

**THE POMPTON LAKES BOROUGH  
MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the  
Borough of Pompton Lakes)**

**FINANCIAL STATEMENTS**

**YEARS ENDED MAY 31, 2020 AND 2019**

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**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**INDEX TO FINANCIAL STATEMENTS**

**Page**

**Exhibit**

**FINANCIAL SECTION**

1-3 Independent Auditor's Report

**REQUIRED SUPPLEMENTARY INFORMATION- PART I**

4-13 Management's Discussion and Analysis

**FINANCIAL STATEMENTS**

14-15	Statement of Net Position	A
16	Statement of Revenues, Expenses and Changes in Net Position	B
17-18	Statement of Cash Flows	C
19-49	Notes to Financial Statements	

**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

50	Schedule of Authority's Share of Net Pension Liability - PERS	L-1
51	Schedule of Authority's Contributions - PERS	L-2
52	Notes to Required Schedules of Supplementary Information	L-3
53	Schedule of Authority's Share of Net OPEB Liability	RSI-1
54	Schedule of Authority's OPEB Contributions	RSI-2
55	Schedule of Changes in the Authority's Proportionate Share of the State OPEB Contributions	RSI-3
56	Notes to Required Schedules of Supplementary Information	RSI-4

**SUPPLEMENTARY SCHEDULES**

**Schedule**

57	Schedule of Revenues, Expenses and Changes in Net Position	1
58-59	Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Investments	2
60-61	Schedule of Operating Revenue and Costs Funded by Operating Revenue Compared to Budget	3
62	Schedule of Capital Financing Sources and Costs Funded by Financing Sources Compared to Budget	4
63-68	Schedule of Revenue and Junior Lien Revenue Bonds Payable	5
69	Members of the Authority	6

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**INDEX TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**Page**

70-71	Independent Auditor's 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
72	Schedule of Findings and Responses
73-74	General Comments

## **Financial Section**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the  
Pompton Lakes Borough Municipal Utilities Authority  
2000 Lincoln Avenue  
Pompton Lakes, New Jersey 07442

Ladies and Gentlemen:

### **Report on the Financial Statements**

We have audited the accompanying statements of net position of the Pompton Lakes Borough Municipal Utilities Authority as of May 31, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

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



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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pompton Lakes Borough Municipal Utilities Authority as of May 31, 2020 and 2019, and the respective changes in financial position and cash flows 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, schedule of the Authority's proportionate share of the net OPEB contribution and liability and the schedule of the Authority's proportionate share of the net pension contribution and liability 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pompton Lakes Borough Municipal Utilities Authority's basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2020 on our consideration of the Pompton Lakes Borough Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pompton Lakes Borough Municipal Utilities Authority's internal control over financial reporting and compliance.

Very truly yours,

*Wielkatz & Company, LLC*

WIELKOTZ & COMPANY, LLC  
Certified Public Accountants  
Pompton Lakes, New Jersey

August 26, 2020

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**Required Supplementary Information - Part I**

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## **Management Discussion and Analysis**

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**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

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

*As management of the Pompton Lakes Borough Municipal Utilities Authority, we offer the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal years ended May 31, 2020 and 2019. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.*

**Financial Highlights**

- The Authority's assets exceeded its liabilities by \$2,549,011 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$2,402,666.
- Total net position is comprised of the following:
  - (1) Capital assets, net of related debt, of \$7,234,229 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Restricted net position of \$-0- are restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
  - (3) Unrestricted net position of \$(4,685,218) represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total liabilities of the Authority decreased by \$1,511,588 to \$8,088,115 during the fiscal year, largely due to decreases in the Authority's net pension and other post-employment benefits liabilities.

**Overview of the Financial Statements**

This annual report includes this management discussion, the independent auditor's report and the basic financial statements of the Authority. The financial statements also include notes that explain in more detail some of the information in the financial statements.

***Required Financial Statements***

The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The *Statement of Net Position* includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

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

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Net Position*. This statement measures the results of the Authority's operations over the past year and can be used to determine whether the Authority has recovered all its costs through its user fees and other charges, operational stability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. This statement reports cash receipts and cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as what operational sources provided cash, what was the cash used for, and what was the change in cash balance during the reporting period.

***Notes to the Financial Statements***

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

***Other Information***

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. This supplementary information follows the notes to the financial statements.

***Financial Analysis of the Authority***

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better able to fulfill its mission as a result of this years activities?" The *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position* report information about the Authority's activities in a way that will help answer this question. These two statements report net position of the Authority and the changes in those assets. The reader can think of the Authority's net position -- the difference between assets and liabilities -- as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider the non-financial factors such as changes in economic conditions, population growth, development, and new or changed government regulation.



**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

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

**Net Position**

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Authority as a whole.

The Authority's net position at fiscal year-end are \$2,549,011. This is a \$146,345 increase over last year's net position of \$2,402,666. A summary of the Authority's statement of net position is presented in the following table:

**Condensed Statement of Net Position**

	<u>FY 2020</u>	<u>FY 2019</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and Other Assets	2,915,098	2,494,543	420,555	16.86%
Capital Assets	<u>10,548,848</u>	<u>11,244,632</u>	<u>(695,784)</u>	(6.19)%
Total Assets	<u>13,463,946</u>	<u>13,739,175</u>	<u>(275,229)</u>	(2.00)%
Deferred Outflows of Resources	<u>676,807</u>	<u>996,636</u>	<u>(319,829)</u>	(32.09)%
Long-term Debt Outstanding	2,940,893	3,213,711	(272,818)	(8.49)%
Other Liabilities	<u>5,147,222</u>	<u>6,385,992</u>	<u>(1,238,770)</u>	(19.40)%
Total Liabilities	<u>8,088,115</u>	<u>9,599,703</u>	<u>(1,511,588)</u>	(15.75)%
Deferred Inflows of Resources	<u>3,503,624</u>	<u>2,733,442</u>	<u>770,182</u>	28.18%
Invested in Capital Assets, Net of Related Debt	7,234,229	7,647,959	(413,730)	(5.41)%
Unrestricted	<u>(4,685,218)</u>	<u>(5,245,293)</u>	<u>560,075</u>	(10.68)%
Total Net Position	<u>2,549,011</u>	<u>2,402,666</u>	<u>146,345</u>	6.09%

While the *Statement of Net Position* shows the change in financial position of net position, the *Statement of Revenues, Expenses and Changes in Net Position* provides answers as to the nature and source of these changes. As can be seen in the above table, net position increased by \$146,345.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

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

**Net Position (Continued)**

Net position for the years ending May 31, 2019 and 2018, restated, were as follows:

**Condensed Statement of Net Position**

	<u><b>FY 2019</b></u>	<u><b>Restated FY 2018</b></u>	<u><b>Dollar Change</b></u>	<u><b>Percent Change</b></u>
Current and Other Assets	2,494,543	2,328,361	166,182	7.14%
Capital Assets	<u>11,244,632</u>	<u>11,967,474</u>	<u>(722,842)</u>	(6.04)%
Total Assets	<u>13,739,175</u>	<u>14,295,835</u>	<u>(556,660)</u>	(3.89)%
Deferred Outflows of Resources	<u>996,636</u>	<u>785,433</u>	<u>211,203</u>	26.89%
Long-term Debt Outstanding	3,213,711	3,508,425	(294,714)	(8.40)%
Other Liabilities	<u>6,385,992</u>	<u>7,388,521</u>	<u>(1,002,529)</u>	(13.57)%
Total Liabilities	<u>9,599,703</u>	<u>10,896,946</u>	<u>(1,297,243)</u>	(11.90)%
Deferred Inflows of Resources	<u>2,733,442</u>	<u>1,439,167</u>	<u>1,294,275</u>	89.93%
Invested in Capital Assets, Net of Related Debt	7,647,959	8,089,114	(441,155)	(5.45)%
Unrestricted	<u>(5,245,293)</u>	<u>(5,343,959)</u>	<u>98,666</u>	(1.85)%
Total Net Position	<u>2,402,666</u>	<u>2,745,155</u>	<u>(342,489)</u>	(12.48)%

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

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

**Net Position (Continued)**

**Condensed Statement of Revenues, Expenses  
and Changes in Net Position**

	<u>FY 2020</u>	<u>FY 2019</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	<u>3,314,933</u>	<u>3,184,821</u>	<u>130,112</u>	4.09%
Total Revenues	<u>3,314,933</u>	<u>3,184,821</u>	<u>130,112</u>	4.09%
Depreciation	883,872	908,922	(25,050)	(2.76)%
Other Operating Expenses	2,246,495	2,574,360	(327,865)	(12.74)%
Other Non-Operating Expense	<u>38,221</u>	<u>44,028</u>	<u>(5,807)</u>	(13.19)%
Total Expenses	<u>3,168,588</u>	<u>3,527,310</u>	<u>(358,722)</u>	(10.17)%
Change in Net Position	146,345	(342,489)	488,834	(142.73)%
Beginning Net Position - June 1	<u>2,402,666</u>	<u>2,745,155</u>	<u>(342,489)</u>	(12.48)%
Ending Net Position May 31	<u>2,549,011</u>	<u>2,402,666</u>	<u>146,345</u>	6.09%

The Authority's Operating Revenues increased by \$130,112 to \$3,314,933 in 2020 from \$3,184,821 in 2019. This increase is primarily due to increases in water and sewer charges and connection fees.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

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

**Net Position (Continued)**

**Condensed Statement of Revenues, Expenses  
and Changes in Net Position**

	<u>FY 2019</u>	<u>Restated FY 2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	<u>3,184,821</u>	<u>3,257,602</u>	<u>(72,781)</u>	(2.23)%
Total Revenues	<u>3,184,821</u>	<u>3,257,602</u>	<u>(72,781)</u>	(2.23)%
Depreciation	908,922	951,994	(43,072)	(4.52)%
Other Operating Expenses	2,574,360	2,839,444	(265,084)	(9.34)%
Other Non-Operating Expense	<u>44,028</u>	<u>99,461</u>	<u>(55,433)</u>	(55.73)%
Total Expenses	<u>3,527,310</u>	<u>3,890,899</u>	<u>(363,589)</u>	(9.34)%
Change in Net Position	<u>(342,489)</u>	<u>(633,297)</u>	<u>290,808</u>	(45.92)%
Beginning Net Position - June 1, as previously reported	2,745,155	7,641,868	(4,896,713)	(64.08)%
Prior Period Adjustment:				
Cumulative Effect of Change in Accounting Principles - Implementation of GASB Statement #75	<u>          </u>	<u>(4,263,416)</u>	<u>4,263,416</u>	(100.00)%
Net Position - June 1, as restated	<u>2,745,155</u>	<u>3,378,452</u>	<u>(633,297)</u>	(18.75)%
Ending Net Position May 31, 2019	<u>2,402,666</u>	<u>2,745,155</u>	<u>(342,489)</u>	(12.48)%

**Budgetary Highlights**

The State of New Jersey requires local authorities to prepare and adopt annual budgets in accordance with the Local Authorities Fiscal Control Law and regulations adopted by the Local Finance Board pursuant to this statute and codified as N.J.A.C. 5:31-1 et seq. The statutory budget was designed to demonstrate to the Bureau of Authority Regulation of the Division of Local Government Services that the cash flows of the Authority for the coming year will be sufficient to cover operating expenses, interest accruing on bonded indebtedness and cash payments of maturing bond and loan principal.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

