliver potable water and for the collection and treatment of wastewater and thus are not available for future spending.

Net position increased by $333,996 and unrestricted net position decreased by $37,958 in 2019.

2018

As previously noted, net position may over time serve as a useful measure of the Authority's financial position. In the Authority's case, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $61,319,677 at November 30, 2018, an increase of $3,513,267 for the fiscal year ended November 30, 2018.

The largest portion of the Authority's net position ($54,021,823 or 88.1% at November 30, 2018) is reflected in its investment in capital assets, as shown on Table 1. These assets are used by the Authority to pump, treat and deliver potable water and for the collection and treatment of wastewater and thus are not available for future spending.

Net position increased by $3,513,267 and unrestricted net position increased by $78,747 in 2018.
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Operating Activities

Table 2 summarizes the changes in revenues, expenses and net position between fiscal years November 30, 2019 and 2018.

Table 2

Condensed Summary of Revenues, Expenses and Changes in Net Position

	November 30, 2019	November 30, 2018	November 30, 2017	2018-2019 Change	% Change
Revenues					
Operating Revenues:					
User Charges	$ 7,100,861	$ 7,061,872	$ 7,074,783	$ 38,989	0.55%
Connection Fees	298,050	642,928	318,333	(344,878)	-53.64%
Other	514,733	439,490	374,431	75,243	17.12%
Total Operating Revenues	7,913,644	8,144,290	7,767,547	(230,646)	-2.83%
Non-Operating Revenues					
Interest Income	135,155	93,528	20,937	41,627	44.51%
Capital Contributions	115,518	2,995,999	626,840	(2,880,481)	-96.14%
Total Non-Operating Revenues	250,673	3,089,527	647,777	(2,838,854)	-91.89%
Total Revenues	8,164,317	11,233,817	8,415,324	(3,069,500)	-27.32%
Operating Expenses:					
Cost of Providing Services	4,272,699	4,212,404	4,921,909	60,295	1.43%
General and Administrative	1,135,509	1,050,499	1,117,327	85,010	8.09%
Depreciation	2,284,007	2,262,976	2,208,837	21,031	0.93%
Total Operating Expenses	7,692,215	7,525,879	8,248,073	166,336	2.21%
Non-Operating Expenses					
Interest Expense	59,959	116,524	91,016	(56,565)	-48.54%
Loss on Refunding Bonds	78,147	78,147	78,147	-	0.00%
Total Non-Operating Expenses	138,106	194,671	169,163	(56,565)	-29.06%
Total Expenses	7,830,321	7,720,550	8,417,236	109,771	1.42%
Changes in Net Position	333,996	3,513,267	(1,912)	(3,179,271)	-90.49%
Net Position, Beginning of Year,	61,319,677	57,806,410	57,808,322	3,513,267	6.08%
Net Position, End of the Year	$ 61,653,673	$ 61,319,677	$ 57,806,410	333,996	0.54%

Operating Activities (Continued)

2019

The summary of revenues expenses and changes in net position provides information as to the nature and source of changes in financial position. Table 2 shows that total revenues in 2019 decreased by $3,069,500 (27.3%) and total expenses increased by $109,771 (1.4%) compared to 2018.

The items which were responsible for the major changes in net position for the year ended November 30, 2019, included:

Connection fees charged to new customers decreased by $344,878 (53.6%), when compared to 2018.

Other income increased $75,243 (17.1%) compared to 2018.

Capital contributions paid by developers decreased $2,880,481 (96.1%) compared to 2018.

Operating expenses increased $166,336 (2.2%) compared to 2018.

2018

The summary of revenues, expenses and changes in net position provides information as to the nature and source of changes in financial position. Table 2 shows that total revenues in 2018 increased by $2,818,493 (33.5%) and total expenses decreased by $696,686 (8.3%) compared to 2017.

The items which were responsible for the major changes in net position for the year ended November 30, 2018, included:

Connection fees charged to new customers increased by $324,595 (101.6%), when compared to 2017.

Other income increased $65,059 (17.4%) compared to 2017.

Capital contributions paid by developers increased $2,369,159 (377.9%) compared to 2017.

Operating expenses decreased $722,194 (8.8%) compared to 2017.

Capital Assets and Debt Administration

Capital Assets

Table 3 summarizes the changes in capital assets at November 30, 2019 and 2018.

Table 3
Capital Assets - Net of Depreciation

	November 30, 2019	November 30, 2018	November 30, 2017	2018-2019 Change
Land, Land Rights and Improvements	$ 5,098,264	$ 5,098,264	$ 5,098,264	$ -
Buildings and Improvements	22,166,894	22,004,887	22,004,887	162,007
Machinery and Equipment	83,035,369	82,724,368	79,258,500	311,001
Construction in Progress	565,435	381,827	812,582	183,608
	110,865,962	110,209,346	107,174,233	656,616
Less: Accumulated Depreciation	50,702,920	48,418,913	46,155,937	2,284,007
Total Capital Assets, Net of Depreciation	$ 60,163,042	$ 61,790,433	$ 61,018,296	$ (1,627,391)

2019

At November 30, 2019, the Authority's investment in capital assets was $110,865,962, an increase of $656,616 when compared to 2018.

2018

At November 30, 2018, the Authority's investment in capital assets was $110,209,346, an increase of $3,035,113 when compared to 2017.

Debt Outstanding

Table 4 summarizes the changes in debt payable at November 30, 2019 and 2018.

Table 4
Debt Outstanding

	November 30, 2019	November 30, 2018	November 30, 2017	2018-2019 Change
Bonds Payable	$ 5,694,673	$ 7,769,598	$ 10,134,624	$ (2,074,925)

Debt Outstanding (Continued)

2019

The Authority's bonded debt was $5,694,673 at November 30, 2019, a decrease of $2,074,925 when compared to 2018. Interest on these bonds is paid semi-annually with interest rates from 0-5.5%. Principal payments on the outstanding debt are due annually with final maturity on August 1, 2029. Additional information on the Authority's long-term debt can be found in Note F in the financial statements.

2018

The Authority's bonded debt was $7,769,598 at November 30, 2018, a decrease of $2,365,026 when compared to 2017. Interest on these bonds is paid semi-annually with interest rates from 0-5.5%. Principal payments on the outstanding debt are due annually with final maturity on August 1, 2029. Additional information on the Authority's long-term debt can be found in Note F in the financial statements.

Next Year's Budget and User Rates

The Authority adopted an operating and maintenance budget of $5,978,900 for fiscal year 2020, an increase of $122,900 or (2.1%), compared to the 2019 budget. Total user fees are budgeted to decrease $198,140 or 2.8% in 2020.

The Authority's increased water rates effective December 1, 2013.

