PENNS GROVE SEWERAGE AUTHORITY

REPORT OF AUDIT

WITH SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED MAY 31, 2019 and 2018

PENNS GROVE SEWERAGE AUTHORITY

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PENNS GROVE SEWERAGE AUTHORITY
Roster of Officials

The following officials were in office during the period under audit:

Members	**Position**
Paul J. Morris	Chairman
Armondo Verdecchio	Vice Chairman
Joseph Venello	Secretary
Clifford Poindexter	Treasurer
Carl Washington	Financial Secretary

Other Officials	**Position**
Marie Danks	Office Manger
William Boden, III	Superintendent of Operations
Adam Telsey	Solicitor
Sickels & Associates, Inc.	Engineer
Romano, Hearing, Testa & Knorr	Fee Accountant

PENNS GROVE SEWERAGE AUTHORITY

PART I

FINANCIAL SECTION

FOR THE FISCAL YEARS ENDED MAY 31, 2019 and 2018

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
The Penns Grove Sewerage Authority
Penns Grove, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Penns Grove Sewerage Authority, in the County of Salem, State of New Jersey, a component unit of the Borough of Penns Grove (Authority), as of and for the fiscal years ended May 31, 2019 and 2018 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Penns Grove Sewerage Authority, in the County of Salem, State of New Jersey as of May 31, 2019 and 2018, and the changes in its financial position and its cash flows thereof for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Principles

As discussed in note 1 to the financial statements, during the fiscal year ended May 31, 2019, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75*, Accounting and Financial Reporting for Postemployment Benefits other than Pensions.* Our opinion is not modified with respect to this matter.

Prior Period Restatement

Because of the implementation of GASB Statement No. 75, net position as of May 31, 2018 on the statements of revenues, expenses and changes in net position has been restated, as discussed in note 8 to the financial statements. Our opinion is not modified with respect to this matter.

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements.

The accompanying supplementary schedules as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 accompanying supplementary information, as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
July 8, 2020

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

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
The Penns Grove Sewerage Authority
Penns Grove, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Penns Grove Sewerage Authority, in the County of Salem, State of New Jersey, a component unit of the Borough of Penns Grove, (Authority), as of and for the fiscal year ended May 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 8, 2020. Our report on the financial statements included an emphasis of matter paragraph describing the restatement of the prior period financial statements resulting from the adoption of new accounting principles.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying *Schedule of Findings and Recommendations,* we did identify certain deficiencies in internal control that we consider to be material weaknesses as findings no. *2019-001 and 2019-002.*

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey and which is described in the accompanying *Schedule of Findings and Recommendations* as finding no.: *2019-001*.

The Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Recommendations*. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial 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* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
July 8, 2020

Penns Grove Sewerage Authority
Management's Discussion and Analysis
For the Fiscal Years Ended May 31, 2019 and 2018
(Unaudited)

FINANCIAL HIGHLIGHTS

Management believes the financial position of the Penns Grove Sewerage Authority (the "Authority") is stable. According to its bond covenants, the Authority is required to deposit all revenues received in the Revenue Fund and subsequently transfer funds to the Bond Service Fund and General Fund. The Bond Service Fund pays maturing principal and interest on the Sewer Revenue Bonds. The General Fund is to receive all excess funds of the Authority. The Authority can use the remaining excess funds for any lawful purpose. Key financial highlights for the Authority's fiscal year 2019 were:

- Operating revenues for fiscal year 2019 were $1,129,619.20, which represents a decrease of $159,562.58 from fiscal year 2018.

- Operating expenses for fiscal year 2019 were $1,238,896.12, which represents a decrease of $31,447.63 from fiscal year 2018.

- Operating loss for fiscal year 2019 was $109,276.92 as compared to an operating income of $18,838.03 in fiscal year 2018, a decrease of $128,114.95.

- There were no capital contributions for fiscal years 2019 and 2018.

- There was a decrease in net position of $181,269.71 in fiscal year 2019 as compared to a decrease in net position of $58,871.87 in fiscal year 2018.

- At year-end, total assets were $3,546,982.62. After deducting liabilities of $3,461,428.67 and adjusting for deferred inflows and deferred outflows of resources of $845,046.00 and $482,468.69, respectively, the resulting net position is a deficit of $277,023.36.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of five parts – Independent Auditor's Reports, the management's discussion and analysis (this section), the basic financial statements, required supplementary information and supplemental schedules.

The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The statements of net position includes all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. As the Authority follows the accrual method of accounting, the current year's revenues and expenses are accounted for in the statements of revenues, expenses and changes in net position regardless of when cash is received or paid. Net position - the difference between the Authority's assets, liabilities and deferred inflow and outflow of resources - is a measure of the Authority's financial health or position.

The statements of revenues, expenses and changes in net position provides a breakdown of the various areas of revenues and expenses encountered during the current fiscal year. The statements of cash flows provides a breakdown of the various sources of cash flow, categorized into three areas: Cash flows from operating activities, capital and related financing activities and investing activities.

Penns Grove Sewerage Authority
Management's Discussion and Analysis
For the Fiscal Years Ended May 31, 2019 and 2018
(Unaudited)

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

The Authority's total net position (deficit) was $277,023.36 as of May 31, 2019. Total assets, total liabilities, deferred outflows and inflows of resources and total net position for the last three fiscal years is detailed below.

Statements of Net Position
As of May 31, 2019, 2018 and 2017

	2019	Restated 2018	Restated 2017
Assets:			
Current Assets			
Unrestricted	$ 1,663,526.09	$ 1,697,067.23	$ 1,681,892.37
Restricted	12,440.52	12,423.91	12,568.45
Noncurrent Assets			
Capital Assets	1,871,016.01	2,027,162.34	2,209,457.30
Total Assets	3,546,982.62	3,736,653.48	3,903,918.12
Deferred Outflows of Resources:			
Related to Pensions	225,692.00	240,819.00	408,407.00
Related to OPEB	256,776.69	297,478.16	-
Total Deferred Outflows of Resources	482,468.69	538,297.16	408,407.00
Liabilities:			
Current Liabilities			
Unrestricted	173,519.92	127,423.09	179,170.13
Long-Term Liabilities	3,287,908.75	3,774,927.20	4,170,036.77
Total Liabilities	3,461,428.67	3,902,350.29	4,349,206.90
Deferred Inflows of Resources:			
Related to Pensions	361,444.00	317,168.00	-
Related to OPEB	483,602.00	151,186.00	-
Total Deferred Inflows of Resources	845,046.00	468,354.00	-
Net Position:			
Net Investment in Capital Assets	337,223.91	383,805.67	436,698.87
Restricted:			
Renewal & Replacement	2,594.11	2,594.11	2,594.11
Unemployment Compensation Claims	12,440.52	12,423.91	12,568.45
Unrestricted (Deficit)	(629,281.90)	(494,577.34)	(488,743.21)
	$ (277,023.36)	$ (95,753.65)	$ (36,881.78)

Penns Grove Sewerage Authority
Management's Discussion and Analysis
For the Fiscal Years Ended May 31, 2019 and 2018
(Unaudited)

The Authority had an operating loss of $109,276.92 for the current fiscal year. Combined with net non-operating expenses of $71,992.79, the Authority's decrease in net position for the current fiscal year was $181,269.71. Major components of this activity are detailed in the following table.