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

**Budgetary Highlights (Continued)**

The following table provides a 2020 budget comparison:

	<b>Budget vs. Actual FY 2020</b>		
	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>
Revenues:			
Operating	3,102,665	3,314,933	212,268
Non-Operating	<u>66,164</u>	<u>66,164</u>	<u>0</u>
	<u>3,168,829</u>	<u>3,381,097</u>	<u>212,268</u>
Expenses:			
Operating	2,869,000	2,464,772	404,228
Debt Service	<u>299,829</u>	<u>295,936</u>	<u>3,893</u>
	<u>3,168,829</u>	<u>2,760,708</u>	<u>408,121</u>
Income Before Depreciation	<u>0</u>	<u>620,389</u>	<u>620,389</u>

The following table provides a 2019 budget comparison:

	<b>Budget vs. Actual FY 2019</b>		
	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>
Revenues:			
Operating	2,983,130	3,184,821	201,691
Non-Operating	<u>75,000</u>	<u>75,000</u>	<u>0</u>
	<u>3,058,130</u>	<u>3,259,821</u>	<u>201,691</u>
Expenses:			
Operating	2,752,770	2,515,721	237,049
Debt Service	<u>305,360</u>	<u>301,375</u>	<u>3,985</u>
	<u>3,058,130</u>	<u>2,817,096</u>	<u>241,034</u>
Income Before Depreciation	<u>0</u>	<u>442,725</u>	<u>442,725</u>

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2020, the Authority had \$30,253,765 in capital assets. Included in that amount is \$1,237,625 of capital that was contributed to the Authority in the form of federal and state grants and other property. The Authority's net property, plant and equipment at fiscal year end was \$10,548,848. This is a \$695,784 decrease under last year's net property, plant and equipment of \$11,244,632. A summary of the Authority's capital assets is presented in the following table:

**CAPITAL ASSETS**

	<u>FY 2020</u>	<u>FY 2019</u>	<u>Dollar Change</u>	<u>FY 2018</u>
Land	<u>65,652</u>	65,652	0	65,652
Buildings, Force Mains and Interceptors	24,487,452	24,436,463	50,989	24,436,463
Vehicles and Equipment	<u>5,554,934</u>	<u>5,496,801</u>	<u>58,133</u>	<u>5,324,683</u>
Total Property, Plant and Equipment	30,108,038	29,998,916	109,122	29,826,798
Less: Accumulated Depreciation	<u>19,704,917</u>	<u>18,821,046</u>	<u>883,871</u>	<u>17,912,124</u>
Total Capital Assets	10,403,121	11,177,870	(774,749)	11,914,674
Construction in Progress	<u>145,727</u>	<u>66,762</u>	<u>78,965</u>	<u>52,800</u>
Net Property, Plant and Equipment	<u>10,548,848</u>	<u>11,244,632</u>	<u>(695,784)</u>	<u>11,967,474</u>

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

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

**Capital Assets (Continued)**

The Authority's on going capital plan is reviewed each year by the Authority's consulting engineer. Notable future capital improvements are listed below:

	<b><u>Estimated Total Cost</u></b>	<b><u>Unrestricted Net Position Utilized</u></b>
<b>Water Fund:</b>		
Misc. Water Main Valve Upgrades	\$20,000	\$20,000
Misc. Well Upgrades	180,000	180,000
Misc. Upgrades to Water System	20,000	20,000
Misc. Building Upgrades	10,000	10,000
Twin Lakes Dam Insp. & Rehabilitation	5,000	5,000
Misc. Security Equipment	5,000	5,000
Misc. Paving & Concrete Repairs	10,000	10,000
Fire Hydrant and Aux. Valve Upgrades	10,000	10,000
Misc. Computer and Office Equipment	10,000	10,000
Water Accountability Act Projects	15,000	15,000
Miscellaneous Laboratory Upgrades	<u>5,000</u>	<u>5,000</u>
Total	<u>290,000</u>	<u>290,000</u>
<b>Sewer Fund:</b>		
Misc. Upgrades to Pumping Stations	20,000	20,000
Misc. Infrastructure Upgrades	20,000	20,000
Misc. Treatment Plant Upgrades	20,000	20,000
Misc. Building Upgrades	10,000	10,000
Twin Lakes Dam Insp. & Rehabilitation	5,000	5,000
Misc. Security Equipment	5,000	5,000
Misc. Paving & Concrete Repairs	10,000	10,000
Misc. Computer and Office Equipment	10,000	10,000
South Sewerage Pumping Station Grinder	20,000	20,000
WTP Service Water System Upgrades	50,000	50,000
Upgrade of WTP Sludge Thickener Electric	150,000	150,000
Miscellaneous Laboratory Upgrades	5,000	5,000
WTP Tertiary Clarifier Upgrades	<u>300,000</u>	<u>300,000</u>
Total	<u>625,000</u>	<u>625,000</u>
Total Proposed Capital Budget	<u><u>\$915,000</u></u>	<u><u>\$915,000</u></u>

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY  
(A Component Unit of the Borough of Pompton Lakes)**

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

**Debt Administration**

At May 31, 2020, the Authority had outstanding New Jersey Infrastructure Bank Loans in the amount of \$3,189,374 (gross). The debt service schedule goes out to 2035. Interest rates range from 0.00% to 5.00%.

**Economic Factors, Future Years' Budgets and Rates**

The Commissioners and Management of the Authority consider many factors when preparing each year's budget and annual charges. The main factors are maintaining the Authority's existing system, plans for improvements, respond to new regulations issued by the State and Federal governments and understanding the current economic conditions impacting the Authority and our customers.

**Contacting the Authority**

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Pompton Lakes Borough Municipal Utilities Authority, 2000 Lincoln Avenue, Pompton Lakes, New Jersey 07442.



## **Financial Statements**

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**The Pompton Lakes Borough Municipal Utilities Authority**  
**(A Component Unit of the Borough of Pompton Lakes)**  
**Statement of Net Position**

**For the Fiscal Year Ended May 31,**

	<u>2020</u>	<u>2019</u>
<b><u>ASSETS</u></b>		
<b><u>Current Assets:</u></b>		
<b><u>Unrestricted:</u></b>		
Cash and Cash Equivalents	\$ 2,559,720	2,236,636
Accounts Receivable-User Charges	227,797	137,064
Accrued Interest Receivable	874	
Miscellaneous Receivables	2,246	500
Prepaid Expenses	42,788	40,739
	<u>2,833,425</u>	<u>2,414,939</u>
Total Unrestricted Assets		
	<u>2,833,425</u>	<u>2,414,939</u>
<b><u>Restricted:</u></b>		
<b><u>Customer Deposits:</u></b>		
Cash and Cash Equivalents	49,740	47,896
	<u>49,740</u>	<u>47,896</u>
<b><u>Escrow Deposits:</u></b>		
Cash and Cash Equivalents	31,933	31,708
	<u>31,933</u>	<u>31,708</u>
Total Current Assets:	\$ 2,915,098	2,494,543
	<u>2,915,098</u>	<u>2,494,543</u>
<b><u>Non-Current Assets:</u></b>		
<b><u>Capital Assets:</u></b>		
Property, Plant and Equipment	\$ 30,108,038	29,998,916
Construction In Progress	145,727	66,762
Less: Accumulated Depreciation	(19,704,917)	(18,821,046)
Total Capital Assets	<u>10,548,848</u>	<u>11,244,632</u>
	<u>10,548,848</u>	<u>11,244,632</u>
<b>TOTAL ASSETS</b>	\$ 13,463,946	13,739,175
	<u>13,463,946</u>	<u>13,739,175</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Pension Related Items	467,341	753,465
OPEB Related Items	209,466	243,171
	<u>676,807</u>	<u>996,636</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>676,807</u>	<u>996,636</u>

See accompanying notes to the financial statements.

**The Pompton Lakes Borough Municipal Utilities Authority**  
**(A Component Unit of the Borough of Pompton Lakes)**  
**Statement of Net Position**

**Exhibit A**  
Page 2 of 2

**For the Fiscal Year Ended May 31,**

	<u>2020</u>	<u>2019</u>
<b><u>LIABILITIES</u></b>		
<b><u>Current Liabilities:</u></b>		
<b>Payable From Unrestricted Assets:</b>		
Accounts Payable	\$ 84,685	41,217
Accrued Interest on Bonds Payable	16,696	17,645
<b>Accrued Liabilities:</b>		
Compensated Absences	42,581	32,751
Loans Payable - Current Portion	248,480	245,375
Total Current Liabilities Payable		
From Unrestricted Assets	<u>392,442</u>	<u>336,988</u>
<b>Payable From Restricted Assets:</b>		
Customer Deposits	49,740	47,896
Escrow Deposits Payable	31,933	31,708
Total Current Liabilities Payable		
From Restricted Assets	<u>81,673</u>	<u>79,604</u>
<b><u>Non-Current Liabilities :</u></b>		
Net Pension Liability	2,492,731	2,792,680
Net OPEB Liability	2,180,376	3,176,720
Long-Term Portion of Loans Payable	2,940,893	3,213,711
Total Non-Current Liabilities	<u>7,614,000</u>	<u>9,183,111</u>
<b>TOTAL LIABILITIES</b>	<b>\$ 8,088,115</b>	<b>9,599,703</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Pension Related Items	1,003,408	990,056
OPEB Related Items	2,374,973	1,605,799
Gain on Advanced Refunding of Debt	39,272	43,909
Unamortized Bond Premium	85,974	93,678
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>3,503,627</b>	<b>2,733,442</b>
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	7,234,229	7,647,959
Unrestricted:		
Designated	1,266,000	867,164
Undesignated	<u>(5,951,218)</u>	<u>(6,112,457)</u>
<b>TOTAL NET POSITION</b>	<b>\$ 2,549,011</b>	<b>2,402,666</b>

See accompanying notes to the financial statements.