The Authority adopted a six-year capital program with their 2020 budget. The capital program includes future projects totaling $28,377,000. The six-year capital program anticipates the use of $5,902,000 from unrestricted net position to provide funding for anticipated projects.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need any additional information, contact the Authority at 7 Wiltshire Drive, East Windsor, New Jersey 08520 or by telephone at 609-443-6000.

BASIC FINANCIAL STATEMENTS

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

STATEMENTS OF NET POSITION

ASSETS

	November 30, 2019	November 30, 2018
Current Assets:		
Cash and Cash Equivalents	$ 4,335,093.22	$ 4,591,581.05
Investments	5,008,223.01	4,932,245.28
User Charges Receivable (Net of Allowance for Uncollectible Accounts of $0 in 2019 and 2018)	1,330,675.40	1,195,674.44
Other Receivables	59,224.42	53,167.56
Interest Receivable	42,897.80	22,905.45
Total Current Assets	10,776,113.85	10,795,573.78
Non Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents	3,025,799.90	3,017,327.32
Total Restricted Assets	3,025,799.90	3,017,327.32
Capital Assets:		
Land and Land Improvements	5,098,264.32	5,098,264.32
Buildings and Improvements	22,166,894.04	22,004,886.92
Machinery and Equipment	83,035,368.55	82,724,367.75
Construction in Progress	565,435.30	381,826.68
	110,865,962.21	110,209,345.67
Less: Accumulated Depreciation	50,702,919.99	48,418,913.40
Capital Assets (Net)	60,163,042.22	61,790,432.27
Total Assets	$ 73,964,955.97	$ 75,603,333.37
DEFERRED OUTFLOWS OF RESOURCES:		
Pension	$ 1,461,702.00	$ 1,185,149.00
Loss on Bond Refunding	312,590.22	390,737.70
Total Deferred Outflows of Resources	$ 1,774,292.22	$ 1,575,886.70

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

STATEMENTS OF NET POSITION (CONTINUED)

LIABILITIES AND NET POSITION

	November 30, 2019	November 30, 2018
Current Liabilities:		
Accounts Payable and Accrued Expenses	$ 342,507.02	$ 306,650.07
Customer Meter Deposits	4,200.00	6,750.00
Total Current Liabilities	346,707.02	313,400.07
Current Liabilities Payable from Restricted Assets:		
Bonds Payable - New Jersey Environmental Infrastructural Trust	1,855,037.15	2,074,925.77
Accrued Interest Payable	48,060.00	65,175.00
Escrow Deposits - Review Fees	254,946.86	253,475.11
Total Current Liabilities Payable from Restricted Assets	2,158,044.01	2,393,575.88
Total Current Liabilities	2,504,751.03	2,706,975.95
Long-Term Liabilities:		
Bonds Payable - New Jersey Environmental Infrastructural Trust	3,839,635.56	5,694,672.71
Compensated Absences Payable	299,870.26	278,791.30
Premium on Bonds	309,021.92	492,872.88
Net Pension Liability	4,895,380.00	4,591,599.00
Total Long-Term Liabilities	9,343,907.74	11,057,935.89
Total Liabilities	$ 11,848,658.77	$ 13,764,911.84
DEFERRED OUTFLOWS OF RESOURCES:		
Pension	$ 2,236,916.00	$ 2,094,631.00
Net Position:		
Invested in Capital Assets, Net of Related Bonds Payable	$ 54,469,375.44	$ 54,021,823.04
Restricted for Capital Improvements	2,778,106.88	2,854,204.21
Restricted for Future Debt Service	3,837.80	3,339.47
Unrestricted	4,402,353.30	4,440,310.51
Total Net Position	$ 61,653,673.42	$ 61,319,677.23

See notes to financial statements.

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended November 30,	
	2019	2018
Operating Revenues:		
User Charges	$ 7,100,861.02	$ 7,061,871.83
Delinquent Penalties	29,087.44	26,779.81
Connection Fees	298,050.00	642,927.50
Laboratory Fees	1,045.00	3,955.00
Other Income	484,601.99	408,755.46
Total Operating Revenues	7,913,645.45	8,144,289.60
Operating Expenses:		
Salaries, Wages and Benefits	3,201,643.68	3,122,841.25
Contracted Services	557,023.78	555,326.54
Other Operating Expenses	1,649,541.85	1,584,733.53
Depreciation	2,284,006.59	2,262,976.34
Total Operating Expenses	7,692,215.90	7,525,877.66
Operating Income	221,429.55	618,411.94
Non-Operating Revenues (Expenses)		
Interest Income	135,155.16	93,528.10
Interest Expense	(59,959.04)	(116,523.96)
Loss on Refunding Bonds	(78,147.48)	(78,147.48)
Total Non-Operating Expenses, Net	(2,951.36)	(101,143.34)
Income Before Capital Contributions	218,478.19	517,268.60
Capital Contributions:		
Developer Impact Fees	115,518.00	645,745.50
Contribution of Property, Plant and Equipment	-	2,350,253.00
Total Capital Contributions	115,518.00	2,995,998.50
Net Income	333,996.19	3,513,267.10
Net Position, Beginning of Year	61,319,677.23	57,806,410.13
Net Position, End of Year	$ 61,653,673.42	$ 61,319,677.23

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

STATEMENTS OF CASH FLOWS

	Years Ended November 30, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipt from Customers	$ 7,771,591.27	$ 8,271,673.00
Payments to Suppliers	(3,134,574.64)	(4,058,094.18)
Payments to Employees	(2,046,189.40)	(2,136,265.96)
Customers Meter Deposits	(2,550.00)	(600.00)
Net Cash from Operating Activities	2,588,277.23	2,076,712.86
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of Property, Plant and Equipment	(656,616.54)	(684,858.87)
Principal Payments on Bonds	(2,074,925.77)	(2,365,025.67)
Contributed Capital	115,518.00	645,745.50
Interest Paid on Bonds	(260,925.00)	(366,625.00)
Escrow Deposits	1,471.75	(43,415.51)
Net Cash from Capital and Related Financing Activities	(2,875,477.56)	(2,814,179.55)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(5,008,223.01)	(9,859,421.14)
Proceeds from Sale of Investments	4,932,245.28	9,849,444.44
Interest Received	115,162.81	73,109.65
Net Cash from Investing Activities	39,185.08	63,132.95
Net Change in Cash and Cash Equivalents	(248,015.25)	(674,333.74)
Cash and Cash Equivalents, Beginning of Year	7,608,908.37	8,283,242.11
Cash and Cash Equivalents, End of Year	$ 7,360,893.12	$ 7,608,908.37
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$ 221,429.55	$ 618,411.94
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	2,284,006.59	2,262,976.34
User Charges Receivable	(135,000.96)	121,621.36
Other Receivables	(6,056.86)	5,762.04
Accounts Payable and Accrued Expenses	35,856.95	(954,921.72)
Pension	169,513.00	62,079.00
Compensated Absences Payables	21,078.96	(38,616.10)
Customer Meter Deposits	(2,550.00)	(600.00)
Total Adjustments	2,366,847.68	1,458,300.92
Net Cash Provided by Operating Activities	$ 2,588,277.23	$ 2,076,712.86

A. DESCRIPTION OF ENTITY

The East Windsor Municipal Utilities Authority (the "Authority") was created in 1965 by an ordinance of the Township of East Windsor, (the "Township") Mercer County, New Jersey, and is a public body politic and corporate of the State of New Jersey organized and existing pursuant to the Municipal Utilities Authority Law, constituting Chapter 183 of the Laws of 1957, of the State of New Jersey, as amended and supplemented.

