

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

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

NOVEMBER 30, 2020

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

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## **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, 2020 and 2019, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

## **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, 2020 and 2019, and the changes in financial position and its cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and 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.

#### *Other Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Authority's basic financial statements. The accompanying other supplementary information, as listed in the table of contents, is 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 July 15, 2021, 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.

A handwritten signature in black ink that reads "Digesh B. Patel". The signature is written in a cursive, flowing style.

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

**MERCADIEN, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

July 15, 2021

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

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

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

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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 includes statements of net position; statements of revenues, expenses and changes in net position; statements 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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Financial Highlights

**2020**

Total assets were \$72,841,791 and total liabilities were \$9,293,741 resulting in net position of \$62,507,276 at November 30, 2020. Net position increased by \$853,603 from November 30, 2019.

The Authority's unrestricted net position increased by \$634,548 for the year ended November 30, 2020.

The Authority's net pension liability was \$4,348,399 and \$4,895,380 as of November 30, 2020 and 2019, respectively.

Operating income for the year ended November 30, 2020, was \$504,133, an increase of \$282,704 when compared to the year ended November 30, 2019.

The change in operating income resulted from an increase of \$43,282 in operating revenues and a decrease of \$239,422 in operating expenses.

The increase in operating revenues resulted mainly from increased collections of connection fees of \$225,515 (75.7%) offset by a reduction of \$172,871 (35.7%) in other income.

Other income includes income 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. Other income also includes a shared service agreement with the Township of Cranbury for which the Authority maintained their sewer collection system. The total decrease from these shared service agreements was \$94,102 (36.9%), mostly due to the agreement with the Township of East Windsor ending as of December 31, 2019.

Administrative and general expenses decreased \$50,415 (4.4%) for the year ended November 30, 2020. Salaries and wages increased \$12,881 (2.1%), and employee benefits decreased \$46,701 (17.2%) including a decrease in pension expense of \$48,106 (46.1%). Contracted services including professional fees increased \$16,546 (11.9%).

Cost of providing service expenses decreased \$149,306 (3.5%) for the year ended November 30, 2020. The largest area of decrease was in employee benefits which decreased by \$114,801 (13.4%), which included a decrease in pension expense of \$135,424 (45.5%). Utilities expense decreased \$86,321 (11.96%), overall, with expenses at the sewerage treatment plant decreasing by \$30,256 (13.7%). Other items which decreased were repairs and maintenance \$5,047 (1.9%) and miscellaneous expenses \$9,805 (14.4%). The areas showing increases were salaries and wages \$38,243 (2.6%), contracted services \$28,365 (6.8%), and insurance \$1,691 (1.6%).

Depreciation expense decreased \$39,702 (1.7%).

The Authority's outstanding debt at November 30, 2020, was \$3,839,636, a decrease of \$1,855,037 compared to November 30, 2019.



**EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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Financial Highlights (Continued)

**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.

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 a connection fee income 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), an increase of \$38,989 (0.6%).

Administrative and general expenses increased \$85,012 for the year ended November 30, 2019. Employee benefits increased \$44,073 accounting for 51.8% of the total and salaries and wages increased \$51,633. Other administrative and general expense remained relatively the same as 2018.

Cost of providing services expenses increased \$60,296 (14%) for the year ended November 30, 2019. The largest increases were in utilities \$127,919 and employee benefits \$28,633. The cost of salaries and wages decreased in 2019 by \$46,639. Repairs and maintenance expense decreased by \$57,193.

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.

**EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

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, 2020 and 2019.

Table 1  
Condensed Summary of Net Position

	November 30,			2019-2020 Change	%Change
	2020	2019	2018		
<b>Assets:</b>					
Current Assets - Unrestricted	\$ 11,212,536	\$ 10,776,114	\$ 10,795,574	\$ 436,422	4.05%
Restricted Assets	2,066,683	3,025,800	3,017,327	(959,117)	-31.70%
Capital Assets (Net of Depreciation)	59,562,572	60,163,042	61,790,432	(600,470)	-1.00%
<b>Total Assets</b>	<b>\$ 72,841,791</b>	<b>\$ 73,964,956</b>	<b>\$ 75,603,333</b>	<b>(1,123,165)</b>	<b>-1.52%</b>
<b>Deferred Outflows of Resources:</b>					
Pension	\$ 970,209	\$ 1,461,702	\$ 1,185,149	(491,493)	-33.62%
Loss on Bond Refunding	234,443	312,590	390,738	(78,147)	-25.00%
<b>Total Deferred Outflows of Resources</b>	<b>\$ 1,204,652</b>	<b>\$ 1,774,292</b>	<b>\$ 1,575,887</b>	<b>(569,640)</b>	<b>-32.11%</b>
<b>Liabilities:</b>					
<b>Current Liabilities:</b>					
<b>Payable from Unrestricted:</b>					
Current Assets	\$ 311,549	\$ 346,707	\$ 313,400	(35,158)	-10.14%
Restricted Assets	1,579,747	2,158,044	2,393,576	(578,297)	-26.80%
Net Pension Liability	4,348,399	4,895,380	4,591,599	(546,981)	-11.17%
<b>Non-Current Liabilities</b>	<b>3,054,047</b>	<b>4,448,528</b>	<b>6,466,337</b>	<b>(1,394,481)</b>	<b>-31.35%</b>
<b>Total Liabilities</b>	<b>\$ 9,293,742</b>	<b>\$ 11,848,659</b>	<b>\$ 13,764,912</b>	<b>(2,554,917)</b>	<b>-21.56%</b>
<b>Deferred Inflows of Resources:</b>					
Pension	\$ 2,245,425	\$ 2,236,916	\$ 2,094,631	8,509	0.04%
<b>Total Deferred Inflows of Resources</b>	<b>\$ 2,245,425</b>	<b>\$ 2,236,916</b>	<b>\$ 2,094,631</b>	<b>8,509</b>	<b>0.04%</b>
<b>Net Position:</b>					
<b>Invested in Capital Fixed Assets,</b>					
Net of Revenue Bonds Payable	\$ 55,723,946	\$ 54,469,375	\$ 54,021,823	1,254,571	2.30%
<b>Restricted for:</b>					
Capital Improvements	1,744,994	2,778,107	2,854,204	(1,033,113)	-37.19%
Future Debt Service	1,435	3,838	3,339	(2,403)	-62.61%
Unrestricted	5,036,901	4,402,353	4,440,311	634,548	14.41%
<b>Total Net Position</b>	<b>\$ 62,507,276</b>	<b>\$ 61,653,673</b>	<b>\$ 61,319,677</b>	<b>853,603</b>	<b>1.38%</b>

**EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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Financial Analysis of the Authority (Continued)

**2020**

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 \$62,507,276 at November 30, 2020, an increase of \$853,603 for the fiscal year ended November 2020.

The largest portion of the Authority's net position (\$55,723,946 or 89.2%) at November 30, 2020, 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 \$853,603 and unrestricted net position increased by \$634,548 in 2020.

**2019**

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 \$61,653,673 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.

**EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Operating Activities

Table 2 summarizes the changes in revenues, expenses and net position between fiscal years November 30, 2020 and 2019.

	November 30,			2019-2020 Change	% Change
	2020	2019	2018		
<b>Revenues</b>					
Operating Revenues:					
User Charges	\$ 7,097,542	\$ 7,100,861	\$ 7,061,872	\$ (3,319)	0.00%
Connection Fees	523,565	298,050	642,928	225,515	75.66%
Other	335,819	514,733	439,490	(178,914)	-34.76%
Total Operating Revenues:	<u>7,956,926</u>	<u>7,913,644</u>	<u>8,144,290</u>	43,282	0.55%
Non-Operating Revenues					
Interest Income	77,994	135,155	93,528	(57,161)	-42.29%
Capital Contributions	480,759	115,518	2,995,999	365,241	316.18%
Total Non-Operating Revenues	<u>558,753</u>	<u>250,673</u>	<u>3,089,527</u>	308,080	122.90%
Total Revenues	<u>8,515,679</u>	<u>8,164,317</u>	<u>11,233,817</u>	351,362	4.30%
Operating Expenses:					
Cost of Providing Services	4,123,394	4,272,699	4,212,404	(149,305)	-3.49%
General and Administrative	1,085,094	1,135,509	1,050,499	(50,415)	-4.44%
Depreciation	2,244,305	2,284,007	2,262,976	(39,702)	-1.74%
Total Operating Expenses	<u>7,452,793</u>	<u>7,692,215</u>	<u>7,525,879</u>	(239,422)	-3.11%
Non-Operating Expenses:					
Interest Expense	38,713	59,959	116,524	(21,246)	-35.43%
Loss on Refunding Bonds	78,147	78,147	78,147	-	0.00%
Capital Projects Abandoned	92,423	-	-	92,423	0.00%
Total Non-Operating Expenses	<u>209,283</u>	<u>138,106</u>	<u>194,671</u>	71,177	-51.54%
Total Expenses	<u>7,662,076</u>	<u>7,830,321</u>	<u>7,720,550</u>	(168,245)	-2.15%
Change in Net Position	<u>853,603</u>	<u>333,996</u>	<u>3,513,267</u>	519,607	155.57%
Net Position, Beginning of Year,	61,653,673	61,319,677	57,806,410	333,996	0.54%
Net Position, End of the Year	<u>\$ 62,507,276</u>	<u>\$ 61,653,673</u>	<u>\$ 61,319,677</u>	853,603	1.38%

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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Operating Activities (Continued)

**2020**

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 2020 increased by \$351,362 (4.3%) and total expenses decreased by \$168,245 (2.2%) compared to 2019.

The items which were responsible for the major changes in net position for the year ended November 30, 2020, included:

Connection fees charged to new customers increased by \$225,515 (75.7%) when compared to 2019.

Other income decreased \$178,914 (34.2%) compared to 2019.

Capital contributions paid by developers increased \$365,241 (316.2%) compared to 2019.

Operating expenses decreased \$239,422 (3.1%) compared to 2019.

**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.

**EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Capital Assets

Table 3 summarizes the changes in capital assets at November 30, 2020 and 2019.

Table 3  
Capital Assets - Net of Depreciation

	November 30,			2019-2020
	2020	2019	2018	Change
Land, Land Rights and Improvements	\$ 5,098,264	\$ 5,098,264	\$ 5,098,264	\$ -
Buildings and Improvements	22,166,894	22,166,894	22,004,887	-
Machinery and Equipment	83,188,065	83,035,369	82,724,368	152,696
Construction in Progress	2,056,574	565,435	381,827	1,491,139
	112,509,797	110,865,962	110,209,346	1,643,835
Less: Accumulated Depreciation	52,947,225	50,702,920	48,418,913	2,244,305
Total Capital Assets, Net of Depreciation	<u>\$ 59,562,572</u>	<u>\$ 60,163,042</u>	<u>\$ 61,790,433</u>	<u>\$ (600,470)</u>

**2020**

At November 30, 2020, the Authority's investment in capital assets was \$112,509,797, an increase of \$1,643,835 when compared to 2019.