**The Pompton Lakes Borough Municipal Utilities Authority**  
**(A Component Unit of the Borough of Pompton Lakes)**  
**Statement of Revenues, Expenses and Changes in Net Position**

**For The Fiscal Year Ended May 31,**

	<u>2020</u>	<u>2019</u>
<b>Operating Revenues:</b>		
Water Charges	\$ 647,027	603,184
Sewer Charges	2,308,697	2,276,417
Connection Fees	83,108	29,428
Other	234,439	232,736
Interest On Delinquent Accounts	18,290	20,006
Interest Income	<u>23,372</u>	<u>23,050</u>
<b>Total Operating Revenues</b>	<u>3,314,933</u>	<u>3,184,821</u>
<b>Operating Expenses:</b>		
Costs of Providing Services	1,425,155	1,443,076
Administrative, General and Employee Benefits	821,340	1,131,284
Depreciation	<u>883,872</u>	<u>908,922</u>
<b>Total Operating Expenses</b>	<u>3,130,367</u>	<u>3,483,282</u>
<b>Operating Income (Loss)</b>	<u>184,566</u>	<u>(298,461)</u>
<b>Non-Operating Revenues (Expenses):</b>		
Interest Expense	(50,561)	(54,095)
Amortization	<u>12,340</u>	<u>10,067</u>
<b>Non-Operating Income / (Loss)</b>	<u>(38,221)</u>	<u>(44,028)</u>
<b>Change in Net Position</b>	146,345	(342,489)
<b>Net Position - June 1,</b>	<u>2,402,666</u>	<u>2,745,155</u>
<b>Net Position - May 31,</b>	<u>\$ 2,549,011</u>	<u>2,402,666</u>

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**The Pompton Lakes Borough Municipal Utilities Authority**  
**(A Component Unit of the Borough of Pompton Lakes)**  
**Statement Of Cash Flows**

**For The Fiscal Year Ended May 31,**

	<u>2020</u>	<u>2019</u>
<b><u>Cash Flow from Operating Activities:</u></b>		
Cash received from customers and users	\$ 3,199,082	3,180,714
Interest received	22,498	23,050
Cash Paid to employees	(1,088,221)	(1,041,602)
Cash Paid for employee benefits	(479,286)	(528,711)
Cash Paid to suppliers and others	(819,608)	(932,693)
Interest paid	(51,510)	(55,591)
<b>Net Cash Provided by Operating Activities</b>	<u>782,955</u>	<u>645,167</u>
<b><u>Cash Flow from Investing Activities:</u></b>		
Purchase of Property, Plant and Equipment	(188,088)	(186,081)
<b>Net Cash Provided by (used in) Investing Activities</b>	<u>(188,088)</u>	<u>(186,081)</u>
<b><u>Cash Flow from Financing Activities:</u></b>		
Payment of NJEIT Loans	(245,375)	(247,280)
NJEIT Settlement Repayment	(24,339)	(24,339)
<b>Net Cash Used in Financing Activities</b>	<u>(269,714)</u>	<u>(271,619)</u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	325,153	187,467
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>2,316,240</u>	<u>2,128,773</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 2,641,393</u>	<u>2,316,240</u>
<b><u>Reconciliation to Statement of Net Position -</u></b>		
<b><u>Cash and Cash Equivalents:</u></b>		
Unrestricted Assets	\$ 2,559,720	2,236,636
Restricted Assets:		
Customer Deposit Account	49,740	47,896
Escrow Accounts	31,933	31,708
	<u>\$ 2,641,393</u>	<u>2,316,240</u>

See accompanying notes to the financial statements.

**The Pompton Lakes Borough Municipal Utilities Authority**  
**(A Component Unit of the Borough of Pompton Lakes)**  
**Statement Of Cash Flows**

**For The Fiscal Year Ended May 31,**

	<u>2020</u>	<u>2019</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>		
Operating Income	\$ 184,566	(298,461)
Adjustments to Reconcile Change in Net Position to Net Cash Provided by Operating Activities:		
Depreciation	883,872	908,922
Pension Adjustment	(473)	47,444
OPEB Adjustment	(193,465)	35,534
Interest Expense	(50,561)	(54,095)
<b>(Increase) Decrease In:</b>		
Accounts Receivable-User Charges	(90,733)	18,443
Miscellaneous Receivables	(1,746)	500
Accrued Interest Receivable	(874)	
Prepaid Expenses	(2,049)	2,342
<b>Increase (Decrease) In:</b>		
Accounts Payable - Unrestricted	43,468	(11,386)
Accrued Interest Payable	(949)	(1,496)
Customer Deposits	1,844	(1,226)
Escrow Deposits Payable	225	(3,051)
Accrued Liabilities	9,830	1,697
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 782,955</b>	<b>645,167</b>



## **Notes to Financial Statements**

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**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Pompton Lakes Borough Municipal Utilities Authority was created to construct and operate a water distribution system and a wastewater collection and treatment system to serve the Borough of Pompton Lakes, New Jersey. The Authority bills and collects its revenue only from the users of the systems. On May 1, 1993 the Authority entered into a service contract with the Borough of Pompton Lakes.

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

**A. Basis of Presentation and Accounting**

**Basis of Presentation**

The financial statements of the Pompton Lakes Borough Municipal Utilities Authority have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to enterprise funds of state and local governmental units. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, accountability or other purposes. The Governmental Accounting Standards Board GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority's significant accounting policies are described below.

The Authority has adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which amends the net asset reporting requirement of Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows from resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The classifications of net position are defined as follows:

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,**  
**(continued)**

**A. Basis of Presentation and Accounting, (continued)**

- *Net Investment in Capital Assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are any significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* - This component of net position consists of constraints placed on net position used through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**Basis of Accounting**

The Pompton Lakes Borough Municipal Utilities Authority prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

**Reporting Entity**

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit would be or is reported in separate column in financial statements to emphasize that is legally separate from the government.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,**  
**(continued)**

**A. Basis of Presentation and Accounting, (continued)**

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability to fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Authority has no component units.

The Authority is financially accountable to the Borough of Pompton Lakes (the "Borough") since the Borough appoints a voting majority of the Authority's board, and (1) the Borough is able to significantly influence the programs or services performed or provided by the Authority; or (2) the Borough is legally entitled to or can otherwise access the Authority's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the Authority; or the Borough is obligated for the debt of the Authority. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the Authority is a component unit of the Borough.

**B. Grants**

Contributions received from various sources as grants are recorded in the period received. Developer financed construction is recorded in the period in which applicable construction costs are incurred. Donated assets are recorded at fair market value at the date of the gift. Grants not externally restricted and utilized to finance operations are identified to non-operating purposes are recorded as contributed capital and identified as grants-in-aid.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,**  
**(continued)**

**C. Accounts Receivable**

Bad debts are charged to operations in the year in which the account is determined uncollectable. If the reserve method of accounting for uncollectable accounts were used, it would not have a material effect on the financial statements.

**D. Inventories**

Inventories of materials and supplies are considered expenditures when purchased.

**E. Property, Plant and Equipment**

Property, plant and equipment is stated at cost which included direct construction costs and other expenditures related to construction.

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

Depreciation is determined on the straight-line method for all property, plant equipment. Depreciation is provided over the following estimated useful lives:

Water and Sewer Systems	75 Years
Treatment Plants	40 Years
Buildings	40 Years
Equipment	5-40 Years

**F. Restricted Accounts**

The Authority has established the following restricted accounts:

Customer deposit for monies received from customer to assure payment or performance. Deposits are retained in the account until the customer withdraws from the system and satisfies all outstanding debts to the Authority.

Escrow deposit accounts for the payment of costs of various projects.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,**  
**(continued)**

**G. Accrued Vacation Benefits**

Pompton Lakes Borough Municipal Utilities Authority employees are granted sick and vacation leave in varying amounts. Employees are permitted to accumulate sick days, however no reimbursement is given upon termination or resignation. In the event of termination, an employee is reimbursed for accumulated vacation days. Accrued vacation benefits amounting to \$42,581, as of May 31, 2020, has been recorded as an expenditure and a liability of the Authority.

**H. Allowance for Doubtful Accounts**

The Authority does not provide an allowance for doubtful accounts because of the Authority's ability to compel payments through the lien or shut off process.

**I. Operating Fund Budget**

The budget amounts included in the schedule of operating revenues and cost funded by operating revenues compared to budget were approved in accordance with the requirements of the "Local Finance Board" of the State of New Jersey, and were adopted by the Commissioners after a public hearing.

**J. 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 certain estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,**  
**(continued)**

**K. 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 bonds 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 debt covenants), grants, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted - any other net position that does not meet the definition of "restricted" or "net investment in capital assets."

**L. Recent Accounting Pronouncements**

In June 2017, the Government Accounting Standards Board issued GASB Statement No. 87, Leases, which improves accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the fundamental principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Authority is currently reviewing what effect, if any, this Statement may have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement. The objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. This Statement is effective for reporting periods beginning after June 15, 2018. The Authority believes this may impact the disclosures relating to debt in the notes to the financial statements.



**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,**  
**(continued)**

**L. Recent Accounting Pronouncements, (continued)**

The Government Accounting Standards Board issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the end of a Construction*. The objectives of this Statement is to (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Authority believes this may impact the disclosures relating to interest costs incurred before the end of a construction period in the notes to the financial statements.

In August 2018, the Government Accounting Standards Board issued GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The Authority does not believe this Statement will have any effect on future financial statements.

In May 2019, the Government Accounting Standards Board issued GASB Statement No. 91, *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement is effective for reporting periods beginning after December 15, 2020. The Authority does not believe this Statement will have any effect on future financial statements.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,**  
**(continued)**

**L. Recent Accounting Pronouncements, (continued)**

In January 2020, the Government Accounting Standards Board issued GASB Statement No. 92, Omnibus. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions. The Authority does not believe this Statement will have any effect on future financial statements.

In March 2020, the Government Accounting Standards Board issued GASB Statement No. 93, Replacement of Interbank Offering Rates. The objective of this Statement is to address certain issues with Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, Statement No. 87, *Leases*, as amended and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of this Statement are effective for fiscal years beginning after June 15, 2020. The Authority does not believe this Statement will have any effect on future financial statements.

In March 2020, the Government Accounting Standards Board issued GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The Authority does not believe this Statement will have any effect on future financial statements.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,**  
**(continued)**

**L. Recent Accounting Pronouncements, (continued)**

In May 2020, the Government Accounting Standards Board issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 83, *Certain Asset Retirement Obligations*; Statement No. 84, *Fiduciary Activities*; Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; Statement No. 90, *Majority Equity Interests*; Statement No. 91, *Conduit Debt Obligations*; Statement No. 92, *Omnibus 2020*; Statement No. 93, *Replacement of Interbank Offered Rates*; Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*; Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*; Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*; Implementation Guide No. 2019-2, *Fiduciary Activities*. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87, *Leases*; Implementation Guide No. 2019-3, *Leases*. The requirements of this Statement are effective immediately.

In May 2020, the Government Accounting Standards Board issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The Authority is still determining the effects, if any, this statement will have on future financial statements.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,**  
**(continued)**

**L. Recent Accounting Pronouncements, (continued)**

In June 2020, the Government Accounting Standards Board issued GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,**  
**(continued)**

**M. Deferred Outflows and Deferred Inflows of Resources**

The Statement of Net Position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflow of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Authority is required to report the following as deferred outflows of resources and deferred inflows of resources:

**Defined Benefit Pension Plans** - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Authority's proportion of expenses and liabilities to the pension as a whole, differences between the Authority's pension contribution and its proportionate share of contributions, and the Authority's pension contributions subsequent to the pension valuation measurement date.

**Deferred Loss on Refunding of Bonds** - Deferred loss on refunding arising from the issuance of revenue refunding bonds, is recorded as a deferred outflow of resources. The deferred loss is amortized in a systematic and rational method as a component of interest expense.

**2. CASH AND CASH EQUIVALENTS**

**Deposits** - The Authority's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Authority is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to 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 for all deposits not covered by the FDIC.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**2. CASH AND CASH EQUIVALENTS, (continued)**

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At May 31, 2020 and 2019, the book value of the Authority's deposits were \$2,641,393 and \$2,316,240, respectively, and bank balances of the Authority's cash and deposits amounted to \$2,637,832 and \$2,342,500, respectively.

The Authority's deposits which are displayed on the balance sheet as "cash and cash equivalents" are categorized as:

	<u>2020</u>	<u>2019</u>
Insured:		
Restricted	\$81,673	\$79,604
Unrestricted	<u>2,559,720</u>	<u>2,236,636</u>
	<u>\$2,641,393</u>	<u>\$2,316,240</u>

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based on banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of May 31, 2020 and 2019, \$0- of the Authority's bank balance of \$2,637,832 and \$2,342,500, respectively, was exposed to custodial credit risk.