The purposes for which the Authority was created include the acquisition and/or construction of plants and distribution systems to provide an adequate supply of water and the acquisition and/or construction of sewer facilities incident to the collection and treatment of sewerage for the relief of waters from pollution.

As a public body under existing statute, the Authority is exempt from both federal and state taxes.

The Governmental Accounting Standards Board ("GASB") Statement 14, *The Financial Reporting Entity,* requires that disclosure be made in the financial statements regarding the financial reporting entity of governmental units.

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body, and either the primary government is able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The Authority is a component unit of the primary government, the Township of East Windsor. The board of the Authority is appointed by the committee of the Township and under the agreement entered into by the Authority and the Township, the Township will provide for deficits resulting from failure or inability of the Authority to derive adequate revenues from operating the systems.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

The Authority's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America.

In its accounting and financial reporting, the Authority follows the pronouncements of the GASB and other entities that promulgate accounting principles. GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. Per the Statement, the sources of authoritative generally accepted accounting principles ("GAAP") are categorized in descending

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Accounting (Continued)

order of authority as follows: GASB Statements and Interpretations, GASB Technical Bulletins, GASB Implementation Guides, and literature of the American Institute of Certified Public Accountants ("AICPA") cleared by the GASB. Authoritative GAAP is incorporated periodically into the Codification of Governmental Accounting and Financial Reporting Standards (Codification), and when presented in the Codification, it retains its authoritative status. If the account treatment for a transaction or other event is not specified within a source of authoritative GAAP described above, a governmental entity should first consider accounting principles for similar transactions or other events within a source of authoritative GAAP described above and then may consider non-authoritative accounting literature from other sources. These include GASB Concepts Statements; pronouncements and other literature of the Financial Accounting Standards Board ("FASB"), Federal Accounting Standards Advisory Board, International Public Sector Accounting Standards Board, and International Accounting Standards Board, and AICPA literature not cleared by the GASB; practices that are widely recognized and prevalent in the state and local government; literature of other professional associations or regulatory agencies; and accounting textbooks, handbooks and articles. 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 enterprises 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 and all liabilities associated with the operations are included on the statement of net position. Net position (*i.e., total assets net of total liabilities*) is segregated into "invested in capital assets, net of related bonds payable"; "restricted for capital improvements, for future debt service;" and "unrestricted" components. Water and sewer revenues are recognized based on usage, and connection fees are recognized upon issuance of permits. Expenses are recorded when incurred.

Cash Equivalents and Deposits

Cash and cash equivalents, for purposes of the statements of cash flows, include restricted and unrestricted cash on hand or on deposit, certificates of deposit, and investments with an original maturity of three months or less.

Investments

Investments are stated at cost which approximates market. At November 30, 2019 and 2018, the Authority had investments in the amount of $5,008,223.01 and $4,932,245.28 respectively.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets

Restricted assets represent cash and cash equivalents, investments and interest receivable maintained in accordance with bond resolutions, loan agreements and other resolutions and formal actions of the Authority or by agreement for the purpose of funding certain debt service payments, depreciation and contingency activities, and improvements and extensions to the utility systems.

Receivables

Customer receivables represent service fees earned, but not yet collected. User charges receivable as of November 30, 2019 and 2018, were $1,330,675.40 and $1,195,674.44 respectively.

Allowance for Doubtful Accounts

Management considers all user charges receivable to be fully collectible; thus no allowance for doubtful accounts is required, if amounts become uncollectible, they will be charged to operations when that determination is made.

Developer Contributions

Developer contributions received are recorded in the period received. Developer financed construction is recorded in the period in which applicable costs are incurred. Donated assets are recorded at fair market value at time of the contribution.

Capital Assets

Property, plant and equipment are stated at cost, which includes direct costs and other expenditures related to their acquisition.

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

Depreciation is determined on a straight-line basis for all property, plant and equipment.

Building and Improvements	10-75 Years
Land Improvements	5-40 Years
Machinery and Equipment	
Water and Sewer Mains and Interceptors	5-75 Years
Water Wells and Pump Stations	5-50 Years
Other Equipment	5-40 Years
Office Furniture and Equipment	5-15 Years
Vehicles	5-10 Years

The Authority capitalizes any of the above with cost over $5,000.

Bond Premium

Bond premium is amortized based on pro-rata basis of the principal payments made, which approximates the effective interest method. Bond premium as of November 30, 2019 and 2018, was $309,021.92 and $492,872.88, respectively.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgets

Budgets, which are required by state statute, are adopted in accordance with regulations promulgated by the Department of Community Affairs ("DCA"). An annual appropriated budget is adopted for the operations of the Authority, subject to approval by the DCA. A capital program adopted by the Authority is management's six-year plan for financing the estimated cost of addition or replacement of major fixed assets used in the Authority's operation.

Net Position

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

1) <u>Net Investment in Capital Assets</u> - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that are attributable to the acquisition, construction, or improvement of those assets.

2) <u>Restricted</u> - when constraints placed on net position are either a) externally imposed by creditors (such as the bond resolution), grantors, or laws or regulations of other governments, or b) imposed by law.

   Presently, the Authority has two items of restricted net position which is required by the bond resolution. These restrictions are for capital improvements and future debt services.

3) <u>Unrestricted</u> - any other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Interest Expense

The Authority capitalizes the interest costs of restricted tax-exempt borrowings during the construction/acquisition period of certain qualifying assets as required by FASB Statement No. 34, *Capitalization of Interest Costs*. The amount of interest expense is reduced by interest earned on the investment of the borrowed funds in accordance with FASB Statement No. 62, *Capitalization of Interest Costs in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants*.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences Payable

The Authority allows employees to earn vacation time based on the employee's length of service and time worked during the preceding year. No more than five unused vacation days may be carried forward to the following calendar year.