Statements of Revenue, Expenses and Changes in Net Position
For the Fiscal Years Ended May 31, 2019, 2018 and 2017

	2019	Restated 2018	Restated 2017
Operating Revenues:			
User Fees	$ 1,092,201.49	$ 1,168,341.37	$ 1,164,458.89
Delinquent Charges	25,482.56	94,218.58	85,366.29
Miscellaneous	11,935.15	26,621.83	1,330.68
Total Operating Revenues	1,129,619.20	1,289,181.78	1,251,155.86
Operating Expenses:			
Administrative and General:			
Salaries and Wages	53,292.42	52,140.01	66,617.36
Fringe Benefits	124,295.88	128,909.53	170,365.78
Other Expenses	112,880.38	119,531.23	115,577.84
Cost of Providing Services:			
Salaries and Wages	325,158.05	310,959.88	313,487.49
Fringe Benefits	140,034.29	151,721.66	135,154.64
Other Expenses	307,046.17	302,130.48	337,386.32
Depreciation	176,188.93	204,950.96	203,768.19
Total Operating Expenses	1,238,896.12	1,270,343.75	1,342,357.62
Operating Income (Loss)	(109,276.92)	18,838.03	(91,201.76)
Non-Operating Revenues (Expenses):	(71,992.79)	(77,709.90)	(82,194.42)
Change in Net Position	(181,269.71)	(58,871.87)	(173,396.18)
Net Position (Deficit) June 1	(95,753.65)	(36,881.78)	1,276,285.54
Restatements (See Note 8)			(1,139,771.14)
Net Position June 1, As Restated			136,514.40
Net Position (Deficit) May 31	$ (277,023.36)	$ (95,753.65)	$ (36,881.78)

Penns Grove Sewerage Authority
Management's Discussion and Analysis
For the Fiscal Years Ended May 31, 2019 and 2018
(Unaudited)

OVERALL ANALYSIS

The Authority's overall financial position is stable. The Authority revenues remain level with no significant change in the quantity or overall mix of residential, commercial, public and industrial customer billing base.

The Authority's financial position decreased by $181,269.71 in the current fiscal year to a Net Position (deficit) of $277,023.36. Total Unrestricted Assets are $1,663,526.09 and Restricted Assets are $12,440.52. Capital Assets, net of accumulated depreciation, are $1,871,016.01. Current Liabilities are $173,519.92 and Long-Term Liabilities are $3,287,908.75 for Total Liabilities of $3,461,428.67.

BUDGET VARIANCES

The fiscal year 2019 budget was approved on March 15, 2018 and adopted on April 19, 2018. Following, is a narrative addressing the more significant budget line items, and how those budget line items compare to actual operating results for the current fiscal year.

User fees revenue had an unfavorable budget variance of $64,798.51, delinquent charges had an unfavorable variance of $34,517.44 and miscellaneous revenues had a favorable variance of $11,935.15.

Interest on investments revenue realized was $1,633.82.

Operating expenditures, principal payments on debt and non-operating expenditures had a favorable combined budget variance in the amount of $88,902.31.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

During the current fiscal year, the Authority spent $20,042.60 to acquire capital assets.

As of May 31, 2019, there are three Revenue Bonds outstanding in the sum of $1,523,347.20.

The Authority has not experienced any change in its credit rating, nor does it anticipate any. Although the Authority does not operate under any debt limitations, it is required to receive approval by resolution of the Borough Council prior to issuing any new debt.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide Borough of Penns Grove's citizens and our customers, clients, investors and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have questions about this report or need additional financial information, contact the Office Manager, Penns Grove Sewerage Authority, Mill Street and Beach Avenue, Penns Grove, NJ 08069.

BASIC FINANCIAL STATEMENTS

PENNS GROVE SEWERAGE AUTHORITY
Statements of Net Position
As of May 31, 2019 and 2018

		2019		Restated 2018
ASSETS				
Current Assets:				
Unrestricted Assets:				
Cash and Cash Equivalents	$	988,393.45	$	958,110.05
Sewer Service Charges Receivable (net of allowance for doubtful accounts $12,264.51 for 2019 and 2018)		522,549.86		553,843.59
Accrued Penalties and Interest Receivable		125,494.03		157,497.36
Prepaid Expenses		22,088.75		22,616.23
Due from Borough of Penns Grove		5,000.00		5,000.00
Total Unrestricted Assets		1,663,526.09		1,697,067.23
Restricted Assets:				
Cash and Cash Equivalents		12,440.52		12,423.91
Total Restricted Assets		12,440.52		12,423.91
Total Current Assets		1,675,966.61		1,709,491.14
Noncurrent Assets:				
Capital Assets:				
Completed (Net of Accumulated Depreciation)		1,871,016.01		2,027,162.34
Total Capital Assets		1,871,016.01		2,027,162.34
Total Assets		3,546,982.62		3,736,653.48
DEFERRED OUTFLOWS OF RESOURCES				
Related to Pensions		225,692.00		240,819.00
Related to OPEB		256,776.69		297,478.16
		482,468.69		538,297.16

(Continued)

PENNS GROVE SEWERAGE AUTHORITY
Statements of Net Position
As of May 31, 2019 and 2018