**3. PROPERTY, PLANT AND EQUIPMENT**

Activity for property, plant and equipment is summarized below for fiscal years 2020 and 2019:

	Balance May 31, 2019	Additions	Deletions	Balance May 31, 2020
Capital Assets Being Depreciated:				
Buildings, Pumps, Mains	\$24,436,463	\$50,989	\$	\$24,487,452
Equipment and Vehicles	<u>5,496,801</u>	<u>58,134</u>	<u>          </u>	<u>5,554,935</u>
Total Capital Assets Being Depreciated	<u>29,933,264</u>	<u>109,123</u>	<u>          </u>	<u>30,042,387</u>
Capital Assets Not Being Depreciated:				
Land	65,652			65,652
Construction in Progress	<u>66,762</u>	<u>188,088</u>	<u>109,123</u>	<u>145,727</u>
Total Capital Assets Not Being Depreciated	<u>132,414</u>	<u>188,088</u>	<u>109,123</u>	<u>211,379</u>
Total Capital Assets	30,065,678	297,211	109,123	30,253,766
Accumulated Depreciation	<u>(18,821,046)</u>	<u>(883,872)</u>	<u>          </u>	<u>(19,704,918)</u>
Net Property, Plant and Equipment	<u>\$11,244,632</u>	<u>(\$586,661)</u>	<u>\$109,123</u>	<u>\$10,548,848</u>

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**3. PROPERTY, PLANT AND EQUIPMENT, (continued)**

	Balance May 31, 2018	Additions	Deletions	Balance May 31, 2019
Capital Assets Being Depreciated:				
Buildings, Pumps, Mains	\$24,436,463	\$	\$	\$24,436,463
Equipment and Vehicles	<u>5,324,683</u>	<u>172,118</u>	<u>      </u>	<u>5,496,801</u>
Total Capital Assets Being Depreciated	<u>29,761,146</u>	<u>172,118</u>	<u>      </u>	<u>29,933,264</u>
Capital Assets Not Being Depreciated:				
Land	65,652			65,652
Construction in Progress	<u>52,800</u>	<u>13,962</u>	<u>      </u>	<u>66,762</u>
Total Capital Assets Not Being Depreciated	<u>118,452</u>	<u>13,962</u>	<u>      </u>	<u>132,414</u>
Total Capital Assets	29,879,598	186,080		30,065,678
Accumulated Depreciation	<u>(17,912,124)</u>	<u>(908,922)</u>	<u>      </u>	<u>(18,821,046)</u>
Net Property, Plant and Equipment	<u>\$11,967,474</u>	<u>(\$722,842)</u>	<u>\$      </u>	<u>\$11,244,632</u>

**4. UNAMORTIZED PREMIUM - DEFERRED INFLOW OF RESOURCES**

The Authority received a premium of \$40,422 in connection with the Series 2009 NJEIT financing; \$41,356 in connection with the Series 2010 NJEIT financing; \$46,956 in connection with the Series 2012 NJEIT financing; and \$25,338 in connection with the Series 2016 NJEIT financing. These premiums are being amortized on a straight-line basis over the remaining lives of the bonds. Accumulated amortization at May 31, 2020 is \$68,098 and at May 31, 2019 is \$60,394. The unamortized balance as of May 31, 2020 is shown on the Statement of Net Position as a deferred inflow of resources.

**5. LONG-TERM DEBT**

The following is a summary of the Authority's long-term debt for the fiscal years ended May 31, 2020 and 2019:

	Balance May 31, 2019	Issued	Deobligated/ Retired	Balance May 31, 2020
NJEIT Trust Loan Series 2009A	\$470,000	\$	\$33,000	\$437,000
NJEIT Fund Loan Series 2009A	402,457		37,730	364,727
NJEIT Trust - Direct Loan	46,201		3,527	42,674
NJEIT Fund - Direct Loan	114,635		10,747	103,888
NJEIT Trust Loan Series 2010	279,000		20,000	259,000
NJEIT Fund Loan Series 2010	129,368		11,273	118,095
NJEIT Trust Loan Series 2012	280,000		15,000	265,000
NJEIT Fund Loan Series 2012	771,936		62,029	709,907
NJEIT Trust Loan Series 2016A-1	240,000		10,000	230,000
NJEIT Fund Loan Series 2016A-1	<u>701,152</u>		<u>42,069</u>	<u>659,083</u>
	<u>\$3,434,749</u>	<u>\$      </u>	<u>\$245,375</u>	<u>\$3,189,374</u>

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**5. LONG-TERM DEBT, (continued)**

	<u>Balance</u> <u>May 31, 2018</u>	<u>Issued</u>	<u>Deobligated/ Retired</u>	<u>Balance</u> <u>May 31, 2019</u>
NJEIT Trust Loan Series 2009A	\$530,000	\$	\$60,000	\$470,000
NJEIT Fund Loan Series 2009A	440,187		37,730	402,457
NJEIT Trust - Direct Loan	49,633		3,432	46,201
NJEIT Fund - Direct Loan	125,382		10,747	114,635
NJEIT Trust Loan Series 2010	299,000		20,000	279,000
NJEIT Fund Loan Series 2010	140,641		11,273	129,368
NJEIT Trust Loan Series 2012	295,000		15,000	280,000
NJEIT Fund Loan Series 2012	833,965		62,029	771,936
NJEIT Trust Loan Series 2016A-1	250,000		10,000	240,000
NJEIT Fund Loan Series 2016A-1	743,221		42,069	701,152
	<u>\$3,707,029</u>	<u>\$</u>	<u>\$272,280</u>	<u>\$3,434,749</u>

The Authority has issued and outstanding the following bonds and loans as of May 31, 2020 and 2019:

	<u>Interest Rate</u>	<u>2020</u>	<u>2019</u>
NJEIT Trust Loan Series 2009A	3.50% - 4.00%	\$437,000	\$470,000
NJEIT Fund Loan Series 2009A	0.00%	364,727	402,457
NJEIT Trust - Direct Loan	2.970% - 4.18%	42,674	46,201
NJEIT Fund - Direct Loan	0.00%	103,888	114,635
NJEIT Trust Loan Series 2010	5.00%	259,000	279,000
NJEIT Fund Loan Series 2010	0.00%	118,095	129,368
NJEIT Trust Loan Series 2012	3.00% - 5.00%	265,000	280,000
NJEIT Fund Loan Series 2012	0.00%	709,907	771,936
NJEIT Trust Loan Series 2016A-1	2.12% - 5.00%	230,000	240,000
NJEIT Fund Loan Series 2016A-1	0.00%	<u>659,083</u>	<u>701,152</u>
Net Carrying Amount of Debt		<u>\$3,189,374</u>	<u>\$3,434,749</u>
Current Portion		248,480	245,375
Long-Term Portion		<u>2,940,894</u>	<u>3,189,374</u>
		<u>\$3,189,374</u>	<u>\$3,434,749</u>



**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**5. LONG-TERM DEBT, (continued)**

Presented below is a summary of debt service requirements to maturity by year.

<u>May 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	248,480	48,191	296,671
2022	253,595	44,277	297,872
2023	253,718	40,228	293,946
2024	263,853	35,943	299,796
2025	268,998	31,374	300,372
2026-2030	1,385,354	86,234	1,471,588
2031-2035	467,329	11,367	478,696
2036-2037	48,047	300	48,347
Total	<u>\$3,189,374</u>	<u>\$297,914</u>	<u>\$3,487,288</u>

**6. NJEIT LOAN PROGRAM REPAYMENT**

The Authority has agreed to repay an advance from NJEIT in the amount of \$170,373 over a period of seven years at zero percent interest. The Authority has paid the final installment of \$24,339 and had a \$-0- remaining outstanding balance as of May 31, 2020.

**7. GAINS ON DEBT DEFEASANCE**

Accounting losses and gains on advanced refundings of debt are being amortized over the life of the new debt. The unamortized balances as of May 31, 2020 are as follows:

Gain on NJEIT Refunding (Series 2009)	\$(22,727)
Gain on NJEIT Refunding (Series 2010)	<u>(16,545)</u>
	<u><u>\$(39,272)</u></u>

These unamortized gains are shown on the statement of net position as deferred inflows of resources.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**8. PENSION PLANS**

**Description of Plans:**

Authority employees participate in the State of New Jersey Public Employees' Retirement System (PERS) contributory, defined benefit public employee retirement systems or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

*Public Employees' Retirement System (PERS)*

**Plan Description**

The State of New Jersey Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). For additional information about the PERS, please refer to the 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 vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for 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 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**8. PENSION PLANS, (continued)**

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

**Defined Contribution Retirement Program**

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

**Contribution Requirements**

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012, of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**8. PENSION PLANS, (continued)**

**Contribution Requirements, (continued)**

The Authority's contribution to the various plans, equal to the required contributions for each year, were as follows:

<u>Year</u>	<u>PERS</u>	<u>DCRP</u>
2020	\$134,567	\$241
2019	141,081	251
2018	121,884	261

At May 31, 2020 and 2019, the Authority had a liability of \$2,492,731 and \$2,792,680 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2019, the Authority's proportion was .0138343012 percent, which was a decrease of .0003492988 percent from its proportion measured as of June 30, 2019.

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68**

**Public Employees Retirement System (PERS)**

For the year ended May 31, 2020, the Authority recognized pension expense of \$134,094. At May 31, 2020, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$44,741	\$11,012
Changes of assumptions	248,908	865,219
Net difference between projected and actual earnings on pension plan investments		39,349
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	<u>173,692</u>	<u>87,828</u>
Total	<u>\$467,341</u>	<u>\$1,003,408</u>

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**8. PENSION PLANS, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2019) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended May 31:

2020	\$(71,979)
2021	(233,498)
2022	(208,500)
2023	(97,901)
2024	(10,053)

**Changes in Proportion**

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2019, 2018, 2017, 2016, 2015 and 2014 amounts, respectively.

**Additional Information**

Local Group Collective balances net of nonemployer (State of New Jersey) balances at December 31, 2019 and June 30, 2018 are as follows:

	<u>May 31, 2020</u>	<u>May 31, 2019</u>
Collective deferred outflows of resources	\$3,149,522,616	\$4,684,852,302
Collective deferred inflows of resources	7,645,087,574	7,646,736,226
Collective net pension liability	18,018,482,972	19,689,501,539
Authority's Proportion	.0138343012%	.01418360%

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**8. PENSION PLANS, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

**Actuarial Assumptions**

The collective total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which rolled forward to June 30, 2019. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00-6.00% (based on years of service)
Thereafter	3.00-7.00% (based on years of service)
Investment Rate of Return	7.00 Percent

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

**Mortality Rates**

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

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**8. PENSION PLANS, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

**Long-Term Rate of Return**

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

<u>Asset Class</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%

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**8. PENSION PLANS, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

**Discount Rate**

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

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

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

	June 30, 2019		
	1% Decrease <u>5.28%</u>	At Current Discount Rate <u>6.28%</u>	1% Increase <u>7.28%</u>
Authority's proportionate share of the pension liability	\$3,170,629	\$2,492,731	\$1,953,460



**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**8. PENSION PLANS, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**9. OTHER POST EMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note 8, the Authority provides post employment health care benefits in accordance with the provisions of Ch. 88, P.L. 1974 as amended by Chapter 436, P.L. 1981, at its cost. On December 11, 2007, the Authority adopted the provisions of N.J.S.A. 52:14-17.38 and adhered to the rules and regulations promulgated by the State Health Benefits Commission to implement the provisions of that law. This resolution affects employees as shown in Chapter 48, P.L. 1999.