**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.

Debt Outstanding

Table 4  
Debt Outstanding

	November 30,			2019-2020
	2020	2019	2018	Change
Bonds Payable	<u>\$ 3,839,636</u>	<u>\$ 5,694,673</u>	<u>\$ 7,769,598</u>	<u>\$ (1,855,037)</u>

**EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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Debt Outstanding (Continued)

**2020**

The Authority's bonded debt was \$3,839,636 at November 30, 2020, a decrease of \$1,855,037 when compared to 2019. 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.

**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.

Next Year's Budget and User Rates

The Authority adopted an operating and maintenance budget of \$5,887,600 for fiscal year 2021, a decrease of \$91,300 or (1.5%), compared to 2020 budget. Total user fees are budgeted to increase \$35,160 or 0.5% in 2021.

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

The Authority adopted a six-year capital program with their 2021 budget. The capital program includes future projects totaling \$39,567,000. The six-year capital program anticipates the use of \$5,596,000 from unrestricted net position to provide funding for anticipated projects.

On January 28, 2021, the capital budget for the year 2021 was amended adding one new project, the construction of new well #6 and a new well pump in the amount of \$567,659.00. This project is to be financed by debt issuance.

Financial Effects Resulting from the Coronavirus Pandemic

The daily operations of the Authority remained basically unchanged during the pandemic period. Revenues billed in the year ended November 30, 2020, were only \$3,319 lower than the year ended November 30, 2019. As time passed and as a result of state mandates (Executive Orders) people began working from their homes and businesses reduced or shut down their central operation, resulting in an increase in residential revenues and a decrease in non-residential revenues.

Certain Executive Orders limited the Authority's ability to take normal actions to collect outstanding user charges. These actions included charging delinquent penalties, shutting off services, and having the annual tax sale for late payments.

**EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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Financial Effects Resulting from the Coronavirus Pandemic (Continued)

The inability to take these collection actions resulted in the amount of the over 90-day delinquent user account. Over 90-day delinquent user accounts receivable grew from \$31,521 (2.4% of total user charges receivable) at November 30, 2019, to \$50,049 (3.7%) at November 30, 2020, and to \$88,159 (6.8%) through May 31, 2021.

A review of the statements of cash flows indicates that for the year ended November 30, 2020, there was an overall increase in cash provided by operating activities compared to the year ended November 30, 2019.

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

	November 30,	
	2020	2019
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 5,552,802.12	\$ 4,335,093.22
Investments	4,232,736.45	5,008,223.01
User Charges Receivable (Net of Allowance for Uncollectible Accounts of \$0 in 2020 and 2019)	1,371,115.48	1,330,675.40
Other Receivables	45,622.56	59,224.42
Interest Receivable	10,259.66	42,897.80
Total Current Assets	<u>11,212,536.27</u>	<u>10,776,113.85</u>
Non Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents	2,066,682.82	3,025,799.90
Total Restricted Assets	<u>2,066,682.82</u>	<u>3,025,799.90</u>
Capital Assets:		
Land and Land Improvements	5,098,264.32	5,098,264.32
Buildings and Improvements	22,166,894.04	22,166,894.04
Machinery and Equipment	83,188,064.55	83,035,368.55
Construction in Progress	2,056,574.08	565,435.30
	<u>112,509,796.99</u>	<u>110,865,962.21</u>
Less: Accumulated Depreciation	52,947,225.00	50,702,919.99
Capital Assets (Net)	<u>59,562,571.99</u>	<u>60,163,042.22</u>
Total Assets	<u>\$ 72,841,791.08</u>	<u>\$ 73,964,955.97</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Pension	\$ 970,209.00	\$ 1,461,702.00
Loss on Bond Refunding	234,442.74	312,590.22
Total Deferred Outflows of Resources	<u>\$ 1,204,651.74</u>	<u>\$ 1,774,292.22</u>

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

STATEMENTS OF NET POSITION (CONTINUED)

	November 30,	
	2020	2019
<u>LIABILITIES AND NET POSITION</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 306,649.24	\$ 342,507.02
Customer Meter Deposits	4,900.00	4,200.00
Total Current Liabilities	<u>311,549.24</u>	<u>346,707.02</u>
Current Liabilities Payable from Restricted Assets:		
Bonds Payable - New Jersey Environmental Infrastructural Trust	1,219,052.02	1,855,037.15
Accrued Interest Payable	30,082.50	48,060.00
Escrow Deposits - Review Fees	330,612.72	254,946.86
Total Current Liabilities Payable from Restricted Assets	<u>1,579,747.24</u>	<u>2,158,044.01</u>
Total Current Liabilities	<u>1,891,296.48</u>	<u>2,504,751.03</u>
Long-Term Liabilities:		
Bonds Payable - New Jersey Environmental Infrastructural Trust	2,620,583.54	3,839,635.56
Compensated Absences Payable	258,989.47	299,870.26
Premium on Bonds	174,472.88	309,021.92
Net Pension Liability	4,348,399.00	4,895,380.00
Total Long-Term Liabilities	<u>7,402,444.89</u>	<u>9,343,907.74</u>
Total Liabilities	<u>\$ 9,293,741.37</u>	<u>\$ 11,848,658.77</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Pension	<u>\$ 2,245,425.00</u>	<u>\$ 2,236,916.00</u>
Net Position:		
Invested in Capital Assets, Net of Related Bonds Payable	\$ 55,723,946.28	\$ 54,469,375.44
Restricted for Capital Improvements	1,744,993.70	2,778,106.88
Restricted for Future Debt Service	1,435.08	3,837.80
Unrestricted	<u>5,036,901.39</u>	<u>4,402,353.30</u>
Total Net Position	<u>\$ 62,507,276.45</u>	<u>\$ 61,653,673.42</u>