	2019	Restated 2018
LIABILITIES		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	$ 39,227.13	$ 9,459.88
Payroll Taxes Payable	11,396.38	-
Bonds Payable - Current Portion	114,985.98	109,564.57
Interest Payable	7,910.43	8,398.64
Total Current Liabilities Payable from Unrestricted Assets	173,519.92	127,423.09
Long-term Liabilities:		
Compensated Absences Payable	26,251.53	21,530.00
Net OPEB Obligation (GASB 75)	1,108,282.00	1,412,742.00
Net Pension Liability	712,041.00	788,542.00
Accrued Liability - Related to Pension	32,973.00	28,766.00
Bonds Payable	1,408,361.22	1,523,347.20
Total Long-term Liabilities	3,287,908.75	3,774,927.20
Total Liabilities	3,461,428.67	3,902,350.29
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	361,444.00	317,168.00
Related to OPEB	483,602.00	151,186.00
	845,046.00	468,354.00
NET POSITION		
Net Investment in Capital Assets	337,223.91	383,805.67
Restricted:		
Renewal & Replacement	2,594.11	2,594.11
Unemployment Compensation Claims	12,440.52	12,423.91
Unrestricted (Deficit)	(629,281.90)	(494,577.34)
Total Net Position	$ (277,023.36)	$ (95,753.65)

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

PENNS GROVE SEWERAGE AUTHORITY

Statements of Revenue, Expenses and Changes in Net Position
For the Fiscal Years Ended May 31, 2019 and 2018

	2019	Restated 2018
Operating Revenues:		
User Fees	$ 1,092,201.49	$ 1,168,341.37
Delinquent Charges	25,482.56	94,218.58
Miscellaneous	11,935.15	26,621.83
Total Operating Revenues	1,129,619.20	1,289,181.78
Operating Expenses:		
Administrative and General:		
Salaries and Wages	53,292.42	52,140.01
Fringe Benefits	124,295.88	128,909.53
Other Expenses	112,880.38	119,531.23
Cost of Providing Services:		
Salaries and Wages	325,158.05	310,959.88
Fringe Benefits	140,034.29	151,721.66
Other Expenses	307,046.17	302,130.48
Depreciation	176,188.93	204,950.96
Total Operating Expenses	1,238,896.12	1,270,343.75
Operating Income (Loss)	(109,276.92)	18,838.03
Non-Operating Revenues (Expenses):		
Investment Income	1,650.43	1,603.34
Interest on Debt	(73,643.22)	(79,313.24)
Total Non-Operating Revenues (Expenses)	(71,992.79)	(77,709.90)
Change in Net Position	(181,269.71)	(58,871.87)
Net Position (Deficit) June 1, As Originally Stated	(95,753.65)	1,102,889.36
Cumulative Effect of Change in Accounting Principle (See Note 8)	-	(1,139,771.14)
Net Position (Deficit) June 1, As Restated	(95,753.65)	(36,881.78)
Net Position (Deficit) May 31	$ (277,023.36)	$ (95,753.65)

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

PENNS GROVE SEWERAGE AUTHORITY
Statements of Cash Flows
For the Fiscal Years Ended May 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities:		
Receipts from Customers	$ 1,123,495.22	$ 1,128,270.81
Payments to Suppliers	(585,304.52)	(679,164.76)
Payments to Employees	(375,223.56)	(365,322.38)
Other Operating Receipts	69,421.04	90,612.33
Other Operating Disbursements	-	(5,000.00)
Net Cash Provided by Operating Activities	232,388.18	169,396.00
Cash Flows from Capital and Related Financing Activities:		
Bond Principal Repayments	(109,564.57)	(104,401.76)
Interest on Debt	(74,131.43)	(79,779.24)
Intergovernmental Loan Payable	-	(25,000.00)
Acquisition of Capital Assets	(20,042.60)	(22,656.00)
Net Cash Used for Capital and Related Financing Activities	(203,738.60)	(231,837.00)
Cash Flows from Investing Activities:		
Interest on Investments	1,650.43	1,603.34
Net Cash Provided by Investing Activities	1,650.43	1,603.34
Net Decrease in Cash and Cash Equivalents	30,300.01	(60,837.66)
Cash and Cash Equivalents - June 1	970,533.96	1,031,371.62
Cash and Cash Equivalents - May 31	$ 1,000,833.97	$ 970,533.96
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$ (109,276.92)	$ 18,838.03
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	176,188.93	204,950.96
GASB 68	(12,891.00)	(64.00)
Net OPEB Obligation (GASB 75) Accrual	68,657.47	52,982.84
Change in Sewer Service Charges Receivable	31,293.73	(40,070.56)
Change in Penalties Interest Receivable	32,003.33	(30,228.08)
Change in Prepaid Expenses	527.48	(569.34)
Change in Due from Borough of Penns Grove	-	(5,000.00)
Change in Accounts Payable	29,767.25	(29,285.36)
Change in Payroll Taxes Payable	11,396.38	(2,158.49)
Change in Accrued Liabilities	4,721.53	-
Net Cash Provided by Operating Activities	$ 232,388.18	$ 169,396.00

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Penns Grove Sewerage Authority (the "Authority") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

Reporting Entity

The Penns Grove Sewerage Authority (the "Authority") is a public body corporate and politic of the State of New Jersey and was originally created as a sewerage authority by an ordinance adopted on May 31, 1950 by the governing body of the Borough of Penns Grove (the "Borough"), pursuant to the Sewerage Authority Law, Chapter 138 of the Laws of 1946, as amended. On July 16, 1987, the Authority adopted a Bond Resolution, with Supplemental Resolutions adopted on August 20, 1987, May 19, 1988, August 25, 1988 and November 1, 1988, authorizing the issuance of $3,000,000.00 Sewer Revenue Bonds for new construction and improvements to the wastewater collection system. On October 20, 2011, the Authority adopted a Supplemental Bond Resolution authorizing and approving $250,000.00 in additional Revenue Bonds. All Bond Resolutions are in effect as of May 31, 2019.

The Authority was created for the purpose of constructing, maintaining and operating wastewater collection and treatment facilities within the municipal boundaries of the Borough of Penns Grove.

The Authority consists of five members, who are appointed by Borough resolution for five-year terms. The office manager and superintendent manage the daily operations of the Authority.

Component Unit

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component 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*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

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 for 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 and is a component unit of the Borough of Penns Grove.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Presentation

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenues -- Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. Sewer service charges are recognized as revenue when services are provided. Connection fees are recognized when fees are received.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the (fiscal) year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Expenses - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the fiscal year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense and the annual required contribution for the Authority's Other Postemployment Benefits (OPEB) Plan and the net Pension Liability (PERS) are not included in the budget appropriations.

The legal level of budgetary control is established at the detail shown on the Statement of Revenues, Expenses and Changes in Net Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. The Authority adopted adopt an amending budget resolution during the fiscal year.