Chapter 48, P.L. 1999, provides eligible participating local employers considerable flexibility in managing their postretirement medical costs. It also brings State Health Benefits Program (SHBP) and School Employees' Health Benefits Program (SEHBP) eligibility standards for employer-paid coverage into alignment with local government laws.

Adoption of this Resolution does not free the Pompton Lakes Municipal Utilities Authority of the obligation to pay for postretirement medical benefits of retirees or employees who qualified for those payments under any Chapter 88 or Chapter 48 Resolution previously adopted by the governing body.

The Resolution will remain in effect until properly amended or revoked with the State Health Benefits Program. The Pompton Lakes Municipal Utilities Authority recognizes that, while it remains in the State Health Benefits Program, it is responsible for providing the payment for postretirement medical coverage as listed in the Chapter 48 Resolution Addendum for all employees who qualify for this coverage while this Resolution is in force.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**9. OTHER POST EMPLOYMENT BENEFITS, (continued)**

**General Information about the OPEB Plan**

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**9. OTHER POST EMPLOYMENT BENEFITS, (continued)**

**Total OPEB Liability**

At May 31, 2020 and 2019, the Authority had a liability of \$2,180,376 and 3,176,720, respectively, for its proportionate share of the non-special funding net OPEB liability. The net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net OPEB liability was based on a projection of the Authority's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers in the plan. At June 30, 2019, the Authority's proportion was .016096 percent, which is a decrease of .004181 percent from its proportion measured at June 30, 2018.

For the years ended May 31, 2020 and 2019, the Authority recognized OPEB (benefit)/expense of \$(130,648) and \$131,798, respectively. At May 31, 2020 and 2019, deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$	\$637,627
Changes of assumptions		772,677
Net difference between projected and actual earnings on OPEB plan investments	1,796	
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	<u>207,670</u>	<u>964,669</u>
Total	<u>\$209,466</u>	<u>\$2,374,973</u>

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**9. OTHER POST EMPLOYMENT BENEFITS, (continued)**

	<u>2019</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$	\$644,988
Changes of assumptions		805,817
Net difference between projected and actual earnings on OPEB plan investments	1,679	
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	<u>241,492</u>	<u>154,994</u>
Total	<u>\$243,171</u>	<u>\$1,605,799</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB (excluding changes in proportion) will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$(229,400)
2021	(229,400)
2022	(229,542)
2023	(229,769)
2024	(229,977)
Thereafter	(260,420)

**Changes in Proportion**

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 8.05, 8.14 and 8.04 years for 2019, 2018 and 2017 amounts, respectively.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**9. OTHER POST EMPLOYMENT BENEFITS, (continued)**

**Actual Assumptions and Other Inputs**

The total OPEB liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which rolled forward to June 30, 2019. The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2018. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation rate	2.50%
Salary increases*:	
Public Employees' Retirement System (PERS)	
Initial fiscal year applied	
Rate through 2026	2.00% to 6.00%
Rate thereafter	3.00% to 7.00%
Police and Firemen's Retirement System (PFRS)	
Rate for all future years	3.25% to 15.25%
Mortality:	
PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019
PFRS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

\* Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

100% of active members are considered to participate in the Plan upon retirement.

**Health Care Trend Assumptions**

For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected.. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**

(continued)

**9. OTHER POST EMPLOYMENT BENEFITS, (continued)**

**Discount Rate**

The discount rate for June 30, 2019 and 2018 was 3.50% and 3.87%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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

The following presents the Authority's proportionate share of the net OPEB liability as of June 30, as well as what the Authority's proportionate share of the net OPEB 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:

	June 30, 2019		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>2.50%</u>	<u>3.50%</u>	<u>4.50%</u>
Authority's proportionate share of Net OPEB liability	\$2,521,069	\$2,180,376	\$1,903,517

  

	June 30, 2018		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>2.87%</u>	<u>3.87%</u>	<u>4.87%</u>
Authority's proportionate share of Net OPEB liability	\$3,727,133	\$3,176,720	\$2,737,065

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**9. OTHER POST EMPLOYMENT BENEFITS, (continued)**

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

The following presents the Authority's proportionate share of the net OPEB liability as of June 30, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage point lower or 1 percentage point higher than the current rate:

	June 30, 2019		
	1% <u>Decrease</u>	Healthcare Cost <u>Trend Rate</u>	1% <u>Increase</u>
Authority's proportionate share of Net OPEB liability	\$1,839,968	\$2,180,376	\$2,614,622

  

	June 30, 2018		
	1% <u>Decrease</u>	Healthcare Cost <u>Trend Rate</u>	1% <u>Increase</u>
Authority's proportionate share of Net OPEB liability	\$2,649,894	\$3,176,720	\$3,858,512

**10. COMMITMENTS AND CONTINGENT LIABILITIES**

The Authority's attorney has advised them that there are no known material commitments or contingencies that would have a material effect on the financial statements.

**11. OTHER MATTERS**

Since 2008, the Authority has dealt with the NJDEP Bureau of Dam Safety & Flood Control in the evaluation of the condition of the Lower Twin Lakes Dam, built in 1926, located on Authority property deeded to the Authority in the 1970's. Ongoing analysis and evaluation continues, including bi-annual inspections (latest October, 2015 and required inspection will be done in October, 2017). The Authority has determined that the dam is in need of rehabilitation and a revised application for planning and design was submitted to the NJDEP in January 2016. In addition, on May 26, 2017, the Authority submitted an application for a Project Loan from the State of New Jersey pursuant to the "Green Acres, Clean Water, Farmland & Historic Preservation Bond Act of 1992" or Dam Restoration. The amount of the loan is for \$950,000.00 which would cover Construction Cost, prior Engineering Costs and Current Engineering Cost. The Authority was approved for the Lower Twin Lakes Dam restoration loan in the amount of \$950,000.00 by the State of New Jersey in July 2019.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**11. OTHER MATTERS, (continued)**

In addition, the NJDEP, Division of Dam Safety and Flood Engineering issued the Authority the permit needed to move forward with the dam restoration on August 17, 2020.

**12. RISK MANAGEMENT**

The Pompton Lakes Borough Municipal Utilities Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Pompton Lakes Borough Municipal Utilities Authority is currently a member of the New Jersey Utility Authorities Joint Insurance Fund, a public entity risk pool currently composed of 46 member authorities. The Fund provides members with Property, Liability, and Workers Compensation Insurance, and Public Officials Liability Insurance.

**13. DESIGNATION OF UNRESTRICTED NET POSITION**

The Authority's General and Operating Accounts maintain funds that, although may be spent for any lawful purpose by the Authority, have been designated by the Board as follows:

	<u>2020</u>	<u>2019</u>
Appropriated in Subsequent Year's Budget	\$915,000	\$516,164
Designated for Retiree Health Benefits	<u>351,000</u>	<u>351,000</u>
	<u>\$1,266,000</u>	<u>\$867,164</u>

At May 31, 2020, the Authority reported a total amount of \$1,266,000 of Unrestricted Net Position — Designated for the purposes describe above.

The remaining undesignated portion of the Authority's net position was comprised of the following at May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Post-Retirement Employer Health Benefits Related	\$(4,345,883)	\$(4,539,348)
Accrued Unfunded Pension Liability	(3,028,798)	(3,029,271)
Available for Use in Future Budgets	<u>1,423,463</u>	<u>1,456,162</u>
Total	<u>(\$5,951,218)</u>	<u>(\$6,112,457)</u>



**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MAY 31, 2020 AND 2019**  
**(continued)**

**14. SUBSEQUENT EVENTS**

On March 9, 2020, Governor Phil Murphy signed Executive Order No. 103 that declared a State of Emergency and Public Health Emergency across all 21 counties in New Jersey in response to address the novel coronavirus (COVID-19) outbreak. At the time of this report, the overall effects of the COVID-19 pandemic are unknown. In efforts to reduce the spread of the virus, many companies and organizations have either reduced staff or closed down, thus creating a potential financial dilemma among many of the ratepayers in the municipalities serviced by the Pompton Lakes Borough Municipal Utilities Authority. The Authority has identified several risks as a result of this pandemic, including a possible delay in collection of administration fees and cash flow shortages as the result of these delayed collections. The Authority will continue to monitor the situation closely.

The Authority has evaluated subsequent events through August 26, 2020, the date which the financial statements were available to be issued and the following item was noted for disclosure:

As described in Note 11, the State of New Jersey approved the Authority's Lower Twin Lakes Dam restoration loan in the amount of \$950,000 in July of 2019. On August 17, 2020, the NJDEP issued the Authority the permit needed to move forward with the dam restoration project.

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**Required Supplementary Information - Part II**

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**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**Schedules of Required Supplementary Information**  
**Schedule of Authority's Share of Net Pension Liability - PERS**  
*Last 10 Fiscal Years\**

	Fiscal Year Ending May 31,				
	2020	2019	2018	2017	2016
Authority's proportion of the net pension liability (asset)	0.0138343012%	0.0141836000%	0.0131568323%	0.0132744142%	0.0130687267%
Authority's proportionate share of the net pension liability (asset)	\$ 2,492,731	\$ 2,792,680	\$ 3,062,700	\$ 3,931,501	\$ 2,933,667
Authority's covered payroll - PERS	\$ 995,677	\$ 962,719	\$ 974,299	\$ 969,755	\$ 939,426
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	250.36%	290.08%	314.35%	405.41%	312.28%
Plan fiduciary net position as a percentage of the total pension liability	56.27%	53.60%	48.10%	40.14%	47.93%
					52.08%

\* GASB requires that ten years of information be presented. However, since fiscal year 2016 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**Schedules of Required Supplementary Information**  
**Schedule of Authority's Contributions - PERS**  
*Last 10 Fiscal Years\**

	Fiscal Year Ended May 31,				
	2020	2019	2018	2017	2016
Contractually required contribution	\$ 134,567.00	\$ 141,081.00	\$ 121,884.00	\$ 117,928.00	\$ 112,356.00
Contributions in relation to the contractually required contribution	\$ (134,567.00)	\$ (141,081.00)	\$ (121,884.00)	\$ (117,928.00)	\$ (112,356.00)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll - PERS	\$ 995,677	\$ 962,719	\$ 974,299	\$ 969,755	\$ 939,426
Contributions as a percentage of covered payroll	13.52%	14.65%	12.51%	12.16%	11.96%
					11.38%

\* GASB requires that ten years of information be presented. However, since fiscal year 2016 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**Note to Required Schedules of Supplementary Information**  
**For the Year Ended May 31, 2020**

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date to the current measurement date, resulting in a change in the discount rate from 5.66% to 6.28%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

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**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**Schedules of Required Supplementary Information**  
**Schedule of Authority's Share of Net OPEB Liability**  
*Last 10 Fiscal Years\**