Unused sick leave may be carried forward into subsequent calendar years. Upon retirement, accumulated sick leave may be converted to a cash payment at a rate of not more than 50% of the employee's current hourly salary up to a maximum of $15,000. If the employee leaves for reason other than retirement, unused sick pay is forfeited.

It is estimated that the costs of unpaid vacation time and sick time as of November 30, 2019, are $142,928.38 and $156,941.88, respectively, and as of November 30, 2018, are $124,366.23 and $154,425.07, respectively.

Income Taxes

No provision for income taxes has been made, as the Authority is exempt from federal and state income taxes.

Unearned Revenue

Revenues received by the Authority before the earnings process has been completed are recorded as unearned revenue.

C. ROUNDING

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

D. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, cash in banks, and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost which approximates fair value. U.S. Treasury and agency obligations and certificates of deposit with maturities of 90 days or less when purchased are stated at cost which approximate fair value. All other investments are stated at fair value.

Deposits

Cash and cash equivalents and investments include amounts on deposit, petty cash, change funds and short-term investments with original maturities of three months or less. New Jersey authorities are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey authorities. In addition, other state statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds

D. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include state or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured.

Each depository participating in the GUDPA system must pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or $200 million. The minimum 5% pledge applies to institutions that are categorized as "well capitalized" by federal banking standards. The percentage of the required pledge will increase for institutions that are less than "well capitalized".

GUDPA permits the deposit of public funds in the State of New Jersey Cash Management Fund or in institutions located in New Jersey that are insured by the Federal Deposit Insurance Corporation ("FDIC") or by any other agencies of the United States that insure deposits. GUDPA requires public depositories to maintain collateral for deposit of public funds that exceed insurance limits as follows:

No collateral is required for amounts covered by FDIC or National Credit Union Share Insurance Fund ("NCUSIF") insurance. The collateral which may be pledged to support these deposits includes obligations of the state and federal governments, insured securities and other collateral approved by the Department of Banking and Insurance ("DOBI"). When the capital position of the depository deteriorates or the depository takes an unusually large amount of public deposits, DOBI requires additional collateral to be pledged.

If a governmental depository fails and the FDIC or NCUSIF insurance does not insure or pay out the full amount of public deposits, the collateral pledged to protect these funds would first be liquidated and paid out. If this amount is insufficient, other institutions holding public funds would be assessed pro rata up to 4% of their uninsured public funds. Although these protections do not constitute a 100% guarantee of the safety of all funds, no governmental unit under GUDPA has ever lost protected deposits.

Investments

N.J.S.A. 40A:5-15.1 provides that public funds may be invested in the following types of securities when authorized by resolution adopted by a majority vote of all its members:

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 a 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 obligation bears a fixed rate of

D. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

interest not dependent on any index or other external factor.

d. Bonds or other obligations of the Township, or bonds or other obligations of the school districts of which the Township is a part or within which the school district is located.

e. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, that are approved by the New Jersey Department of Treasury, Division of Investments.

f. Local Government Investment Pools.

g. Deposits with the State of New Jersey Cash Management Fund established pursuant to Section 1 of P.L. 1977, C. 281 (C.52:18A:90.4).

h. Agreements for the repurchase of fully collateralized securities if certain requirements apply.

N.J.S.A.52:18A-90.4 provides that the Director of the Division of Investment may, subject to the approval of the State Investments Council and the State Treasurer, establish, maintain and operate a common trust fund to be known as the State of New Jersey Cash Management Fund in which may be deposited the surplus public monies of the state, its counties, municipalities and school districts and the agencies or authorities created by any of these entities. This fund shall be considered a legal depositor for public monies.

Certificates of deposit with original maturities in excess of 90 days are included in investments.

The Authority’s cash and investments carried at fair value as of November 30, 2019, were:

		Investment Maturities (in Years)	
Investment Type	Fair Value	Less Than 1	1-5
Certificate of Deposits	$ 5,008,223.01	$ 5,008,223.01	$ -
Total Investments	$ 5,008,223.01	$ 5,008,223.01	$ -

Bank	
Fulton Bank	$ 5,540,604.05
BONY	1,468,255.66
Wells Fargo	351,808.41
Cash on Hand	225.00
Total Cash and Cash Equivalents	7,360,893.12
Total Cash and Cash Equivalents and Investments	$ 12,369,116.13

D. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

The Authority's cash and investments carried at fair value as of November 30, 2018, were:

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1	1-5
Certificate of Deposits	$ 4,932,245.28	$ 3,263,329.80	$ 1,668,915.48
Total Investments	$ 4,932,245.28	$ 3,263,329.80	$ 1,668,915.48

Bank	Carrying Amount
Fulton Bank	$ 5,787,417.72
BONY	1,541,842.90
Wells Fargo	279,422.75
Cash on Hand	225.00
Total Cash and Cash Equivalents	7,608,908.37
Total Cash and Cash Equivalents and Investments	$ 12,541,153.65

Custodial Credit Risk Related to Deposits

Assets measured at fair value on a recurring basis as of November 30, 2019 and 2018, are summarized as follows:

November 30, 2019	Level 1	Level 2	Level 3	Total
Certificates of Deposit	$ -	$ 5,008,223.01	$ -	$ 5,008,223.01
Cash and Cash Equivalents	7,360,893.12	-		7,360,893.12
Total	$ 7,360,893.12	$ -	$ -	$ 12,369,116.13

November 30, 2018	Level 1	Level 2	Level 3	Total
Certificates of Deposit	$ -	$ 4,932,245.28	$ -	$ 4,932,245.28
Cash and Cash Equivalents	7,608,908.37	-	-	7,608,908.37
Total	$ 7,608,908.37	$ 4,932,245.28	$ -	$ 12,541,153.65

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. Although the Authority does not have a formal policy for custodial credit risk, other than those policies that adhere to the requirements of statute, NJSA 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUDPA. Under the Act, the first $250,000 of governmental deposits in each insured depository is protected by the FDIC. Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA.

However, GUDPA does not protect intermingled trust fund such as salary withholdings and funds that may pass to the Authority relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below.

D. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk Related to Deposits (Continued)

At November 30, 2019 and 2018, the Authority's bank and investment balances of $12,401,571.60 and $12,749,156.70, respectively, were insured and collateralized as follows:

	November 30, 2019	November 30, 2018
Insured and Collateralized	$ 750,000.00	$ 750,000.00
Uninsured and Collateralized	11,651,571.60	11,999,156.70
	$ 12,401,571.60	$ 12,749,156.70

E. PROPERTY, PLANT AND EQUIPMENT

	Balance November 30, 2018	Additions	Deletions	Balance November 30, 2019
Land and Land Improvements	$ 5,098,264.32	$ -	$ -	$ 5,098,264.32
Buildings and Improvements	22,004,886.92	162,007.12	-	22,166,894.04
Machinery and Equipment	82,724,367.75	311,000.80	-	83,035,368.55
Construction in Progress	381,826.68	183,608.62	-	565,435.30
	110,209,345.67	656,616.54	-	110,865,962.21
Less: Accumulated Depreciation	(48,418,913.40)	(2,284,006.59)	-	(50,702,919.99)
	$ 61,790,432.27	$ (1,627,390.05)	$ -	$ 60,163,042.22

	Balance November 30, 2017	Additions	Deletions	Balance November 30, 2018
Land and Land Improvements	$ 5,098,264.32	$ -	$ -	$ 5,098,264.32
Buildings and Improvements	22,004,886.92	-	-	22,004,886.92
Machinery and Equipment	79,258,500.37	3,465,867.38	-	82,724,367.75
Construction in Progress	812,582.19	272,108.08	702,863.59	381,826.68
	107,174,233.80	3,737,975.46	702,863.59	110,209,345.67
Less: Accumulated Depreciation	(46,155,937.06)	(2,262,976.34)	-	(48,418,913.40)
	$ 61,018,296.74	$ 1,474,999.12	$ 702,863.59	$ 61,790,432.27

During the fiscal year ended November 30, 2019, no development projects were completed.

During the fiscal year ended November 30, 2018, three development projects were completed including water and wastewater improvements in the amount of $2,350,253.00.

These improvements were contributed to the Authority and are included in capital assets at fair market value at time of contribution.

E. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

A summary of the contributed additions to capital assets are provided below:

November 30, 2019	Water	Wastewater	Total
Equipment	$ -	$ -	$ -
Total	$ -	$ -	$ -

November 30, 2018	Water	Wastewater	Total
Equipment	$ 1,359,381.00	$ 990,872.00	$ 2,350,253.00
Total	$ 1,359,381.00	$ 990,872.00	$ 2,350,253.00

F. LONG-TERM DEBT

The Authority issues revenue bonds to provide funds for the acquisition and construction of capital facilities.

Revenue bonds currently outstanding are as follows:

	November 30, 2019	November 30, 2018

Series 2009 Subordinated Revenue Bonds – On November 6, 2008, loan agreements were executed between the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection and the New Jersey Environmental Infrastructure Trust whereby commitments were made for the Authority to have loans not to exceed $29,666,220.00. The loan agreements contain provisions for repayment during the years 2011 through 2023. Provision has been made for the capitalization of interest for the first twenty-two months of all bonds issued. The interest rate for the New Jersey Environmental Infrastructure Trust portion of the loans ($16,980,000.00) ranges between 5.0% and 5.50%, no interest is paid on the Fund portion of the loans ($12,686,220.00).

The Authority received notice in a letter dated February 12, 2014, from the State of New Jersey Department of Environmental Protection that the remaining fund share of the loan in the amount of $2,650,076.00 would be deobligated and that pursuant to P.L. 2008 Chapter 68 appropriated application to reduce the amount of fund loan for this project would be made by the Commissioner of the New Jersey Department of Environmental Protection. Included with this letter was a revised fund loan repayment schedule reducing the loan payment for August 1, 2019, by $298,842.28 and eliminating total payments from February 1, 2020, through August 1, 2023, in the amount of $2,351,233.72.

F. LONG-TERM DEBT (CONTINUED)

	November 30, 2019	November 30, 2018
In addition, the Authority received another notification from the New Jersey Environmental Infrastructure Trust dated August 5, 2014, stating that the Authority had received on February 12, 2014, notification of a final loan decrease from the Department of Environmental Protection based upon project completion. The notice indicated that in accordance with section 5.02(4)(a) of the Bond Resolution, the remaining funds in the East Windsor Municipal Utilities Loan Account were included in a current defeasance completed on July 18, 2014, by the NJEIT.		
Included with this notice was a revised trust loan repayment schedule reducing the future principal payments on August 1, 2021, by $730,000.00, August 1, 2022, by $900,000.00 and August 1, 2023, by $950,000.00 for a total reduction of $2,580,000.00.		
Funds in the amount of $3,058,433.66 were deposited in the Defeasance account established with The Bank of New York Mellon, as Trustee. These funds shall be invested (in securities which are state and local government securities) and transferred to the Debt Service Fund in the amounts and at times set forth in accordance with section 5.02(4)(a) of the Bond Resolution.		
The trust irrevocably instructs the trustee to apply the principal of and interest earned on the defeasance securities through and including the redemption date to the payment of (i) all of the interest due from September 1, 2014, through the redemption date September 1, 2018, and (ii) all of the outstanding principal to be defeasance that will be outstanding on the redemption date ($2,580,000.00).	$1,547,376.17	$2,223,772.31
Series 2010 Subordinated Revenue Bonds - On March 10, 2010, loan agreements were executed between the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection and the New Jersey Environmental Infrastructure Trust whereby commitments were made for the Authority to have loans not to exceed $889,220.00. In addition to the loan amounts, the Authority was awarded $878,440.00 in a Federal Stimulus Grant under the American Recovery and Reinvestment Act of 2009. The funds will be used for improvements and upgrades to the Millstone Road Water Pollution Control Facility. The loan agreements contain provisions for repayment during the years 2011 through 2029. Provision has been made for the capitalization of interest for the first twenty-two months of all bonds issued. The interest rate for the New Jersey Environmental Infrastructure Trust portion of the loan, $450,000.00, ranges between 3.00% to 5.0%, no interest Is paid on the Fund portion of the loans totaling $439,200.00.	515,296.54	563,826.17

F. LONG-TERM DEBT (CONTINUED)

	November 30, 2019	November 30, 2018
On May 10, 2016, the New Jersey Environmental Infrastructure Trust issued Series 2016A-R1 (2008A Financing Program) Refunding Bonds. $586,106.42 was established as deferred loss on refunding upon the advance refunding and defeasance of $8,827,000 of Series 2008A Bonds through the issuance of $7,607,000 Refunding Series 2016A-R1 Bonds. The amount deferred is being amortized over the life of the old bonds using the straight line method.	3,632,000.00	4,982,000.00
	5,694,672.71	7,769,598.48
Less: Current Portion	1,855,037.15	2,074,925.77
Long-Term Debt	$3,839,635.56	$5,694,672.71

A summary of maximum annual Debt Service for principal and interest for bonded debt issued and outstanding at November 30, 2019, is provided below (maximum debt service shall be reduced by allocable interest income credits from the various funds established in accordance with the New Jersey Wastewater Treatment Trust resolution):