Note 1: <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)</u>

Budgets and Budgetary Accounting (Cont'd)

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At fiscal year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds and cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or bonds or other obligations of school district of which the local unit is a part or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Additionally, the Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

Inventories

Inventory consists principally of chemicals for the treatment of sewerage and sludge and is valued at cost. The Authority has determined that the inventories are immaterial and are not recorded in the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Prepaid Expenses

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the applicable fiscal year end.

Capital Assets

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased prior to December 1, 1991 are stated at estimated cost. Assets purchased since are stated at actual cost. Donated capital assets are recorded at their fair market value as of the date received.

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the capital asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Costs incurred during construction of an asset are recorded as construction in progress. In the fiscal year that the project is completed, these costs are transferred to Capital Assets - Completed. Interest costs incurred during construction are not capitalized into the cost of the asset.

Expenditures are capitalized when they meet the following requirements:

1) Cost of $5,000.00 or more
2) Useful life of more than one year
3) Asset is not affected by consumption

Depreciation

Depreciation is provided using the straight-line method over the following estimated useful life of the assets:

	Years
Buildings and Infrastructure	20-40
Fixed Equipment	5-10
Moveable Equipment	5-10
Vehicles	3-10

Depreciation is taken starting the month after the asset is placed into service.

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 inflows 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 and postemployment benefit plans.

Note 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the respective fiduciary net position of the State Health Benefits Local Government Retired Employees Plan (the Plan) and additions to/deductions from the Plan's respective fiduciary net position have been determined on the same basis as they are reported by the Plan. Accordingly, contributions (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"*, the Authority has classified its net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced, by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at fiscal year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component as the unspent amount.

Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Net Position (Cont'd)

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." This component includes net position that may be allocated for specific purposes by the Board.

Income Taxes

The Authority operates as defined by the Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from sewer collection facilities (i.e., sewer rents and connection fees) and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts.

Operating expenses include expenses associated with the operation, maintenance and repair of the sewer collection facilities and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Impact of Recently Issued Accounting Policies

Recently Issued and Adopted Accounting Pronouncements

For the fiscal year ended May 31, 2019, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The cumulative effect of adopting this Statement totaled $1,139,771.14, and was recognized as a restatement of the Authority's May 31, 2017, net position on the Comparative Statements of Revenues, Expenses and Changes in Net Position (see note 8).

Additionally, the Authority adopted Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The adoption of this Statement had no impact on the Authority's financial statements.

Lastly, the Authority adopted Statement No. 86, *Certain Debt Extinguishment Issues.* The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The adoption of this Statement had no impact on the Authority's financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The Statement would have become effective for the Authority in the fiscal year ending May 31, 2020, but as a result of GASB Statement 95 will become effective in the fiscal year ending May 31, 2021. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement would have become effective for the Authority in the fiscal year ending May 31, 2020, but as a result of GASB Statement 95 will become effective in the fiscal year ending May 31, 2021. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring 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. The Statement would have become effective for the Authority in the fiscal year ending May 31, 2021, but as a result of GASB Statement 95 will become effective in the fiscal year ending May 31, 2023. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement would have become effective for the Authority in the fiscal year ending May 31, 2020, but as a result of GASB Statement 95 will become effective in the fiscal year ending May 31, 2021. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also simplifies accounting for interest cost incurred before the end of a construction period. The Statement would have become effective for the Authority in the fiscal year ending May 31, 2022, but as a result of GASB Statement 95 will become effective in the fiscal year ending May 31, 2023. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 90, *Major Equity Interests.* The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement would have become effective for the Authority in the fiscal year ending May 31, 2020, but as a result of GASB Statement 95 will become effective in the fiscal year ending May 31, 2021. Management has not yet determined the impact of this Statement on the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Recently Issued Accounting Pronouncements (Cont'd)

Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The Statement would have become effective for the Authority in the fiscal year ending May 31, 2022, but as a result of GASB Statement 95 will become effective in the fiscal year ending May 31, 2023. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 92, *Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statements are effective as follows:

1. The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
2. The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 originally would have become effective for the Authority in the fiscal year ending May 31, 2022, but as a result of GASB Statement 95 will become effective in the fiscal year ending May 31, 2023.
3. The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities originally would have become effective for the Authority in the fiscal year ending May 31, 2022, but as a result of GASB Statement 95 will become effective in the fiscal year ending May 31, 2023.
4. The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition originally would have become effective for the Authority in the fiscal year ending May 31, 2022, but as a result of GASB Statement 95 will become effective in the fiscal year ending May 31, 2023.

Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. This Statement will become effective for the Authority in the fiscal year ending May 31, 2022. GASB Statement 95 changed the effective date for paragraphs 13 and 14 to the fiscal year ending May 31, 2023. Management does not expect this Statement will have an impact on the financial statements.

Statement 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. 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 Statement will become effective for the Authority in the fiscal year ending May 31, 2024. Management does not expect this Statement will have an impact on the financial statements.

Note 1: <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)</u>

Recently Issued Accounting Pronouncements (Cont'd)

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 Statement will become effective for the Authority in the fiscal year ending May 31, 2020.

Statement 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 Statement will become effective for the Authority in the fiscal year ending May 31, 2024. Management does not expect this Statement will have an impact on the financial statements.

Note 2: <u>STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY</u>

Compliance with Finance Related Legal and Contractual Provisions

Management of the Authority is unaware of any material violations of finance related legal and contractual provisions.

General Bond Resolution

The Authority is subject to the provisions and restrictions of the General Bond Resolution adopted November 1, 1988 and as amended. A summary of the activities of each account created by the Bond Resolution is covered below.

Revenue Fund - All revenue received by the Authority is deposited in the Revenue Fund and subsequently used for authorized operating expenses, transfers to the Revolving Fund and in each month after the deposit of revenues into the Revenue Fund, to the extent money is available, transfer funds to the various accounts as described below.

Bond Service Fund – This account is maintained to pay maturing interest and principal on the Sewer Revenue Bonds. Transfers, to the extent (if any) needed to increase the amount in the Bond Service Fund to pay principal and interest on the Bonds when due and payable.

Renewal and Replacement Account - These funds are maintained for reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements or maintenance items of a type not recurring annually.

General Fund - All excess funds of the Authority are recorded in the General Fund. If the Authority is not in default in the payment of bond principal or interest and all fund requirements are satisfied, the Authority may use the excess funds for any lawful purpose.

Note 3: DETAIL NOTES – ASSETS

Cash and Cash Equivalents

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first $250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule below.