	2020	2019	2018
Authority's proportion of the net OPEB liability (asset)	0.016096%	0.020277%	0.019063%
Authority's proportionate share of the net OPEB liability (asset)	\$ 2,180,376	\$ 3,176,720	\$ 3,891,862
Authority's covered payroll	\$ 995,677	\$ 962,719	\$ 974,299
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	218.98%	329.97%	399.45%
Plan fiduciary net position as a percentage of the total OPEB liability	1.98%	1.97%	1.03%

\* GASB requires that ten years of information be presented. However, since fiscal year 2017 was the first year of GASB 75 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**Schedules of Required Supplementary Information**  
**Schedule of Authority's OPEB Contributions**  
*Last 10 Fiscal Years\**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 31,511.00	\$ 42,963.00	\$ 62,350.00
Contributions in relation to the contractually required contribution	<u>\$ (31,511.00)</u>	<u>\$ (42,963.00)</u>	<u>\$ (62,350.00)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 995,677	\$ 962,719	\$ 974,299
Contributions as a percentage of covered payroll	3.16%	4.46%	6.40%

\* GASB requires that ten years of information be presented. However, since fiscal year 2017 was the first year of GASB 75 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**Schedules of Required Supplementary Information**  
**Schedule of Changes in the Authority's Proportionate**  
**Share of the State OPEB Contributions**  
*Last 10 Fiscal Years\**

	2020	2019	2018
<b>Total OPEB Liability:</b>			
Service Cost	\$ 107,292	\$ 181,730	\$ 202,931
Interest	102,383	154,933	123,609
Changes in Benefit Terms and Actual Experience	(306)		
Changes in Assumptions	(225,331)	(735,322)	(493,322)
Benefit Payments	(263,292)	(469,259)	(79,586)
Contributions - Members	(75,680)	(85,492)	10,215
Change in Allocation	6,961	10,947	(207,745)
	(668,169)	250,436	
Net Change in Total OPEB Liability	(1,016,142)	(692,027)	(443,898)
Total OPEB Liability - Beginning	3,240,488	3,932,515	4,376,413
Total OPEB Liability - Ending	2,224,346	\$ 3,240,488	\$ 3,932,515
<b>Plan Fiduciary Net Position:</b>			
Contributions - Employer	55,759	\$ 85,406	\$ 72,785
Contributions - Non-Employer			
Contributing Entities	7,059	10,858	10,116
Contributions - Members	6,961	10,947	10,215
Net Investment Income	777	471	151
Benefit Payments	(75,680)	(85,492)	(79,586)
Administrative Expense	(1,526)	(1,663)	(1,696)
Change in Allocation	(13,148)	2,588	(1,429)
Net Change in Plan Fiduciary Net Position	(19,798)	23,115	10,556
Plan Fiduciary Net Position - Beginning	63,768	40,653	30,097
Plan Fiduciary Net Position - Ending	43,970	63,768	40,653
Authority's Net OPEB Liability	\$ 2,180,376	\$ 3,176,720	\$ 3,891,862

\* GASB requires that ten years of information be presented. However, since fiscal year 2017 was the first year of GASB 75 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**Note to Required Schedules of Supplementary Information**  
**For the Fiscal Year Ended May 31, 2020**

Change in benefit terms

None

Change in assumptions

Assumptions used in calculating the OPEB liability are presented  
in Note 9.

## **Supplementary Schedules**

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**The Pompton Lakes Borough Municipal Utilities Authority**  
**(A Component Unit of the Borough of Pompton Lakes)**  
**Schedule Of Revenues, Expenses And**  
**Changes In Net Position -**  
**Restricted And Unrestricted**

**For The Fiscal Years Ended May 31, 2020 and 2019**

	Invested in Capital Assets	Unrestricted		Total (Memo)	
		Designated	Undesignated	2020	2019
<b>Operating Revenues:</b>					
Water Charges			647,027	647,027	603,184
Sewer Charges			2,308,697	2,308,697	2,276,417
Connection Fees			83,108	83,108	29,428
Other			234,439	234,439	232,736
Interest on Delinquent Accounts			18,290	18,290	20,006
Interest Income			23,372	23,372	23,050
<b>Total Operating Revenues</b>			<b>3,314,933</b>	<b>3,314,933</b>	<b>3,184,821</b>
<b>Operating Expenses:</b>					
Costs of Providing Services			1,425,155	1,425,155	1,443,076
Administrative, General and Employee Benefits			821,340	821,340	1,131,284
Depreciation	883,872			883,872	908,922
<b>Total Operating Expenses</b>	<b>883,872</b>		<b>2,246,495</b>	<b>3,130,367</b>	<b>3,483,282</b>
<b>Operating Income (Loss)</b>	<b>(883,872)</b>		<b>1,068,438</b>	<b>184,566</b>	<b>(298,461)</b>
<b>Non-Operating Revenue and (Expenses):</b>					
Interest Expense			(50,561)	(50,561)	(54,095)
Amortization	12,340			12,340	10,067
	<b>12,340</b>		<b>(50,561)</b>	<b>(38,221)</b>	<b>(44,028)</b>
<b>Net Income (Loss) Before Transfers and Capital Contributions</b>	<b>(871,532)</b>		<b>1,017,877</b>	<b>146,345</b>	<b>(342,489)</b>
<b>Transfers:</b>					
Bond Principal Paid	245,375		(245,375)		
Capital Expenditures	188,088		(188,088)		
NJEIT Paid	24,339		(24,339)		
Other		398,836	(398,836)		
<b>Increase (Decrease) in Net Position</b>	<b>(413,730)</b>	<b>398,836</b>	<b>161,239</b>	<b>146,345</b>	<b>(342,489)</b>
<b>Net Position, June 1</b>	<b>7,647,959</b>	<b>867,164</b>	<b>(6,112,457)</b>	<b>2,402,666</b>	<b>2,745,155</b>
<b>Net Position - May 31,</b>	<b>7,234,229</b>	<b>1,266,000</b>	<b>(5,951,218)</b>	<b>2,549,011</b>	<b>2,402,666</b>
Appropriated in Subsequent Year's Budget		915,000			
Designated for Retiree Health Benefits		351,000			
		<b>1,266,000</b>			

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**The Pompton Lakes Borough Municipal Utilities Authority**  
**(A Component Unit of the Borough of Pompton Lakes)**  
**Schedule Of Cash Receipts, Cash Disbursements**  
**And Changes In Cash and Investments**  
**Unrestricted And Restricted Accounts**  
**For The Fiscal Year Ended May 31, 2020**

	Operating Account	Payroll Fund	Revenue Fund	Customer Deposit Account
<b>Cash, Cash Equivalents and Investments - June 1, 2019</b>	268,625	5,200	573,684	47,896
<b>Cash Receipts:</b>				
Interest on Investments	1,931	434	5,519	
Water and Sewer Charges			2,867,941	
Customer Deposits				5,945
Other	251,929		93,788	
Employee/Employer Payroll Taxes		636,582		
Transfers	2,620,000	667,940		
<b>Total Cash Receipts</b>	<b>2,873,860</b>	<b>1,304,956</b>	<b>2,967,248</b>	<b>5,945</b>
<b>Cash and Investments Available</b>	<b>3,142,485</b>	<b>1,310,156</b>	<b>3,540,932</b>	<b>53,841</b>
<b>Cash Disbursements:</b>				
Operations	1,910,544	667,940		
Capital Expenditures				
Employee/Employer Payroll Taxes		636,126		
Bond Principal Payments	245,375			
Bond Interest Payments	51,509			
Customer Deposits				4,101
Other			1,818	
Transfers	667,940		2,620,000	
<b>Total Cash Disbursements</b>	<b>2,875,368</b>	<b>1,304,066</b>	<b>2,621,818</b>	<b>4,101</b>
<b>Cash, Cash Equivalents and Investments - May 31, 2020</b>	<b>267,117</b>	<b>6,090</b>	<b>919,114</b>	<b>49,740</b>
<b>Analysis of Balance:</b>				
Cash and Cash Equivalents	267,117	6,090	919,114	49,740
Investments	-	-	-	-
	<b>267,117</b>	<b>6,090</b>	<b>919,114</b>	<b>49,740</b>
Unrestricted	267,117	6,090	919,114	-
Restricted	-	-	-	49,740
	<b>267,117</b>	<b>6,090</b>	<b>919,114</b>	<b>49,740</b>

**The Pompton Lakes Borough Municipal Utilities Authority**  
**(A Component Unit of the Borough of Pompton Lakes)**  
**Schedule Of Cash Receipts, Cash Disbursements**  
**And Changes In Cash and Investments**  
**Unrestricted And Restricted Accounts**  
**For The Fiscal Year Ended May 31, 2020**

	Escrow Deposit Fund	General/ Capital Reserve Account	Cert. of Deposit	Total
<b>Cash, Cash Equivalents and Investments - June 1, 2019</b>	31,708	1,099,093	290,034	2,316,240
<b>Cash Receipts:</b>				
Interest on Investments		9,673	4,940	22,497
Water and Sewer Charges				2,867,941
Customer Deposits				5,945
Other	225	159,026		504,968
Employee/Employer Payroll Taxes				636,582
Transfers				3,287,940
<b>Total Cash Receipts</b>	225	168,699	4,940	7,325,873
<b>Cash and Investments Available</b>	31,933	1,267,792	294,974	9,642,113
<b>Cash Disbursements:</b>				
Operations		7,279		2,585,763
Capital Expenditures		188,088		188,088
Employee/Employer Payroll Taxes				636,126
Bond Principal Payments				245,375
Bond Interest Payments				51,509
Customer Deposits				4,101
Other				1,818
Transfers				3,287,940
<b>Total Cash Disbursements</b>	-	195,367	-	7,000,720
<b>Cash, Cash Equivalents and Investments - May 31, 2020</b>	31,933	1,072,425	294,974	2,641,393
<b>Analysis of Balance:</b>				
Cash and Cash Equivalents	31,933	1,072,425	294,974	2,641,393
Investments	-	-	-	-
	31,933	1,072,425	294,974	2,641,393
Unrestricted	-	1,072,425	294,974	2,559,720
Restricted	31,933	-	-	81,673
	31,933	1,072,425	294,974	2,641,393

**The Pompton Lakes Borough Municipal Utilities Authority**  
**(A Component Unit of the Borough of Pompton Lakes)**  
**Schedule Of Operating Revenue And Costs Funded**  
**By Operating Revenue Compared To Budget**