Year Ending	Total	Principal	Interest
November 30, 2020	$2,047,687.39	$1,855,037.39	$192,650.00
November 30, 2021	1,339,502.02	1,219,052.02	120,450.00
November 30, 2022	1,213,992.43	1,133,492.43	80,500.00
November 30, 2023	1,210,513.09	1,165,913.09	44,600.00
November 30, 2024	55,579.63	48,529.63	7,050.00
November 30, 2025-2029	291,348.39	272.648.15	18,700.00
	$6,158,622.71	$5,694,672.71	$463,950.00

A summary of the activity in the Authority's principal portion of its debt is as follows:

	Balance November 30, 2018	Principal Payments	Balance November 30, 2019
Series 2009 Subordinated Revenue Bonds	$ 2,223,772.31	$ 676,396.14	$ 1,547,376.17
Series 2010 Subordinated Revenue Bonds	563,826.17	48,529.63	515,296.54
Series 2016AR-1	4,982,000.00	1,350,000.00	3,632,000.00
	$ 7,769,598.48	$ 2,074,925.77	$ 5,694,672.71

	Balance November 30, 2017	Principal Payments	Balance November 30, 2018
Series 2009 Subordinated Revenue Bonds	$ 3,200,268.36	$ 976,496.04	$ 2,223,772.32
Series 2010 Subordinated Revenue Bonds	607,355.80	43,529.63	- 563,826.17
Series 2016AR-1	6,327,000.00	1,345,000.00	4,982,000.00
	$ 10,134,624.16	$ 2,365,025.67	$ 7,769,598.49

G. PENSION PLAN

Simplified Employee Pension Plan
The Authority has a Simplified Employee Pension Plan ("SEP") available for all its employees. Employees are 100% vested in the SEP/IRA contribution at all times. The Authority did not make contributions to the plan in 2019 or 2018.

Pension and Retirement Plan
The Authority's employees participate in the following defined benefit pension plans: the Public Employees' Retirement System ("PERS"), which is administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). The plan has a board of trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295

Plan Description

PERS is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955. For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at:
www.state.nj.us/treasury/pensions/annual-reports.shtml

Benefits Provided

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

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

A service retirement benefit of 1/55th of final average salary for each year of service credit is available to Tier 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 Tier 1 and 2 members before reaching age 60, to Tier 3 and 4 members with 25 years or more of service credit before age 62 and Tier 5 members 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.

G. PENSION PLAN (CONTINUED)

Contributions

The contribution requirements of PERS plan members are determined by state statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the PERS were required to contribute 5.00% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.50% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased to 6.5% plus an additional 1.00% phased-in over seven years. The phase-in of the additional incremental member contribution amount began July 1, 2012, and increases each subsequent July 1. The active member effective contribution rates were July 1, 2018, 7.5%; July 1, 2017, 7.34%; July 1, 2016, 7.20%; July 1, 2015, 7.06%; and July 1, 2014, 6.92%. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Authority is billed annually for its normal contribution plus any accrued liability. Contributions to PERS from the Authority were $231,959 and $234,991 for the years ended November 30, 2019 and 2018, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At November 30, 2019 and 2018, the Authority had a liability of $4,895,380 and $4,591,599, respectively, for its proportionate share of the net pension liability in PERS. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority'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 members of the plan, actuarial determined. At June 30, 2019 and 2018, the Authority's proportion was 0.0271686566% and 0.0233200368%, respectively, which was an increase of .004% from its proportion measured as of June 30, 2018, and a decrease of 0.003% from its proportion measured as of June 30, 2017, respectively.

G. PENSION PLAN (CONTINUED)

	PERS			
	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 87,866	$ 21,626	$ 87,562	$ 23,676
Changes in assumptions	488,822	1,699,171	756,619	1,468,149
Net difference between projected and actual investment earnings on pension plan investments	-	77,275	-	43,069
Changes in proportion and differences between Authority contributions and proportionate share of contributions	885,014	438,844	340,698	559,737
	$1,461,702	$2,236,916	$1,185,149	$2,094,631

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:	
2020	$ 835,022
2021	(665,543)
2022	(620,990)
2023	(312,746)
2024	(10,957)
Total	$ (775,214)

Actuarial Assumptions

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

Inflation: Price	2.75%
Inflation: Wage	3.25%
Salary increases: through 2026 (based on years of service)	2.00-6.00%
Salary increases: thereafter (based on years of service)	3.00-7.00%
Investment rate of return	7.00%

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

Inflation	2.25%
Salary increases: through 2026 (based on age)	1.65-4.15%
Salary increases: thereafter (based on age)	2.65-5.15%
Investment rate of return	7.00%

G. PENSION PLAN (CONTINUED)

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019 and 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 and 2018, are summarized in the following tables:

	2019	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%
	100.00%	

G. PENSION PLAN (CONTINUED)

Long-Term Rate of Return (Continued)

	2018	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	100.00%	

Discount Rate

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

G. PENSION PLAN (CONTINUED)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	2019		
	At 1% Decrease (5.28%)	At Current Discount Rate (6.28%)	At 1% Increase (7.28%)
Local	$ 6,183,660	$ 4,895,380	$ 3,809,821

	2018		
	At 1% Decrease (4.66%)	At Current Discount Rate (5.66%)	At 1% Increase (6.66%)
Local	$ 5,773,407	$ 4,591,599	$ 3,600,138

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

H. SERVICE CONTRACTS WITH EAST WINDSOR

In accordance with terms of the Service Contract dated June 1, 1965, as amended, between the Authority and the Township of East Windsor, the Township will pay service charges to the Authority of a sum equal to the excess (if any) of all expenditures of the water/sewer fund of the Authority over water/sewer fund receipts of the Authority for any fiscal year.

No amounts have been accrued or paid by the Township to the Authority under the terms of the service contract through the fiscal years ended November 30, 2019 and 2018.

I. DEVELOPERS' AGREEMENTS (WATER AND SEWER FACILITIES TRUST ACCOUNT)

The Authority has negotiated Capacity Allocation and Developer's On-Tract and Off-Tract Agreements and an Agreement for Payment in Lieu of Construction of a Satellite Treatment Plant with various developers. The Authority will receive a total of $13,218,336.98 of cash and construction in kind, with respect to these agreements. As of November 30, 2019 and 2018, the Authority had received $12,788,142.35 and $12,672,624.35, respectively, in cash and construction in kind. These funds are restricted for capital improvements. Cash restricted for capital improvements at November 30, 2019 and 2018, is $2,778,106.88 and $2,854,204.21, respectively.

J. RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There was no reduction in commercial coverage during the year.

K. LITIGATION

As of November 30, 2019, the Authority was not a party to pending litigation or legal matters that would potentially have a material adverse effect on the financial position of the Authority in the event of an unfavorable or adverse outcome.

L. CONSTRUCTION COMMITMENT

On July 18, 2019 the authority awarded a contract to Reivax Contracting Corporation, 356 Thomas Street, Newark, NJ 07114 in the amount of $1,463,045.00 for the replacement of ductile iron pipe with high density polyethylene pipe, located in the Twin Rivers section, specifically the Huntington Drive area (H Section).

As of November 30, 2019 the contractor, Reivax Contracting Corporation had not commenced work on this contract and no liability is reflected on the financial statements.

The contractor began work on this contract in February 2020 and payments have been made in the amount of $1,336,453.21 to the contractor as of the date of this report.

M. SUBSEQUENT EVENTS

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

SUPPLEMENTARY INFORMATION

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

BUDGETARY COMPARISON SCHEDULE
For the Year Ended November 30, 2019
With Comparative Actual Amounts for the Year Ended November 30, 2018

	2019 Water		2019 Sewer		2019 Combined		2018 Combined
	Budget (Unaudited)	Actual	Budget (Unaudited)	Actual	Budget (Unaudited)	Actual	Actual
Operating Revenues:							
Retained Earnings Appropriated	$1,423,728.00	$1,423,728.00	$ 898.00	$ 898.00	$ 1,424,626.00	$ 1,424,626.00	$1,655,466.00
User Charges	2,973,825.00	2,909,510.30	4,279,155.00	4,191,350.72	7,252,980.00	7,100,861.02	7,061,871.83
Delinquent Penalties	9,800.00	10,598.18	14,200.00	18,489.26	24,000.00	29,087.44	26,779.81
Connection Fees	252,240.00	87,125.00	581,047.00	210,925.00	833,287.00	298,050.00	642,927.50
Laboratory Fees	-	-	5,100.00	1,045.00	5,100.00	1,045.00	3,955.00
Interest Income	22,750.00	54,062.06	42,250.00	81,093.10	65,000.00	135,155.16	93,528.10
Other Income	154,996.00	169,166.51	270,671.00	315,435.48	425,667.00	484,601.99	408,755.46
Total Revenues	4,837,339.00	4,654,190.05	5,193,321.00	4,819,236.56	10,030,660.00	9,473,426.61	9,893,283.70
Operating Expenses:							
Costs of Providing Services:							
Labor	657,300.00	598,355.06	975,700.00	862,215.44	1,633,000.00	1,460,570.50	1,507,209.52
Employee Benefits	328,100.00	324,956.70	525,000.00	530,150.84	853,100.00	855,107.54	826,473.80
Materials and Supplies	157,150.00	127,326.74	268,950.00	252,005.86	426,100.00	379,332.60	411,543.36
Repairs and Maintenance	123,700.00	96,959.49	160,100.00	167,873.27	283,800.00	264,832.76	322,026.12
Contracted Services	78,300.00	23,776.33	461,000.00	394,713.81	539,300.00	418,490.14	388,693.98
Utilities	370,550.00	298,650.00	474,000.00	421,985.71	844,550.00	720,635.71	592,716.95
Insurance	45,450.00	41,578.59	71,350.00	64,357.40	116,800.00	105,935.99	97,706.55
Other	37,500.00	37,469.55	37,800.00	30,325.03	75,300.00	67,794.58	66,033.13
Total Cost of Providing Services	1,798,050.00	1,549,072.46	2,973,900.00	2,723,627.36	4,771,950.00	4,272,699.82	4,212,403.41
Administrative and General Expenses:							
Labor	294,700.00	307,459.39	294,700.00	307,459.40	589,400.00	614,918.79	563,285.90
Employee Benefits	115,825.00	135,523.43	115,825.00	135,523.42	231,650.00	271,046.85	225,872.03
Materials and Supplies	10,000.00	14,140.58	10,000.00	14,140.59	20,000.00	28,281.17	13,820.04
Contracted Services	89,750.00	69,266.82	89,750.00	69,266.82	179,500.00	138,533.64	166,632.56
Utilities	9,850.00	18,469.88	9,850.00	18,469.89	19,700.00	36,939.77	49,831.82
Insurance	11,300.00	10,704.55	11,300.00	10,704.54	22,600.00	21,409.09	19,625.98
Other	10,600.00	12,190.09	10,600.00	12,190.09	21,200.00	24,380.18	11,429.58
Total Administrative and General Expenses	$ 542,025.00	$ 567,754.74	$ 542,025.00	$ 567,754.75	$ 1,084,050.00	$ 1,135,509.49	$1,050,497.91

BUDGETARY COMPARISON SCHEDULE
For the Year Ended November 30, 2019
With Comparative Actual Amounts for the Year Ended November 30, 2018

	2019 Water		2019 Sewer		2019 Combined		2018 Combined
	Budget (Unaudited)	Actual	Budget (Unaudited)	Actual	Budget (Unaudited)	Actual	Actual
Interest Expense	$ 12,726.00	$ 12,725.92	$ 47,008.00	$ 47,233.12	$ 59,734.00	$ 59,959.04	$ 116,523.96
Other Costs Funded by Revenues:							
Principal Maturity	1,037,538.00	1,037,537.65	1,037,388.00	1,037,388.12	2,074,926.00	2,074,925.77	2,365,025.67
Capital Outlay	1,447,000.00	505,644.31	593,000.00	155,946.74	2,040,000.00	661,591.05	674,533.87
Total Costs Funded by Revenues	4,837,339.00	3,672,735.08	5,193,321.00	4,531,950.09	10,030,660.00	8,204,685.17	8,418,984.82
Add: Excess Revenues Over Costs	-	981,454.97	-	287,286.47	-	1,268,741.44	1,474,298.88
	$ 4,837,339.00	$ 4,654,190.05	$ 5,193,321.00	$ 4,819,236.56	$ 10,030,660.00	$ 9,473,426.61	$ 9,893,283.70

	2019 Actual	2018 Actual
Reconciliation to Net Income:		
Excess from Above-Budgetary Basis	$ 1,268,741.44	$ 1,474,298.88
Adjustments to Budgetary Basis:		
Depreciation Expense	(2,284,006.59)	(2,262,976.34)
Capital Outlay	661,591.05	674,533.87
Debt Service - Principal	2,074,925.77	2,365,025.67
Developer Contributions	115,518.00	2,995,998.50
Loss on Refunding Bonds	(78,147.48)	(78,147.48)
Retained Earnings Appropriated	(1,424,626.00)	(1,655,466.00)
Increase in Net Position	$ 333,996.19	$ 3,513,267.10