As of May 31, 2019 and 2018, the Authority's bank balances were exposed to custodial credit risk as follows:

	May 31, 2019	May 31, 2018
Insured by F.D.I.C.	$ 250,000.00	$ 250,000.00
Insured and collateralized with securities held by pledging financial institutions	748,570.70	727,757.09
	$ 998,570.70	$ 977,757.09

Service Fees

The following is a three-year comparison of service charge billings and collections for all types of accounts maintained by the Authority:

Fiscal Year	Beginning Balance	Billings	Total Collections	Percentage of Collections
2019	$ 566,108.10	$ 1,092,201.49	$ 1,123,495.22	67.75%
2018	526,037.54	1,168,341.37	1,122,915.78	66.27%
2017	486,916.54	1,164,458.89	1,125,337.89	68.15%

Note 3: DETAIL NOTES – ASSETS (CONT'D)

Capital Assets

During the fiscal year ended May 31, 2019, the following changes in Capital Assets occurred:

	Balance June 1, 2018	Additions	Deletions	Balance May 31, 2019
Capital Assets not being Depreciated:				
Land	$ 9,000.00	-	-	$ 9,000.00
Capital Assets being Depreciated:				
Buildings and Infrastructure	4,953,273.61			4,953,273.61
Fixed Equipment	1,343,067.02	$ 11,502.60		1,354,569.62
Movable Equipment	59,690.24	8,540.00		68,230.24
Vehicles	255,203.46			255,203.46
Total Capital Assets being Depreciated	6,611,234.33	20,042.60	-	6,631,276.93
Total Capital Assets	6,620,234.33	20,042.60	-	6,640,276.93
Less: Accumulated Depreciation	4,593,071.99	176,188.93		4,769,260.92
Capital Assets, Net	$ 2,027,162.34	$ (156,146.33)	$ -	$ 1,871,016.01

Note 3: DETAIL NOTES – ASSETS (CONT'D)

Capital Assets (Cont'd)

During the fiscal year ended May 31, 2018, the following changes in Capital Assets occurred:

	Balance June 1, 2017	Additions	Deletions	Balance May 31, 2018
Capital Assets not being Depreciated:				
Land	$ 9,000.00	-	-	$ 9,000.00
Capital Assets being Depreciated:				
Buildings and Infrastructure	4,953,273.61			4,953,273.61
Fixed Equipment	1,320,411.02	$ 22,656.00		1,343,067.02
Movable Equipment	59,690.24			59,690.24
Vehicles	255,203.46			255,203.46
Total Capital Assets being Depreciated	6,588,578.33	22,656.00	-	6,611,234.33
Total Capital Assets	6,597,578.33	22,656.00	-	6,620,234.33
Less: Accumulated Depreciation	4,388,121.03	204,950.96		4,593,071.99
Capital Assets, Net	$ 2,209,457.30	$ (182,294.96)	$ -	$ 2,027,162.34

Note 4: DETAIL NOTES – LIABILITIES

Long-term Liabilities

During the fiscal year ended May 31, 2019, the following changes occurred in long-term obligations:

	Restated Balance June 1, 2018	Additions	Reductions	Balance May 31, 2019	Due Within One Year
Bonds Payable	$ 1,632,911.77	-	$ (109,564.57)	$ 1,523,347.20	$ 114,985.98
Other Liabilities:					
Net Pension Liability	788,542.00	$ 532,969.00	(609,470.00)	712,041.00	
Net OPEB Obligation	1,412,742.00	529,242.88	(833,702.88)	1,108,282.00	
Other Liabilities - Related to Pension	28,766.00	32,973.00	(28,766.00)	32,973.00	
Compensated Absences	21,530.00	4,721.53		26,251.53	
Total Other Liabilities	2,251,580.00	1,099,906.41	(1,471,938.88)	1,879,547.53	-
Total Long Term Liabilities	$ 3,884,491.77	$1,099,906.41	$ (1,581,503.45)	$ 3,402,894.73	$ 114,985.98

During the fiscal year ended May 31, 2018, the following changes occurred in long-term obligations:

	Restated Balance June 1, 2017	Additions	Reductions	Restated Balance May 31, 2018	Due Within One Year
Bonds and Loans Payable:					
Bonds Payable	$ 1,737,313.53		$ (104,401.76)	$ 1,632,911.77	$ 109,564.57
Intergovernmental Loan	25,000.00		(25,000.00)	-	
Total Bonds and Loans Payable	1,762,313.53	-	(129,401.76)	1,632,911.77	109,564.57
Other Liabilities:					
Net Pension Liability	1,267,283.00	$ 243,370.00	(722,111.00)	788,542.00	
Net OPEB Obligation	1,213,467.00	449,085.00	(249,810.00)	1,412,742.00	
Other Liabilities - Related to Pension	34,845.00	28,766.00	(34,845.00)	28,766.00	
Compensated Absences	21,530.00			21,530.00	
Total Other Liabilities	2,537,125.00	721,221.00	(1,006,766.00)	2,251,580.00	-
Total Long Term Liabilities	$ 4,299,438.53	$ 721,221.00	$ (1,136,167.76)	$ 3,884,491.77	$ 109,564.57

Revenue Bonds Payable

The Revenue Bonds Series 1988 and 2011 are direct obligations of the Authority. The Bonds are secured by a pledge on the Revenues derived by the Authority from the operation of its wastewater collection facilities. The Bonds are further secured by the Limited Service Agreement between the Authority and the Borough of Penns Grove (See Note 6).

The 1988 Series A Bonds were issued to fund various capital improvements to the Authority's system and pay certain costs related to the issuance of the 1988 Bonds. The Bonds were issued originally for $2,500,000.00 and carried an interest rate of 5.0%. The final maturity of the 1988 Series A Bonds is November 1, 2029.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Revenue Bonds Payable (Cont'd)

The 1988 Series B Bonds were issued to fund various capital improvements to the Authority's system and pay certain costs related to the issuance of the 1988 Bonds. The Bonds were issued originally for $500,000.00 and carried an interest rate of 5.0%. The final maturity of the 1988 Series B Bonds is November 1, 2029.

The 2011 USDA Bonds were issued to to fund various capital improvements to the Authority's system and pay certain costs related to the issuance of the 2011 USDA Bonds. The Bonds were issued originally for $250,000.00 and carried an interest rate of 2.25%. The final maturity on the 2011 USDA Bonds is December 6, 2052.

The following schedule reflects the Debt Requirements until 2052.