**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,	
	2020	2019
Operating Revenues:		
User Charges	\$ 7,097,542.76	\$ 7,100,861.02
Delinquent Penalties	23,302.78	29,087.44
Connection Fees	523,565.00	298,050.00
Laboratory Fees	785.00	1,045.00
Other Income	311,731.00	484,601.99
Total Operating Revenues	<u>7,956,926.54</u>	<u>7,913,645.45</u>
Operating Expenses:		
Salaries, Wages and Benefits	3,091,265.55	3,201,643.68
Contracted Services	601,935.25	557,023.78
Other Operating Expenses	1,515,287.26	1,649,541.85
Depreciation	2,244,305.01	2,284,006.59
Total Operating Expenses	<u>7,452,793.07</u>	<u>7,692,215.90</u>
Operating Income	<u>504,133.47</u>	<u>221,429.55</u>
Non-Operating Revenues (Expenses), Net:		
Interest Income	77,993.87	135,155.16
Interest Expense	(38,713.46)	(59,959.04)
Capital Projects Abandoned	(92,422.87)	-
Loss on Refunding Bonds	(78,147.48)	(78,147.48)
Total Non-Operating Expenses, Net	<u>(131,289.94)</u>	<u>(2,951.36)</u>
Income Before Capital Contributions	<u>372,843.53</u>	<u>218,478.19</u>
Capital Contributions:		
Developer Impact Fees	480,759.50	115,518.00
Total Capital Contributions	<u>480,759.50</u>	<u>115,518.00</u>
Net Income	<u>853,603.03</u>	<u>333,996.19</u>
Net Position, Beginning of Year	<u>61,653,673.42</u>	<u>61,319,677.23</u>
Net Position, End of Year	<u>\$ 62,507,276.45</u>	<u>\$ 61,653,673.42</u>

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

STATEMENTS OF CASH FLOWS

	Years Ended November 30,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipt from Customers	\$ 7,930,088.32	\$ 7,771,591.27
Payments to Suppliers	(3,183,920.84)	(3,134,574.64)
Payments to Employees	(2,148,284.79)	(2,046,189.40)
Customer Meter Deposits	700.00	(2,550.00)
Net Cash Provided by Operating Activities	<u>2,598,582.69</u>	<u>2,588,277.23</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of Property, Plant and Equipment	(1,736,257.65)	(656,616.54)
Principal Payments on Bonds	(1,855,037.15)	(2,074,925.77)
Contributed Capital	480,759.50	115,518.00
Interest Paid on Bonds	(191,240.00)	(260,925.00)
Escrow Deposits	75,665.86	1,471.75
Net Cash Used for Capital and Related Financing Activities	<u>(3,226,109.44)</u>	<u>(2,875,477.56)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Investments	(4,232,736.45)	(5,008,223.01)
Proceeds from Sale of Investments	5,008,223.01	4,932,245.28
Interest Received	110,632.01	115,162.81
Net Cash Provided by Investing Activities	<u>886,118.57</u>	<u>39,185.08</u>
Net Change in Cash and Cash Equivalents	258,591.82	(248,015.25)
Cash and Cash Equivalents, Beginning of Year	<u>7,360,893.12</u>	<u>7,608,908.37</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,619,484.94</u>	<u>\$ 7,360,893.12</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income	<u>\$ 504,133.47</u>	<u>\$ 221,429.55</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	2,244,305.01	2,284,006.59
User Charges Receivable	(40,440.08)	(135,000.96)
Other Receivables	13,601.86	(6,056.86)
Accounts Payable and Accrued Expenses	(35,857.78)	35,856.95
Pension	(46,979.00)	169,513.00
Compensated Absences Payables	(40,880.79)	21,078.96
Customer Meter Deposits	700.00	(2,550.00)
Total Adjustments	<u>2,094,449.22</u>	<u>2,366,847.68</u>
Net Cash Provided by Operating Activities	<u>\$ 2,598,582.69</u>	<u>\$ 2,588,277.23</u>

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

NOTES TO FINANCIAL STATEMENTS

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**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

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

NOTES TO FINANCIAL STATEMENTS

---

**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 value. At November 30, 2020 and 2019, the Authority had investments in the amount of \$4,232,736.45 and \$5,008,223.01 respectively.

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

NOTES TO FINANCIAL STATEMENTS

---

**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, 2020 and 2019, were \$1,371,115.48 and \$1,330,675.40 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.

**Capital Contributions**

Developer impact fees are recorded in the period received due to the nature of the underlying developers' agreements. Developer financed construction in kind is recorded in the period in which applicable costs are incurred. Donated assets are recorded at fair market value at the time of the contribution. See Note I for total amounts to be received under the developers' agreements.

**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
<b>Machinery and Equipment</b>	
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 a cost over \$5,000.

**Bond Premium**

Bond premium is amortized based on a pro-rata basis of the principal payments made, which approximates the effective interest method. Bond premium as of November 30, 2020 and 2019, was \$174,472.88 and \$309,021.92, respectively.