SCHEDULE OF WATER AND SEWER REVENUE BONDS - NOVEMBER 30, 2019

	Date of Issue	Amount of Original Issue	Interest Rates	Maturity Dates	Amount	Balance December 1, 2018	Retired	Balance November 30, 2019
New Jersey Environmental Infrastructure Trust, Funding Bond Series 2016 A-RI	5/10/2016		4.5% - 5.00%	8/1/2020	634,000.00			
				8/1/2021	663,000.00			
				8/1/2022	698,000.00			
				8/1/2023	731,000.00			
						$ 3,328,000.00	$ 602,000.00	$ 2,726,000.00
New Jersey Environmental Infrastructure Trust, Series 2009A-Clean Water Fund Loan	11/6/2009	$ 5,036,636.00	None	2/1/2020	37,290.42			
				8/1/2020	350,217.10			
				2/1/2021	28,684.94			
				8/1/2021	357,837.45			
				2/1/2022	19,633.25			
				8/1/2022	367,329.55			
				2/1/2023	10,071.60			
				8/1/2023	376,311.86			
						1,934,234.66	386,858.49	1,547,376.17
New Jersey Environmental Infrastructure Trust Refunding Bonds Series 2016A-RI	5/10/2016		4.5% - 5.00%	9/1/2020	785,000.00			
				9/1/2021	121,000.00	1,654,000.00	748,000.00	906,000.00

SCHEDULE OF WATER AND SEWER REVENUE BONDS - NOVEMBER 30, 2019

	Date of Issue	Amount of Original Issue	Interest Rates	Maturity Dates	Amount	Balance December 1, 2018	Retired	Balance November 30, 2019
New Jersey Environmental Infrastructure Trust, Series 2009A-Drinking Water Fund Loan	11/6/2009	$ 7,649,584.00	None					
						$ 289,537.65	$ 289,537.65	$ -
New Jersey Environmental Trust, Series 2010A-CW ARRA Trust Loan	3/10/2010	450,000.00	3.0% -	8-1-2020-24	25,000.00			
			5.00%	8-1-2025-28	30,000.00			
				8/1/2029	35,000.00			
						305,000.00	25,000.00	280,000.00
New Jersey Environmental Infrastructure Trust, Series 2010A-CW ARRA Fund Loan	3/10/2010	439,220.00	N/A	8-1-2020-28	15,686.42			
			N/A	2-1-2020-29	7,843.21			
			N/A	8/1/2029	15,686.66			
						258,826.17	23,529.63	235,296.54
						$ 7,769,598.48	$ 2,074,925.77	$ 5,694,672.71

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

PERS - Last 10 Fiscal Years

	Years Ended June 30,						
	2019	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability	0.0271686566%	0.0233200368%	0.0263377362%	0.0253653327%	0.0250226872%	0.0231897555%	0.0215789526%
Authority's proportionate share of net pension liability	4,895,380.00	4,591,599.00	6,131,004.00	7,512,484.00	5,617,092.00	4,341,756.00	4,124,167
Authority's covered-employee payroll	1,828,528.35	1,821,946.00	1,758,426.46	1,763,058.11	1,721,728.15	1,505,839.61	1,445,582
Authority's proportionate share of net pension liability as a % of payroll	267.72%	252.02%	348.66%	426.11%	326.25%	288.33%	285.29%
Total pension liability	11,272,673.34	9,895,058.55	11,813,098.11	12,549,421.78	10,787,175.37	9,060,578.50	8,042,971.00
Plan fiduciary net position	6,377,293.58	5,303,459.55	5,682,094.11	5,036,937.78	5,170,083.51	4,718,822.03	3,918,804.00
Plan fiduciary net position as a % of total pension liability	56.57%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

Notes to the Required Supplementary Information
- There were no benefit changes.
- The discount rate changed from the measurement date of June 30, 2014 of 5.39% to 4.90% as of the measurement date of June 30, 2015.
- The discount rate changed from the measurement date of June 30, 2015 of 4.90% to 3.98% as of the measurement date of June 30, 2016.
- The discount rate changed from the measurement date of June 30, 2016 of 3.98% to 5.00% as of the measurement date of June 30, 2017.
- The discount rate changed from the measurement date of June 30, 2017 of 5.00% to 5.66% as of the measurement date of June 30, 2018.
- The discount rate changed from the measurement date of June 30, 2018 of 5.66% to 6.28% as of the measurement date of June 30, 2019.

* Until a full ten-year trend is compiled, information will be presented for those years for which information is available subsequent to adoption of GASB Statement No. 68 and 71.

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

SCHEDULE OF CONTRIBUTIONS

PERS - Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 264,271.00	$ 231,959.00	$ 243,991.00	$ 225,342.00	$ 215,128.00	$ 191,173.00	$ 162,593.00
Contributions in relation to the contractually required contribution	231,959.00	243,991.00	225,342.00	215,128.00	191,173.00	162,593.00	164,859.00
Agency's covered employee payroll	1,828,528.35	1,821,946.00	1,758,426.46	1,763,058.11	1,721,728.15	1,505,839.61	1,445,582.00
Contributions as a % of covered employee payroll	12.69%	13.39%	12.81%	12.20%	11.10%	10.80%	11.40%

* Until a full ten-year trend is compiled, information will be presented for those years for which information is available subsequent to adoption of GASB Statement No. 68 and 71.

EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF EAST WINDSOR)

ROSTER OF OFFICIALS
At November 30, 2019

Authority Members	Position
Linda L. Moore	Chairperson
Marc Lippman	Vice Chairperson
Marc Platizky	Secretary
Leonard J. Millner	Treasurer
Steven A. Kurs	Assistant Secretary-Treasurer
William P. Lawler	Alternate Member #1
Michael Schifman	Alternate Member #2

Other Officials	
Richard Brand	Executive Director
Appleton Fryer	General Manager/Development
Clark Wolverton	Utilities O&M Manager
Susan Pretz	Administrative Assistant
Ronald A. Ghrist	Chief Financial Officer
Nicole Pretz	Purchasing Agent/Accounts Payable Clerk
Lilly Rodriguez	Accounts Receivable Clerk
Edwin W. Schmierer (Mason, Griffin & Pierson)	Attorney
Hatch Matt MacDonald	Consulting Engineers

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

To the Honorable Board Members of
East Windsor Municipal Utilities Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the East Windsor Municipal Utilities Authority (the "Authority"), as of and for the year ended November 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 3, 2020.

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") to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Digesh B. Patel

Digesh B. Patel, CPA, MBA, CGMA, PSA
Registered Municipal Accountant
License No. 578

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

August 3, 2020

SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None reported.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None reported.