Fiscal Year Ending May 31,	Principal	Interest	Total
2020	$ 114,985.98	$ 68,710.02	$ 183,696.00
2021	120,679.02	63,016.98	183,696.00
2022	126,657.37	57,038.63	183,696.00
2023	132,935.41	50,760.59	183,696.00
2024	139,528.23	44,167.77	183,696.00
2025 to 2029	718,597.78	109,845.52	828,443.30
2030 to 2034	29,943.95	17,636.05	47,580.00
2035 to 2039	33,488.40	14,091.60	47,580.00
2040 to 2044	37,452.41	10,127.59	47,580.00
2045 to 2049	41,885.64	5,694.36	47,580.00
2050 to 2052	27,193.01	1,354.99	28,548.00
	1,523,347.20	$ 442,444.10	$ 1,965,791.30
Less: Current Maturities	114,985.98		
Long-term Portion	$ 1,408,361.22		

Compensated Absences

Authority employees may accumulate and carry forward sick leave at the end of the fiscal year. To be eligible to receive payment for accumulated sick time at retirement, the plant superintendent and office manager are required to have accumulated a minimum of 50 days, all other employees must accumulate a minimum of 100 days. The maximum payment to any employee for accumulated sick time is $10,000.00.

Employees are entitled to accumulate and carry forward vacation time earned in a calendar year to the following year. Vacation days not used by May 31 of the subsequent year will be forfeited unless otherwise approved by the Authority. The accrued liability for accumulated sick leave and vacation time at May 31, 2019 and 2018 is estimated at $26,251.53 and $21,530.00.

Net Pension Liability

For details on the net pension liability, see the Pension Plans section below. The Authority's annual required contribution to the Public Employees' Retirement System is budgeted and paid on an annual basis.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Net OPEB Liability

For details on other postemployment benefits, see the Postemployment Benefits Other Than Pensions (OPEB) section of this note that follows. The Authority's contributions to the postemployment benefits plan are budgeted and paid as they are due.

Pension Plans

A substantial number of Authority employees participate in the Public Employees' Retirement System ("PERS"), a defined benefit pension plan, which is administered by the New Jersey Division of Pensions and Benefits ("the Division"). In addition, Authority employees may participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
https://www.nj.gov/treasury/pensions/financial-reports.shtml

General Information about the Pension Plans

Plan Descriptions

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS' designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Authority, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS' Board of Trustees is primarily responsible for the administration of the PERS.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (PFRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least $5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least $5,000.00 annually.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Pension Plans (Cont'd)

General Information about the Pension Plans (Cont'd)

Vesting and Benefit Provisions

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for PERS:

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

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

Defined Contribution Retirement Program - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Contributions

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over seven years beginning in July 2012. The member contribution rate was 7.34% in State fiscal year 2018 and 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) was 10% in State fiscal year 2018. Employers' contribution are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Pension Plans (Cont'd)

General Information about the Pension Plans (Cont'd)

Contributions (Cont'd)

The Authority's contractually required contribution rate for the fiscal years ended May 31, 2019 and 2018 was 12.42% and 11.10% of the Authority's covered payroll. These amounts were actuarially determined as an amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the fiscal year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2018, the Authority's contractually required contribution to the pension plan for the fiscal year ended May 31, 2019 was $35,971.00, and was paid on April 1, 2019. Based on the PERS measurement date of June 30, 2017, the Authority's contractually required contribution to the pension plan for the fiscal year ended May 31, 2018 was $31,381.00, which was paid on April 1, 2018. Employee contributions to the Plan during the fiscal years ended May 31, 2019 and 2018 were $21,927.65 and $21,294.64, respectively.

Defined Contribution Retirement Program - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Authority contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the fiscal year ended May 31, 2019 and 2017, there were no employees participating in DCRP.

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

At May 31, 2019, the Authority's proportionate share of the net pension liability was $712,041.00. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. 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 employers, actuarially determined. For the June 30, 2018 measurement date, the Authority's proportion was .0036163501%, which was an increase of .0002289116% from its proportion measured as of June 30, 2017.

At May 31, 2018, the Authority's proportionate share of the net pension liability was $788,542.00. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. 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 employers, actuarially determined. For the June 30, 2017 measurement date, the Authority's proportion was .0033874385%, which was a decrease of .0008914461% from its proportion measured as of June 30, 2016.

For the fiscal years ended May 31, 2019 and 2018, the Authority recognized pension expense of $23,802.00 and $31,804.00, respectively. These amounts were based on the plan's June 30, 2018 and 2017 measurement dates, respectively.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Pension Plans (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)

Deferred Outflows of Resources and Deferred Inflows of Resources - At May 31, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	May 31, 2019		May 31, 2018	
	Measurement Date June 30, 2018		Measurement Date June 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 13,579.00	$ 3,672.00	$ 18,567.00	$ -
Changes of Assumptions	117,333.00	227,673.00	158,864.00	158,282.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	6,679.00	5,369.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	61,807.00	123,420.00	29,253.00	158,886.00
Authority Contributions Subsequent to the Measurement Date	32,973.00	-	28,766.00	-
	$ 225,692.00	$ 361,444.00	$ 240,819.00	$ 317,168.00

The deferred outflows of resources related to pensions totaling $32,973.00 and $28,766.00 will be included as a reduction of the net pension liability in the fiscal years ended May 31, 2020 and 2019, respectively. This amount is based on an estimated April 1, 2020 and April 1, 2019 contractually required contribution, prorated from the pension plans measurement date of June 30, 2018 and June 30, 2017 to the Authority's fiscal year end of May 31, 2019 and 2018.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Pension Plans (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - The Authority will amortize the other deferred outflows of resources and deferred inflows of resources related to PERS over the following number of years:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	-	5.63
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	5.00	-
June 30, 2016	5.00	-
June 30, 2017	-	5.00
June 30, 2018	-	5.00
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Pension Plans (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2019	$ (11,449.00)
2020	(25,633.00)
2021	(73,422.00)
2022	(50,381.00)
2023	(7,840.00)
	$ (168,725.00)

Actuarial Assumptions – PERS

The net pension liability was measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018 and 2017. These actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Pension Plans (Cont'd)

Actuarial Assumptions – PERS (Cont'd)

For the June 30, 2018 measurement date, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent modified 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

For the June 30, 2017 measurement date, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018 and 2017) 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 rates of return for each major asset class included in PERS' and PFRS' target asset allocation as of June 30, 2017 and 2016 are summarized in the table on the following page.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Pension Plans (Cont'd)

Actuarial Assumptions – PERS (Cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	100.00%	

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2018 was 5.66%. The respective single blended discount rates were based on the long-term expected rate of return on pension Plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, 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 rates assumed that contributions from Plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% 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 2046; therefore, the long-term expected rate of return on Plan investments was applied to projected benefit payments through 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Pension Plans (Cont'd)