**For The Fiscal Year Ended May 31, 2020**

	<b>2020 Adopted Budget</b>	<b>2020 Modified Budget</b>	<b>2020 Actual</b>	<b>Variance Favorable / (Unfavorable)</b>	<b>2019 Actual</b>
<b>Revenues:</b>					
Unrestricted Net Position Appropriated	66,164	66,164	66,164	-	75,000
Water Charges	745,620	745,620	647,027	(98,593)	603,184
Sewer Charges	2,100,045	2,100,045	2,308,697	208,652	2,276,417
Other	225,000	225,000	317,547	92,547	262,164
Interest on Delinquent Accounts	20,000	20,000	18,290	(1,710)	20,006
Interest on Investments and Deposits	12,000	12,000	23,372	11,372	23,050
<b>Total Operating Revenues</b>	<b>3,168,829</b>	<b>3,168,829</b>	<b>3,381,097</b>	<b>212,268</b>	<b>3,259,821</b>
<b>Expenses:</b>					
<b>Cost of Providing Services:</b>					
Operating Salaries	760,000	760,000	706,216	53,784	660,601
Overtime Salaries	35,000	35,000	33,914	1,086	33,425
Professional Fees - Other	5,000	5,000	5,000		7,353
Engineering - Miscellaneous	15,000	15,000	95	14,905	2,595
Chemicals	75,000	75,000	62,298	12,702	72,504
Systems and Equipment - Repairs and Maintenance	150,000	150,000	90,566	59,434	120,965
Truck Expenses - Gas, Oil, License	15,000	15,000	11,309	3,691	15,955
Truck Expenses - Repairs	10,000	10,000	9,143	857	10,965
Electricity	300,000	300,000	255,952	44,048	252,160
Water Consumed in Operations	3,000	3,000	1,963	1,037	1,949
Sludge Removal	125,000	125,000	138,246	(13,246)	143,657
Uniforms	8,000	8,000	2,829	5,171	3,849
Fees and Permits	50,000	50,000	37,449	12,551	41,544
Lab Supplies and Expenses	35,000	35,000	46,363	(11,363)	39,726
Customer Refunds	4,000	4,000	548	3,452	954
Miscellaneous Supplies and Expenses	25,000	25,000	23,264	1,736	34,874
Contingency (NJBIT)	25,000	25,000	24,339	661	24,339
<b>Sub-total Cost of Providing Services</b>	<b>1,640,000</b>	<b>1,640,000</b>	<b>1,449,494</b>	<b>190,506</b>	<b>1,467,415</b>
<b>Administrative, General Expenses and Employee Benefits:</b>					
Administrative Salaries	340,000	340,000	326,694	13,306	317,337
Commissioners' Salaries	30,000	30,000	31,227	(1,227)	30,239
Administrative Trustees Fees	10,000	10,000	5,556	4,444	5,556
Customer Billing - Postage	7,000	7,000	7,103	(103)	5,908
IT Programming	5,000	5,000	3,499	1,501	5,198
IT System Maintenance	15,000	15,000	14,261	739	14,733
Auditing	25,000	25,000	24,310	690	23,139
Legal - Retainer	17,000	17,000	16,875	125	16,625
Legal - Miscellaneous	5,000	5,000	4,826	174	3,112
Office Supplies and Postage	10,000	10,000	8,687	1,313	5,266
Conferences and Seminars	10,000	10,000	5,148	4,852	7,322

**The Pompton Lakes Borough Municipal Utilities Authority**  
**(A Component Unit of the Borough of Pompton Lakes)**  
**Schedule Of Operating Revenue And Costs Funded**  
**By Operating Revenue Compared To Budget**

**Schedule 3**  
**Page 2 of 2**

**For The Fiscal Year Ended May 31, 2020**

	<b><u>2020</u></b> <b><u>Adopted</u></b> <b><u>Budget</u></b>	<b><u>2020</u></b> <b><u>Budget After</u></b> <b><u>Modifications</u></b>	<b><u>2020</u></b> <b><u>Actual</u></b>	<b><u>Variance</u></b> <b><u>Favorable /</u></b> <b><u>(Unfavorable)</u></b>	<b><u>2019</u></b> <b><u>Actual</u></b>
Administrative, General Expenses and					
Employee Benefits (continued):					
Special Accounting Services	10,000	10,000	9,996	4	5,000
Printing and Publications	8,000	8,000	6,813	1,187	10,056
Telephone and Alarm System	12,000	12,000	10,973	1,027	12,294
Insurance	40,000	40,000	37,973	2,027	37,044
Building Repairs and Maintenance	20,000	20,000	17,877	2,123	16,442
Heating	5,000	5,000	2,356	2,644	2,473
Bank Sweep Fees	4,000	4,000	1,818	2,182	1,851
Employee Benefits:					
Public Employee Retirement System	160,000	160,000	135,437	24,563	141,962
Social Security Tax	75,000	75,000	74,464	536	72,182
Unemployment Compensation Insurance	4,000	4,000	4,075	(75)	4,488
Worker's Compensation Insurance	30,000	30,000	27,906	2,094	24,902
Medical Insurance Premium	327,000	327,000	206,653	120,347	241,455
Retiree Health Benefits	60,000	60,000	30,751	29,249	43,722
	<u>1,229,000</u>	<u>1,229,000</u>	<u>1,015,278</u>	<u>213,722</u>	<u>1,048,306</u>
Debt Service:					
Bond Principal	245,375	245,375	245,375		247,280
Interest on Bonds	54,454	54,454	50,561	3,893	54,095
	<u>299,829</u>	<u>299,829</u>	<u>295,936</u>	<u>3,893</u>	<u>301,375</u>
<b>Total Costs Funded by Operating Revenues</b>	<u><u>3,168,829</u></u>	<u><u>3,168,829</u></u>	<u><u>2,760,708</u></u>	<u><u>408,121</u></u>	<u><u>2,817,096</u></u>
 Excess of Actual Revenues Over Expenses			620,389		442,725
 Reconciliation of Budgetary Basis to GAAP:					
Undesignated Retained Earnings			(66,164)		(75,000)
Pension Adjustment			473		(47,444)
OPEB Adjustment			193,465		(35,534)
Depreciation			(883,872)		(908,922)
Amortization			12,340		10,067
NJEIT Settlement Repayment			24,339		24,339
Bond Principal			<u>245,375</u>		<u>247,280</u>
Total Adjustments			<u>(474,044)</u>		<u>(785,214)</u>
 Change in Net Position			<u><u>146,345</u></u>		<u><u>(342,489)</u></u>

**The Pompton Lakes Borough Municipal Utilities Authority**  
**(A Component Unit of the Borough of Pompton Lakes)**  
**Schedule Of Capital Financing Sources And Costs Funded**  
**By Financing Sources Compared To Budget**

**For The Fiscal Year Ended May 31, 2020**

	<b><u>2020</u></b>	<b><u>2020</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b><u>Adopted</u></b>	<b><u>Budget After</u></b>	<b><u>Actual</u></b>	<b><u>Actual</u></b>
	<b><u>Budget</u></b>	<b><u>Modifications</u></b>		
<b>Financing Sources:</b>				
Unrestricted Net Position	450,000	450,000	188,088	186,081
Debt Authorization	550,000	850,000		
<b>Total Financing Sources</b>	<b><u>1,000,000</u></b>	<b><u>1,300,000</u></b>	<b><u>188,088</u></b>	<b><u>186,081</u></b>
<b>Capital Outlays:</b>				
Miscellaneous Water Main Valve Upgrades	30,000	30,000		16,559
Miscellaneous Well Upgrades	40,000	40,000		
Miscellaneous Upgrades to Water System	40,000	40,000	13,452	
Miscellaneous Building Upgrades	20,000	20,000	11,280	
Miscellaneous Security Equipment	10,000	10,000	6,301	889
Dam Bi-Annual Inspection/Permitting	40,000	40,000	9,276	13,962
Water Meter Reading Upgrade				16,200
Miscellaneous Laboratory Upgrades	20,000	20,000		
Miscellaneous Paving & Concrete Repairs	35,000	35,000		4,000
Fire Hydrant and Valve Upgrades	20,000	20,000		
G.I.S. Water System Mapping				3,692
Misc. Computer and Office Equipment	20,000	20,000	20,229	2,649
Water System Leak Detection				9,600
Water Accountability Act Project	30,000	30,000	6,478	
Misc. Upgrades to Pump Stations	30,000	30,000	14,805	
Miscellaneous Treatment Plant Upgrades	30,000	30,000	11,452	19,692
G.I.S. Collection System Mapping				3,160
Miscellaneous Tools and Equipment				999
2019 Ford F-250 Pickup Truck w/ Crew Cab	50,000	50,000	31,603	31,304
Trailer Mounted Water Main Valve Exerciser				63,375
Miscellaneous Infrastructure Upgrades	25,000	25,000		
Collection System Inspection Equipment	10,000	10,000		
Upgrade of WTP Sludge Thickener Electric	150,000	150,000		
WTP Tertiary Clarifier Upgrades	400,000	400,000	38,283	
East Pond Hole Sewer Main Upgrade		300,000	24,929	
<b>Total Capital Outlay</b>	<b><u>1,000,000</u></b>	<b><u>1,300,000</u></b>	<b><u>188,088</u></b>	<b><u>186,081</u></b>
<b>Excess of Actual Revenues Over Expenses</b>				
<b>Total</b>	<b><u>1,000,000</u></b>	<b><u>1,300,000</u></b>	<b><u>188,088</u></b>	<b><u>186,081</u></b>

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May 31, 2020 and 2019

-63-

The Pompton Lakes Borough Municipal Utilities Authority  
(A Component Unit of the Borough of Pompton Lakes)  
Schedule Of Revenue and Junior Lien Revenue Bonds Payable

May 31, 2020 and 2019

	Original Issuance		Interest Rate	Maturities		Balance June 1, 2019	Issued	Redeemed/Retired	Balance May 31, 2020
	Date	Amount		Date	Amount				
NJET Trust Loan Direct Loan	2/23/2010	71,914	3.160%	08/01/2020	3,632				
			3.290%	08/01/2021	3,747				
			3.480%	08/01/2022	3,870				
			3.620%	08/01/2023	4,004				
			3.720%	08/01/2024	4,149				
			3.820%	08/01/2025	4,304				
			3.920%	08/01/2026	4,468				
			4.010%	08/01/2027	4,643				
			4.100%	08/01/2028	4,830				
			4.180%	08/01/2029	5,027				
						46,201		3,527	42,674
NJET Fund Loan Direct Loan	2/23/2010	204,192	0.000%	08/01/2020	7,165				
			0.000%	02/01/2021	3,582				
			0.000%	08/01/2021	7,165				
			0.000%	02/01/2022	3,582				
			0.000%	08/01/2022	7,165				
			0.000%	02/01/2023	3,582				
			0.000%	08/01/2023	7,165				
			0.000%	02/01/2024	3,582				
			0.000%	08/01/2024	7,165				
			0.000%	02/01/2025	3,582				
			0.000%	08/01/2025	7,165				
			0.000%	02/01/2026	3,582				
			0.000%	08/01/2026	7,165				
			0.000%	02/01/2027	3,582				
			0.000%	08/01/2027	7,165				
			0.000%	02/01/2028	3,582				
			0.000%	08/01/2028	7,165				
			0.000%	02/01/2029	3,582				
			0.000%	08/01/2029	7,165				
						114,635		10,747	103,888



The Pompton Lakes Borough Municipal Utilities Authority  
(A Component Unit of the Borough of Pompton Lakes)  
Schedule Of Revenue and Junior Lien Revenue Bonds Payable