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

NOTES TO FINANCIAL STATEMENTS

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**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) Net Investment in Capital Assets - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted - when constraints placed on net position are either a) externally imposed by creditors (such as the bond resolution), grantors, or laws or regulations of other governments, or b) imposed by law.

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) Unrestricted - 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*.

**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

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

NOTES TO FINANCIAL STATEMENTS

---

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences Payable (Continued)**

the employee's current hourly salary up to a maximum of \$15,000. If the employee leaves for a 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, 2020, are \$138,000.79 and \$120,988.68, respectively, and as of November 30, 2019, are \$142,928.38 and \$156,941.88, 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.

***Adoption of Accounting Standards***

The Authority has adopted the following pronouncements on the financial statements:

- GASB Statement 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, effective for periods beginning after June 15, 2019. The adoption of this Statement had no effect on previously reported amounts.

***Pending Accounting Standards***

The Authority is currently evaluating the effects of the following pronouncements on the financial statements:

- GASB Statement 84 – Fiduciary Activities, effective for periods beginning after December 15, 2019.
- GASB Statement 87 – *Leases*, effective for periods beginning after June 15, 2021.
- GASB Statement 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for periods beginning after December 15, 2020.
- GASB Statement 90 – *Majority Equity Interest – an Amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2019.
- GASB Statement 91 – *Conduit Debt Obligations*, effective for periods beginning after December 15, 2020.
- GASB Statement 92 – *Omnibus 2020*. This statement clarifies the effective date of GASB Statement 87 and addresses other topics that are required to be adopted by the Commission for the year ended December 31, 2022.
- GASB Statement 93 – *Replacement of Interbank Offered Rates*, effective for periods beginning after June 15, 2021.
- GASB Statement 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for periods beginning after June 15, 2022.

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

NOTES TO FINANCIAL STATEMENTS

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**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Pending Accounting Standards (Continued)***

- GASB Statement 95 - *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement postpones the effective dates of applicable pending Statements described above. The effective dates mentioned above are the applicable postponed dates as prescribed by Statement 95.
- GASB Statement 96 - *Subscription-Based Information Technology Arrangements*, effective for periods beginning after June 15, 2022.
- GASB Statement 97 - *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, effective for periods beginning after June 15, 2021.

**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 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.

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

NOTES TO FINANCIAL STATEMENTS

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**D. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Deposits (Continued)**

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 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.

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

NOTES TO FINANCIAL STATEMENTS

**D. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

- 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, 2020, were:

Investment Type	Fair Value	Years	
		Less Than 1	1-5
Certificate of Deposits	\$ 4,232,736.45	\$ 4,232,736.45	\$ -
Total Investments	\$ 4,232,736.45	\$ 4,232,736.45	\$ -
<b>Bank</b>			
Fulton Bank	\$ 6,027,279.40		
BONY	1,249,601.78		
Wells Fargo	342,378.76		
Cash on Hand	225.00		
Total Cash and Cash Equivalents	7,619,484.94		
Total Cash and Cash Equivalents and Investments	\$ 11,852,221.39		

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

Investment Type	Fair Value	Years	
		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	\$ -
<b>Bank</b>			
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		

**EAST WINDSOR MUNICIPAL UTILITIES AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

**D. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Custodial Credit Risk Related to Deposits**

Assets measured at fair value on a recurring basis as of November 30, 2020 and 2019, are summarized as follows:

	November 30, 2020			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit		\$ 4,232,736.45	\$ -	\$ 4,232,736.45
Cash and Cash Equivalents	\$ 7,619,484.94	-	-	7,619,484.94
Total	\$ 7,619,484.94	\$ 4,232,736.45	\$ -	\$ 11,852,221.39

  

	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

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.

At November 30, 2020 and 2019, the Authority's bank and investment balances of \$11,839,823.97 and \$12,401,571.60, respectively, were insured and collateralized as follows:

	November 30,	
	2020	2019
Insured and Collateralized	\$ 750,000.00	\$ 750,000.00
Uninsured and Collateralized	11,089,823.97	11,651,571.60
	\$ 11,839,823.97	\$ 12,401,571.60

**E. PROPERTY, PLANT AND EQUIPMENT**

	Balance			Balance		
	November 30, 2019	Additions	Deletions	November 30, 2020		
Land and Land Improvements	\$ 5,098,264.32	\$ -	\$ -	\$ 5,098,264.32		
Buildings and Improvements	22,166,894.04	-	-	22,166,894.04		
Machinery and Equipment	83,035,368.55	152,696.00	-	83,188,064.55		
Construction in Progress	565,435.30	1,583,561.65	(92,422.87)	2,056,574.08		
	110,865,962.21	1,736,257.65	(92,422.87)	112,509,796.99		
Less: Accumulated Depreciation	(50,702,919.99)	(2,244,305.01)	-	(52,947,225.00)		
	\$ 60,163,042.22	\$ (508,047.36)	\$ (92,422.87)	\$ 59,562,571.99		

  

	Balance			Balance		
	November 30, 2018	Additions	Deletions	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		

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**NOTES TO FINANCIAL STATEMENTS**

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**E. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

During the fiscal years ended November 30, 2020 and 2019, no development projects were completed.

There were no constructed capital assets during the years ended November 30, 2020 and 2019.

**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:

	<u>November 30,</u>	
	<u>2020</u>	<u>2019</u>

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 de-obligated 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.

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 New Jersey Environmental Infrastructure Trust.

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.