Actuarial Assumptions – PERS (Cont'd)

Discount Rate (Cont'd) - The discount rate used to measure the total pension liability at June 30, 2017 was 5.00%. The respective 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 3.58% as of June 30, 2017, 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 rates assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

Sensitivity of Authority's Proportionate Share of Net Pension Liability to Changes in the Discount Rate – PERS

The following presents the Authority's proportionate share of the net pension liability at June 30, 2018, the plans measurement date, calculated using a discount rate of 5.66%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Authority's Proportionate Share of the Net Pension Liability	$ 895,310.00	$ 712,041.00	$ 558,291.00

The following presents the Authority's proportionate share of the net pension liability at June 30, 2017, the plans measurement date, calculated using a discount rate of 5.00%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Authority's Proportionate Share of the Net Pension Liability	$ 978,239.00	$ 788,542.00	$ 630,500.00

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan

General Information about the OPEB Plan

Plan Description and Benefits Provided - The Authority contributes to the State Health Benefits Local Government Retired Employees Plan (the "Plan"), which is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. 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 benefit coverage 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 provided 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.

Contributions - The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members.

The Authority was billed monthly by the Plan and for the fiscal years ended May 31, 2019 and 2018, the Authority paid $40,842.57 and $49,296.20, respectively. These amounts represent 14.10% and 17.44% of the Authority's covered payroll. Retiree contributions for the fiscal years ended May 31, 2019 and 2018 were not made available by the Plan.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

OPEB Liability - At May 31, 2019, the Authority's proportionate share of the net OPEB liability was $1,058,907.00. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The Authority's proportion of the net OPEB liability was based on the ratio of the plan members of an individual employer to the total members of the Plan during the measurement period July 1, 2017 through June 30, 2018. For the June 30, 2018 measurement date, the Authority's proportion was .006759% which was an increase of .000087% from its proportion measured as of the June 30, 2017 measurement date.

At May 31, 2018, the Authority's proportionate share of the net OPEB liability was $1,362,141.00. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The Authority's proportion of the net OPEB liability was based on the ratio of the plan members of an individual employer to the total members of the Plan during the measurement period July 1, 2016 through June 30, 2017. For the June 30, 2017 measurement date, the Authority's proportion was .006672% which was an increase of .001405% from its proportion measured as of the June 30, 2016 measurement date.

OPEB Expense - At May 31, 2019, the Authority's proportionate share of the OPEB expense, calculated by the Plan as of the June 30, 2018 measurement date is $81,588.00. As previously mentioned, for the fiscal year ended May 31, 2019, the Authority made contributions to the Plan totaling $40,842.57.

At May 31, 2018, the Authority's proportionate share of the OPEB expense, calculated by the Plan as of the June 30, 2017 measurement date is $131,072.00. As previously mentioned, for the fiscal year ended May 31, 2018, the Authority made contributions to the Plan totaling $49,296.20.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)

Deferred Outflows of Resources and Deferred Inflows of Resources

At May 31, 2019 and 2018, the Authority had deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	May 31, 2019 Measurement Date June 30, 2018		May 31, 2018 Measurement Date June 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ -	$ 214,996.00	$ -	$ -
Changes of Assumptions	-	268,606.00	-	151,186.00
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	560.00	-	233.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	246,533.00	-	267,179.00	-
Authority Contributions Subsequent to the Measurement Date	8,754.69	-	20,281.16	-
	$ 255,847.69	$ 483,602.00	$ 287,693.16	$ 151,186.00

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)

The Authority reported $8,754.69 and $20,281.16 as deferred outflows of resources resulting from the Authority's contributions subsequent to the measurement date and will be included as a reduction of the Authority's net OPEB liability in the fiscal year ending May 31, 2020 and May 31, 2019, respectively. The Authority will amortize the other deferred outflow of resources and deferred inflows of resources related to the OPEB liability over the following number of years:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions		
Year of OPEB Plan Deferral:		
June 30, 2017	-	8.04
June 30, 2018	-	8.14
Net Difference between Projected and Actual Earnings on OPEB Plan Investments		
Year of OPEB Plan Deferral:		
June 30, 2017	5.00	-
June 30, 2018	5.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		
Year of OPEB Plan Deferral:		
June 30, 2017	8.04	8.04
June 30, 2018	8.14	8.14

Other amounts included as deferred outflows of resources and deferred inflows of resources related to the OPEB liability will be recognized in future periods as follows:

Fiscal Year Ending May. 31,	
2020	$ (30,552.00)
2021	(30,552.00)
2022	(30,552.00)
2023	(30,611.00)
2024	(30,707.00)
Thereafter	(83,535.00)
	$ (236,509.00)

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)

Actuarial Assumptions

The actuarial valuation at June 30, 2018 and 2017 used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary Increases *	
Through 2026	1.65% - 8.98%
Thereafter	2.65% - 9.98%

* Salary Increases are Based on the Defined Benefit Plan that the Member is Enrolled in and his or her Age.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the July 1, 2017 valuation were based on the results of the Public Employees' Retirement System (PERS) experience study. The PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

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

All of the Plan's investments are in the State of New Jersey Cash Management Fund ("CMF"). The New Jersey Division of Investments manages the CMF, which is available on a voluntary basis for investment by State and certain non-State participants. The CMF is considered to be an investment trust fund as defined in GASB Statement No. 31, *Certain Investments and External Investment Pools.* The CMF invests in U.S. Government and Agency Obligations, Commercial Paper, Corporate Obligations and Certificates of Deposit. Units of ownership in the CMF may be purchased or redeemed on any given business day (excluding State holidays) are the unit cost of value of $1.00. Participant shares are valued on a fair value basis. The CMF pays interest to participants on a monthly basis.

Discount Rate - The discount rate used to measure the OPEB Liability at June 30, 2018 was 3.87%. This represents the municipal bond return rate as chosen by the State. 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.