May 31, 2020 and 2019

	Original Issuance		Interest Rate	Maturities		Balance June 1, 2019	Issued	Redeemed/Retired	Balance May 31, 2020
	Date	Amount		Date	Amount				
NJBIT Trust Loan Series 2010B	12/2/2010	415,000	5.000%	08/01/2020	18,000				
			5.000%	08/01/2021	18,000				
			5.000%	08/01/2022	18,000				
			5.000%	08/01/2023	23,000				
			5.000%	08/01/2024	23,000				
			5.000%	08/01/2025	23,000				
			5.000%	08/01/2026	23,000				
			5.000%	08/01/2027	27,000				
			5.000%	08/01/2028	27,000				
			5.000%	08/01/2029	27,000				
			5.000%	08/01/2030	32,000			20,000	259,000
						279,000			
NJBIT Fund Loan Series 2010B	12/2/2010	210,430	0.000%	08/01/2020	7,515				
			0.000%	02/01/2021	3,758				
			0.000%	08/01/2021	7,515				
			0.000%	02/01/2022	3,758				
			0.000%	08/01/2022	7,515				
			0.000%	02/01/2023	3,758				
			0.000%	08/01/2023	7,515				
			0.000%	02/01/2024	3,758				
			0.000%	08/01/2024	7,515				
			0.000%	02/01/2025	3,758				
			0.000%	08/01/2025	7,515				
			0.000%	02/01/2026	3,758				
			0.000%	08/01/2026	7,515				
			0.000%	02/01/2027	3,758				
			0.000%	08/01/2027	7,515				
			0.000%	02/01/2028	3,758				
			0.000%	08/01/2028	7,515				
			0.000%	02/01/2029	3,758				
			0.000%	08/01/2029	7,515				
			0.000%	02/01/2030	3,758				
			0.000%	08/01/2030	5,365			11,273	118,095
						129,368			

The Pompton Lakes Borough Municipal Utilities Authority  
(A Component Unit of the Borough of Pompton Lakes)  
Schedule Of Revenue and Junior Lien Revenue Bonds Payable

May 31, 2020 and 2019

	Original Issuance		Interest Rate	Maturities		Balance June 1, 2019	Issued	Redeemed/Retired	Balance May 31, 2020
	Date	Amount		Date	Amount				
NJBIT Trust Loan Series 2012A	05/3/2012	370,000	5.000%	08/01/2020	15,000				
			5.000%	08/01/2021	20,000				
			5.000%	08/01/2022	20,000				
			5.000%	08/01/2023	20,000				
			5.000%	08/01/2024	20,000				
			5.000%	08/01/2025	20,000				
			5.000%	08/01/2026	25,000				
			3.000%	08/01/2027	25,000				
			3.000%	08/01/2028	25,000				
			3.125%	08/01/2029	25,000				
			3.200%	08/01/2030	25,000				
			3.250%	08/01/2031	25,000	280,000		15,000	265,000
NJBIT Fund Loan Series 2012A	05/3/2012	1,144,110	0.000%	08/01/2020	41,353				
			0.000%	02/01/2021	20,676				
			0.000%	08/01/2021	41,353				
			0.000%	02/01/2022	20,676				
			0.000%	08/01/2022	41,353				
			0.000%	02/01/2023	20,676				
			0.000%	08/01/2023	41,353				
			0.000%	02/01/2024	20,676				
			0.000%	08/01/2024	41,353				
			0.000%	02/01/2025	20,676				
			0.000%	08/01/2025	41,353				
			0.000%	02/01/2026	20,676				
			0.000%	08/01/2026	41,353				
			0.000%	02/01/2027	20,676				
			0.000%	08/01/2027	41,353				
			0.000%	02/01/2028	20,676				
			0.000%	08/01/2028	41,353				
			0.000%	02/01/2029	20,676				
			0.000%	08/01/2029	41,353				
			0.000%	02/01/2030	20,676				
			0.000%	08/01/2030	41,352				
			0.000%	02/01/2031	20,676				
			0.000%	08/01/2031	27,589	771,936		62,029	709,907

The Pompton Lakes Borough Municipal Utilities Authority  
(A Component Unit of the Borough of Pompton Lakes)  
Schedule Of Revenue and Junior Lien Revenue Bonds Payable

May 31, 2020 and 2019

	Original Issuance		Interest Rate	Maturities		Balance June 1, 2019	Issued	Redeemed/Retired	Balance May 31, 2020
	Date	Amount		Date	Amount				
NJBIT Trust Loan Series 2016A-1	05/26/2016	260,000	5.000%	08/01/2020	10,000				
			5.000%	08/01/2021	10,000				
			5.000%	08/01/2022	10,000				
			5.000%	08/01/2023	10,000				
			4.000%	08/01/2024	15,000				
			4.000%	08/01/2025	15,000				
			4.000%	08/01/2026	15,000				
			4.000%	08/01/2027	15,000				
			2.000%	08/01/2028	15,000				
			2.000%	08/01/2029	15,000				
			2.000%	08/01/2030	15,000				
			2.125%	08/01/2031	15,000				
			3.000%	08/01/2032	15,000				
			3.000%	08/01/2033	15,000				
			3.000%	08/01/2034	20,000				
			3.000%	08/01/2035	20,000				
						240,000		10,000	230,000

The Pompton Lakes Borough Municipal Utilities Authority  
(A Component Unit of the Borough of Pompton Lakes)  
Schedule Of Revenue and Junior Lien Revenue Bonds Payable

Mar 31, 2020 and 2019

	Original Issuance		Interest Rate	Maturities		Balance June 1, 2019	Issued	Redeemed/ Retired	Balance May 31, 2020		
	Date	Amount		Date	Amount						
NJET Fund Loan Series 2016A-1	05/26/2016	799,313	0.000%	08/01/2020	28,046						
			0.000%	02/01/2021	14,023						
			0.000%	08/01/2021	28,046						
			0.000%	02/01/2022	14,023						
			0.000%	08/01/2022	28,046						
			0.000%	02/01/2023	14,023						
			0.000%	08/01/2023	28,046						
			0.000%	02/01/2024	14,023						
			0.000%	08/01/2024	28,046						
			0.000%	02/01/2025	14,023						
			0.000%	08/01/2025	28,046						
			0.000%	02/01/2026	14,023						
			0.000%	08/01/2026	28,046						
			0.000%	02/01/2027	14,023						
			0.000%	08/01/2027	28,046						
			0.000%	02/01/2028	14,023						
			0.000%	08/01/2028	28,046						
			0.000%	02/01/2029	14,023						
			0.000%	08/01/2029	28,046						
			0.000%	02/01/2030	14,023						
			0.000%	08/01/2030	28,046						
			0.000%	02/01/2031	14,023						
			0.000%	08/01/2031	28,046						
			0.000%	02/01/2032	14,023						
			0.000%	08/01/2032	28,046						
			0.000%	02/01/2033	14,023						
			0.000%	08/01/2033	28,046						
			0.000%	02/01/2034	14,023						
			0.000%	08/01/2034	28,047						
			0.000%	02/01/2035	14,023						
			0.000%	08/01/2035	28,047						
Grand Total						701,152	42,069	659,083			
						3,434,749	245,375	3,189,374			
Current Portion						245,375			248,480		
Non-Current Portion						3,189,374			2,940,894		
						3,434,749			3,189,374		

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**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**MEMBERS OF THE AUTHORITY**

**JUNE 1, 2019 TO MAY 31, 2020**

<u>Official</u>	<u>Position</u>	<u>Term Expires February 1</u>
Kevin P. Carroll	Chairman	2021
Neal Galletta	Vice-Chairman/Treasurer	2022
Timothy Troast	Assistant Secretary	2025
Michael Longo	Secretary	2024
Lloyd Kent	Assistant Treasurer	2023

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**POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**

**\* \* \* \* \***

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

**COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED MAY 31, 2020**

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## WIELKOTZ & COMPANY <sup>LLC</sup>

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. WIELKOTZ, CPA, RMA, PSA  
MATTHEW B. WIELKOTZ, CPA, PSA  
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**INDEPENDENT AUDITOR'S 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**

Honorable Chairman and Members of the  
Pompton Lakes Borough Municipal Utilities Authority  
2000 Lincoln Avenue  
Pompton Lakes, New Jersey 07442

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Pompton Lakes Borough Municipal Utilities Authority (A Component Unit of the Borough of Pompton Lakes), as of and for the year ended May 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated August 26, 2020.

***Internal Control Over Financial Reporting***

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

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



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as Finding 2020-01 that we consider to be a significant deficiency in internal control over financial reporting.

### ***Compliance and Other Matters***

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

### ***Pompton Lakes Borough Municipal Utilities Authority's Response to Findings***

Pompton Lakes Borough Municipal Utilities Authority's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Pompton Lakes Borough Municipal Utilities Authority's response was not subjected to the auditing procedures applied in the audit of the financials statements and, accordingly, we express no opinion on it.

### ***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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wielkotz & Company, LLC*

WIELKOTZ & COMPANY, LLC  
Certified Public Accountants  
Pompton Lakes, New Jersey

August 26, 2020

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED MAY 31, 2020**

**FINDING:**

**2020-01\*    CONDITION:**

The Authority is not maintaining and updating its fixed asset inventory.

**CRITERIA:**

Governmental entities are required by N.J.A.C. 5:30-5.6 to maintain a fixed assets accounting system including a subsidiary ledger of detailed records of fixed assets and the related depreciation.

**EFFECT:**

Absent or inadequate controls over the safeguarding of assets.

**CAUSE:**

An inventory of the Authority's fixed assets and has not been performed and updated on a regular basis.

**RECOMMENDATION:**

That the Authority implement a capital asset management accounting and reporting system to reflect all fixed assets and the related depreciation, and that updates be performed on an annual basis.

**VIEWS OF RESPONSIBLE OFFICIALS/CORRECTIVE ACTION:**

Management is in the process of retaining an outside firm to implement and update its capital assets.

\* Indicates repeat finding.

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**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**GENERAL COMMENTS**

**Contracts and Agreements Required to be Advertised Per N.J.S. 40A:11-3**

N.J.S.A. 40A:11-2 contains definitions for terms used throughout N.J.S.A. 40A:11-1 et seq. and was amended under P.L. 1999, c.440. It includes as subsection (23) the term 'competitive contracting', which is defined as "the method described in sections 1 through 5 of P.L. 1999, c.440 (C.40:11-4.1 through C.40A:11-4.5) of contracting for specialized goods and services in which formal proposals are solicited from vendors' formal proposals are evaluated by the purchasing agent or counsel; and the governing body awards a contract to a vendor or vendors from among the formal proposals received."

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. "When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids and bidding therefore, except that the governing body may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations." If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

N.J.S.A. 40A:11-4 states that every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act of specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder.

Effective January 1, 2011, P.L., 2009, c.166 eliminated the previous lower non-qualified purchasing agent threshold of \$26,000. Thus a contracting unit without a qualified purchasing agent now has a maximum bid threshold of \$17,500.

Effective July 1, 2015, the bid threshold, in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500 and with a qualified purchasing agent the threshold may be up to \$40,000.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY**  
**(A Component Unit of the Borough of Pompton Lakes)**

**GENERAL COMMENTS, (continued)**

N.J.S.A. 40A:11-15 was amended with P.L. 1999, c.440 to extend the base contract period. "Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection (a) of N.J.S.A. 40A:11-5 may be awarded for a period not exceeding 12 consecutive months."

The governing body of the Authority has the responsibility of determining whether the expenditures in any category will exceed the statutory threshold within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Authority Counsel's opinion should be sought before a commitment is made.

Resolutions were adopted authorizing the awarding of contracts and agreements for "Professional Services" N.J.S. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any material or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violation existed. No violations were disclosed.

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 40A:11-4.

Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, do not hesitate to call us.

We would like to express our gratitude to the management and staff of the Authority for their assistance extended to us throughout the audit.

Very truly yours,

*Wielkotz & Company, LLC*

WIELKOTZ & COMPANY, LLC  
Certified Public Accountants  
Pompton Lakes, New Jersey