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**F. LONG-TERM DEBT (CONTINUED)**

	<u>November 30,</u>	
	<u>2020</u>	<u>2019</u>
<p>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.</p>		
<p>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).</p>	\$1,159,868.65	\$1,547,376.17
<p>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.</p>	466,766.91	515,296.54
<p>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.</p>	<u>2,213,000.00</u>	<u>3,632,000.00</u>
	3,839,635.56	5,694,672.71
Less: Current Portion	<u>1,219,052.02</u>	<u>1,855,037.15</u>
Long-Term Debt	<u>\$2,620,583.54</u>	<u>\$3,839,635.56</u>



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**F. LONG-TERM DEBT (CONTINUED)**

A summary of maximum annual Debt Service for principal and interest for bonded debt issued and outstanding at November 30, 2020, 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, 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	59,579.63	53,529.63	6,050.00
November 30, 2026-2029	231,768.76	219,118.76	12,650.00
	<u>\$ 4,110,935.56</u>	<u>\$ 3,839,635.56</u>	<u>\$ 271,300.00</u>

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

	Balance November 30, 2019	Principal Payments	Balance November 30, 2020
Series 2009 Subordinated Revenue Bonds	\$ 1,547,376.17	\$ 387,507.52	\$ 1,159,868.65
Series 2010 Subordinated Revenue Bonds	515,296.54	48,529.63	466,766.91
Series 2016AR-1	3,632,000.00	1,419,000.00	2,213,000.00
	<u>\$ 5,694,672.71</u>	<u>\$ 1,855,037.15</u>	<u>\$ 3,839,635.56</u>

	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
	<u>\$ 7,769,598.48</u>	<u>\$ 2,074,925.77</u>	<u>\$ 5,694,672.71</u>

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NOTES TO FINANCIAL STATEMENTS

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**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 2020 or 2019.

**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/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.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.

<u>Tier</u>	<u>Definition</u>
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

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

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NOTES TO FINANCIAL STATEMENTS

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**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 \$264,271 and \$231,959 for the years ended November 30, 2020 and 2019, respectively.

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

For the year ended November 30, 2020 and 2019, the Authority had a liability of \$4,348,399 and \$4,895,380, respectively, for its proportionate share of the net pension liability in PERS. The net pension liability was measured as of June 30, 2020, 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. As of the June 30, 2020 and 2019, measurement dates the Authority's proportion was 0.0266652147% and 0.0271686566%, respectively, which was a decrease of .001% from its proportion measured as of June 30, 2019, and an increase of 0.004% from its proportion measured as of June 30, 2018, respectively.

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**G. PENSION PLAN (CONTINUED)**

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 79,177	\$ 15,378	\$ 87,866	\$ 21,626
Changes of assumptions	141,067	1,820,716	488,822	1,699,171
Net difference between projected and actual investment earnings on pension plan investments	148,632	-	-	77,275
Changes in proportion and differences between Authority contributions and proportionate share of contributions	601,333	409,331	885,014	438,844
	<u>\$ 970,209</u>	<u>\$ 2,245,425</u>	<u>\$ 1,461,702</u>	<u>\$ 2,236,916</u>

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

<u>Years Ending June 30:</u>	
2021	\$ 103,158
2022	(755,574)
2023	(447,330)
2024	(145,541)
2025	(29,929)
Total	<u>\$ (1,275,216)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2020, 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, 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%

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**G. PENSION PLAN (CONTINUED)**

Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Rate of Return

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

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**G. PENSION PLAN (CONTINUED)**

Long-Term Rate of Return (Continued)

<u>Asset Class</u>	<u>2020</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equity	27.00%	7.71%
Non-U.S. developed markets equity	13.50%	8.57%
Emerging markets equity	5.50%	10.23%
Private equity	13.00%	11.42%
Real assets	3.00%	9.73%
Real estate	8.00%	9.56%
High yield	2.00%	5.95%
Private credit	8.00%	7.59%
Investment grade credit	8.00%	2.67%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk mitigation strategies	3.00%	3.40%
	<u>100.00%</u>	

  

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

Discount Rate

The discount rate used to measure the pension liabilities of PERS was 7.00% and 6.28% as of June 30, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially

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**G. PENSION PLAN (CONTINUED)**

Discount Rate (Continued)

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

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:

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

		November 30, 2020		
		At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
Local		\$ 5,516,953	\$ 4,348,399	\$ 3,420,057

  

		November 30, 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

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, 2020 and 2019.

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**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 \$14,031,308.98 of cash and construction in kind, with respect to these agreements. As of November 30, 2020 and 2019, the Authority had received \$13,268,901.85 and \$12,788,142.35, respectively, in cash and construction in kind. These funds are restricted for capital improvements. Cash restricted for capital improvements at November 30, 2020 and 2019, is \$1,744,993.70 and \$2,778,106.88, 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, 2020, 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 not exceeding \$1,533,045.00 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).

The contractor began work on this contract in February 2020. Change order #1 was approved on May 21, 2020, adding \$70,000 to the contract price. Payments have been made in the amount of \$1,336,453.21 to the contractor as of the date of this report.

**M. IMPACT OF CORONAVIRUS PANDEMIC**

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 including restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Authority and its members operate.



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**M. IMPACT OF CORONAVIRUS PANDEMIC (CONTINUED)**

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, there has generally been a negative economic impact, however, the impact on the Authority's financial statements and operations was limited in 2020. It is reasonably possible that revenues, collections on accounts receivables, and related cash flows may be adversely impacted going forward. It is unknown how long these conditions will last and what the complete financial affect will be to the Authority.

**N. SUBSEQUENT EVENTS**

On January 28, 2021, a contract to complete the construction of well #6 production well and installing a new 1,200 gallon-per-minute pump for a sum not to exceed \$547,659.00 was awarded. Previously, on December 17, 2020, the Authority had authorized the emergency removal, cleaning (swabbing) and inspection of well #6 submersible well pump and appurtenances following an unexpected failure of the well pump and the finding of sand in the raw water line. This contract was awarded in an amount not to exceed \$67,200.00. This contract was completed at a total cost of \$20,000.00 and resulted in the awarding of the January 28, 2021, contract.

## **SUPPLEMENTARY INFORMATION**

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

(Page 1 of 2)

**BUDGETARY COMPARISON SCHEDULE**

Year Ended November 30, 2020

With Comparative Actual Amounts for the Year Ended November 30, 2019

	2020 Water		2020 Sewer		2020 Combined		2019 Combined
	Budget (Unaudited)	Actual	Budget (Unaudited)	Actual	Budget (Unaudited)	Actual	Actual
<b>Operating Revenues:</b>							
Retained Earnings Appropriated	\$ 1,749,735.00	\$ 1,749,735.00	\$ 721,382.00	\$ 721,382.00	\$ 2,471,117.00	\$ 2,471,117.00	\$ 1,424,626.00
User Charges	2,878,440.00	3,000,874.57	4,176,400.00	4,096,668.19	7,054,840.00	7,097,542.76	7,100,861.02
Delinquent Penalties	9,800.00	8,971.83	16,600.00	14,330.95	26,400.00	23,302.78	29,087.44
Connection Fees	143,536.00	223,760.00	324,347.00	299,805.00	467,883.00	523,565.00	298,050.00
Laboratory Fees	-	-	1,200.00	785.00	1,200.00	785.00	1,045.00
Interest Income	38,500.00	31,197.55	71,500.00	46,796.32	110,000.00	77,993.87	135,155.16
Other Income	154,225.00	80,118.08	310,325.00	231,612.92	464,550.00	311,731.00	484,601.99
<b>Total Revenues</b>	<b>4,974,236.00</b>	<b>5,094,657.03</b>	<b>5,621,754.00</b>	<b>5,411,380.38</b>	<b>10,595,990.00</b>	<b>10,506,037.41</b>	<b>9,473,426.61</b>
<b>Operating Expenses:</b>							
<b>Costs of Providing Services:</b>							
Labor	677,800.00	600,558.04	960,700.00	898,256.28	1,638,500.00	1,498,814.32	1,460,570.50
Employee Benefits	314,300.00	296,542.07	510,400.00	443,764.73	824,700.00	740,306.80	855,107.54
Materials and Supplies	172,300.00	127,355.14	260,500.00	250,345.67	432,800.00	377,700.81	379,332.60
Repairs and Maintenance	123,200.00	71,280.84	164,000.00	188,504.77	287,200.00	259,785.61	264,832.76
Contracted Services	92,000.00	79,322.40	462,900.00	367,532.77	554,900.00	446,855.17	418,490.14
Utilities	384,750.00	294,545.91	490,500.00	339,769.24	875,250.00	634,315.15	720,635.71
Insurance	43,200.00	41,624.89	68,550.00	66,001.95	111,750.00	107,626.84	105,935.99
Other	41,500.00	32,297.90	40,500.00	25,691.32	82,000.00	57,989.22	67,794.58
<b>Total Cost of Providing Services</b>	<b>1,849,050.00</b>	<b>1,543,527.19</b>	<b>2,958,050.00</b>	<b>2,579,866.73</b>	<b>4,807,100.00</b>	<b>4,123,393.92</b>	<b>4,272,699.82</b>
<b>Administrative and General Expenses:</b>							
Labor	336,400.00	313,899.85	336,400.00	313,899.86	672,800.00	627,799.71	614,918.79
Employee Benefits	120,525.00	112,172.36	120,525.00	112,172.36	241,050.00	224,344.72	271,046.85
Materials and Supplies	10,750.00	11,873.50	10,750.00	11,873.50	21,500.00	23,747.00	28,281.17
Contracted Services	87,325.00	77,540.04	87,325.00	77,540.04	174,650.00	155,080.08	138,533.64
Utilities	10,750.00	8,602.93	10,750.00	8,602.94	21,500.00	17,205.87	36,939.77
Insurance	11,475.00	11,603.63	11,475.00	11,603.63	22,950.00	23,207.26	21,409.09
Other	8,675.00	6,854.75	8,675.00	6,854.75	17,350.00	13,709.50	24,380.18
<b>Total Administrative and General Expenses</b>	<b>585,900.00</b>	<b>542,547.06</b>	<b>585,900.00</b>	<b>542,547.08</b>	<b>1,171,800.00</b>	<b>1,085,094.14</b>	<b>1,135,509.49</b>

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

(Page 2 of 2)

**BUDGETARY COMPARISON SCHEDULE**

Year Ended November 30, 2020

With Comparative Actual Amounts for the Year Ended November 30, 2019

	2020 Water		2020 Sewer		2020 Combined		2019 Combined
	Budget (Unaudited)	Actual	Budget (Unaudited)	Actual	Budget (Unaudited)	Actual	Actual
Interest Expense	\$ 2,286.00	\$ 2,285.24	\$ 37,766.00	\$ 36,428.22	\$ 40,052.00	\$ 38,713.46	\$ 59,959.04
Other Costs Funded by Revenues:							
Principal Maturity	785,000.00	785,000.00	1,070,038.00	1,070,037.15	1,855,038.00	1,855,037.15	2,074,925.77
Capital Outlay	1,752,000.00	1,691,202.12	970,000.00	45,055.53	2,722,000.00	1,736,257.65	661,591.05
Total Costs Funded by Revenues	4,974,236.00	4,564,561.61	5,621,754.00	4,273,934.71	10,595,990.00	8,838,496.32	8,204,685.17
Add: Excess Revenues Over Costs	-	510,824.92	-	1,109,737.17	-	1,667,541.09	1,268,741.44
	<u>\$ 4,974,236.00</u>	<u>\$5,075,386.53</u>	<u>\$5,621,754.00</u>	<u>\$5,383,671.88</u>	<u>\$ 10,595,990.00</u>	<u>\$ 10,506,037.41</u>	<u>\$ 9,473,426.61</u>
						2020 Actual	2019 Actual
Reconciliation to Net Income:							
Excess from Above-Budgetary Basis						\$ 1,667,541.09	\$ 1,268,741.44
Adjustments to Budgetary Basis:							
Depreciation Expense						(2,244,305.01)	(2,284,006.59)
Capital Outlay						1,736,257.65	661,591.05
Debt Service - Principal						1,855,037.15	2,074,925.77
Developer Contributions						480,759.50	115,518.00
Loss on Refunding Bonds						(78,147.48)	(78,147.48)
Capital Project Abandoned						(92,422.87)	-
Retained Earnings Appropriated						(2,471,117.00)	(1,424,626.00)
Increase in Net Position						<u>\$ 853,603.03</u>	<u>\$ 333,996.19</u>

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

**(Page 1 of 2)**

SCHEDULE OF WATER AND SEWER REVENUE BONDS - NOVEMBER 30, 2020

	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Amount</u>	<u>Balance December 1, 2019</u>	<u>Retired</u>	<u>Balance November 30, 2020</u>
New Jersey Environmental Infrastructure Trust, Funding Bond Series 2016 A-RI	5/10/2016		4.5% - 5.00%	8/1/2021	\$ 663,000.00			
				8/1/2022	698,000.00			
				8/1/2023	731,000.00			
					\$ 2,726,000.00	\$ 634,000.00	\$ 2,092,000.00	
New Jersey Environmental Infrastructure Trust, Series 2009A-Clean Water Fund Loan	11/6/2009	\$ 5,036,636.00	None	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			
					1,547,376.17	387,507.52	1,159,868.65	
New Jersey Environmental Infrastructure Trust Refunding Bonds Series 2016A-RI	5/10/2016		4.5% - 5.00%	9/1/2021	121,000.00			
						906,000.00	785,000.00	121,000.00

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

**(Page 2 of 2)**

SCHEDULE OF WATER AND SEWER REVENUE BONDS - NOVEMBER 30, 2020

	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Amount</u>	<u>Balance December 1, 2019</u>	<u>Retired</u>	<u>Balance November 30, 2020</u>
New Jersey Environmental Trust, Series 2010A-CW ARRA Trust Loan	3/10/2010	450,000.00	3.0% - 5.00%	8-1-2021-24	25,000.00	280,000.00	25,000.00	255,000.00
				8-1-2025-28	30,000.00			
				8/1/2029	35,000.00			
New Jersey Environmental Infrastructure Trust, Series 2010A-CW ARRA Fund Loan	3/10/2010	439,220.00	N/A N/A N/A	8-1-2021-28	15,686.42	235,296.54	23,529.63	211,766.91
				2-1-2021-29	7,843.21			
				8/1/2029	15,686.66			
						<u>235,296.54</u>	<u>23,529.63</u>	<u>211,766.91</u>
						<u>\$ 5,694,672.71</u>	<u>\$ 1,855,037.15</u>	<u>\$ 3,839,635.56</u>

**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,							
	2020	2019	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability	0.0266652147%	0.0271686566%	0.0233200368%	0.0263377362%	0.0253653327%	0.0250226872%	0.0231897555%	0.0215789526%
Authority's proportionate share of net pension liability	4,348,399.00	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	1,926,990.00	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	225.66%	267.72%	252.02%	348.66%	426.11%	326.25%	288.33%	285.29%
Total pension liability	10,514,838.88	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	6,166,439.70	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	58.65%	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.
- The discount rate changed from the measurement date of June 30, 2019 of 6.28% to 7.00% as of the measurement date of June 30, 2020.

\* 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							
	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 291,704.00	\$ 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	264,271.00	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	1,926,990.00	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	13.71%	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 (UNAUDITED)**

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Authority Members

Linda L. Moore  
Marc Lippman  
Marc Platizky  
Leonard J. Millner  
Steven A. Kurs  
William P. Lawler  
Michael Schifman

Position

Chairperson  
Vice Chairperson  
Secretary  
Treasurer  
Assistant Secretary-Treasurer  
Alternate Member #1  
Alternate Member #2

Other Officials

Richard Brand  
Appleton Fryer  
Clark Wolverton  
Susan Pretz  
Ronald A. Ghrist  
Nicole Pretz  
Lilly Rodriguez  
Edwin W. Schmierer (Mason, Griffin & Pierson)  
Hatch Matt MacDonald

Executive Director  
General Manager/Development  
Utilities O&M Manager  
Administrative Assistant  
Chief Financial Officer  
Purchasing Agent/Accounts Payable Clerk  
Accounts Receivable Clerk  
Attorney  
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, 2020, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated July 15, 2021.

**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 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.

**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 other matters, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



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

**MERCADIEN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS**

July 15, 2021

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

**SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

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None reported.

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

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

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None reported.