Health Care Trend Assumptions - For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)

Sensitivity of the net OPEB Liability to Changes in the Discount Rate

The net OPEB liability as of June 30, 2018, the plans measurement date, for the Authority calculated using a discount rate of 3.87%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Authority's Proportionate Share of the Net OPEB Liability	$ 1,242,378.00	$ 1,058,907.00	$ 912,355.00

The net OPEB liability as of June 30, 2017, the plans measurement date, for the Authority calculated using a discount rate of 3.58%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Authority's Proportionate Share of the Net OPEB Liability	$ 1,606,686.00	$ 1,362,141.00	$ 1,168,099.00

Sensitivity of the net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The Authority's proportionate share of the net OPEB Liability as of June 30, 2018, using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate used is as follows:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Authority's Proportionate Share of the Net OPEB Liability	$ 883,298.00	$ 1,058,907.00	$ 1,286,171.00

The Authority's proportionate share of the net OPEB Liability as of June 30, 2017, using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate used is as follows:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Authority's Proportionate Share of the Net OPEB Liability	$ 1,131,979.00	$ 1,362,141.00	$ 1,661,839.00

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Postemployment Benefits Other Than Pensions (OPEB) – Authority Plan

General Information about the OPEB Plan

Plan Description and Benefits Provided

The Authority has established a postemployment benefit plan to assist retirees in paying for medical coverage. The plan provides a supplementary medical insurance benefits to Medicare, the primary insurance. The plan is administered by the Authority; therefore, premium payments are made directly to the insurance carrier. No assets are accumulated in a trust. In accordance with GASB Statement 75, this plan is considered a Single Employer, Defined Benefit OPEB Plan that is not administered through a Trust that meets the criteria in paragraph 4 of GASB Statement 75.

Employees Covered by Benefit Terms

At May 31, 2019 and 2018, the following employees were covered by the benefit terms:

	May 31, 2019	May 31, 2018
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	1	1
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments		
Active Employees	-	-
	1	1

Contributions

Retirees are not required to contribute to the plan.

Net OPEB Liability

The Authority's total OPEB liability of $49,375.00 as of May 31, 2019 and $50,601.00 as of May 31, 2018 was measured as of May 31, 2019. The liabilities were determined by an actuarial valuation as of May 31,2019.

Actuarial Assumptions and Other Inputs

The following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00% Annually
Discount Rate	2.77%
Healthcare Cost Trend Rates	
Post-Medicare	5.00%

The discount rate was based on the 20 year Municipal AA bond rate.

Mortality rates were based on RP-2000 Combined Mortality Table for Females.

An experience study was not performed on the actuarial assumptions used in the May 31, 2019 valuation since the plan had insufficient data to produce a study with credible results. Mortality rates and were based on standard tables either issued by the SOA. The actuary has used his/her professional judgement in applying these assumptions to this plan.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Postemployment Benefits Other Than Pensions (OPEB) – Authority Plan (Cont'd)

Changes in the Total OPEB Liability

The following table shows the changes in the total OPEB liability for the fiscal years ended May 31, 2019 and 2018, respectively:

	May 31, 2019		May 31, 2018	
Balance at Beginning of Year		$ 50,601.00		$ 69,608.00
Changes for the Year:				
Service Cost	-		-	
Interest Cost	1,353.00		2,387.00	
Changes of Benefit Terms	-		(27,671.00)	
Benefit Payments	(3,508.00)		(3,508.00)	
Actuarial Assumption Changes	929.00		9,785.00	
Actuarial Demographic Gains / (Losses)	-		-	
Net Changes		(1,226.00)		(19,007.00)
Balance at End of Year		$ 49,375.00		$ 50,601.00

There were no changes of benefit terms or changes of assumptions at May 31, 2019. There was a reduction in the plan premium amount at May 31, 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated for using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	May 31, 2019		
	1.00% Decrease (1.77%)	Current Discount Rate (2.77%)	1.00% Increase (3.77%)
Total OPEB Liability	$ 53,772.00	$ 49,375.00	$ 45,537.00

	May 31, 2018		
	1.00% Decrease (2.20%)	Current Discount Rate (3.20%)	1.00% Increase (4.20%)
Total OPEB Liability	$ 55,107.00	$ 50,601.00	$ 46,668.00

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Postemployment Benefits Other Than Pensions (OPEB) – Authority Plan (Cont'd)

Changes in the Total OPEB Liability (Cont'd)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	May 31, 2019		
	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Total OPEB Liability	$ 45,579.00	$ 49,375.00	$ 53,629.00

	May 31, 2018		
	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Total OPEB Liability	$ 46,711.00	$ 50,601.00	$ 54,961.00

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal years ended May 31, 2019 and 2018, the Authority recognized OPEB expense of $2,155.00 and $28,792.00. At May 31, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	May 31, 2019		May 31, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions or Other Inputs	$ 929.00	$ -	$ 9,785.00	$ -

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Postemployment Benefits Other Than Pensions (OPEB) – Authority Plan (Cont'd)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending May 31,	
2020	$ 929.00
2021	-
2022	-
2023	-
2024	-
Thereafter	-
	$ 929.00

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Postemployment Benefits Other Than Pensions (OPEB)

At May 31, 2019, the Authority reported deferred outflows of resources, accounts payable, net OPEB liability and deferred inflows of resources related to OPEB from the following sources:

	(Restated) Balance May 31, 2018	Additions	Reductions	Balance May 31, 2019
Deferred Outflows of Resources - Related to OPEB				
State Plan	$ 287,693.16	$ 28,893.92	$ (60,739.39)	$ 255,847.69
Authority Plan	9,785.00	929.00	(9,785.00)	929.00
Total Deferred Outflows of Resources - Related to OPEB	$ 297,478.16	$ 29,822.92	$ (70,524.39)	$ 256,776.69
Net OPEB Liability				
State Plan	$ 1,362,141.00	$ 479,867.88	$ (783,101.88)	$ 1,058,907.00
Authority Plan	50,601.00	-	(1,226.00)	49,375.00
Total Net OPEB Liability	$ 1,412,742.00	$ 479,867.88	$ (784,327.88)	$ 1,108,282.00
Deferred Inflows of Resources - Related to OPEB				
State Plan	$ 151,186.00	$ 403,426.23	$ (71,010.23)	$ 483,602.00
Authority Plan	-	-	-	-
Total Deferred Inflows of Resources - Related to OPEB	$ 151,186.00	$ 403,426.23	$ (71,010.23)	$ 483,602.00

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

At May 31, 2018, the Authority reported deferred outflows of resources, accounts payable, net OPEB liability and deferred inflows of resources related to OPEB from the following sources:

	(Restated) Balance May 31, 2017	Additions	Reductions	(Restated) Balance May 31, 2018
Deferred Outflows of Resources - Related to OPEB				
State Plan	$ -	$ 325,678.22	$ (37,985.06)	$ 287,693.16
Authority Plan	-	9,785.00	-	9,785.00
Total Deferred Outflows of Resources - Related to OPEB	$ -	$ 335,463.22	$ (37,985.06)	$ 297,478.16
Net OPEB Liability				
State Plan	$ 1,143,859.00	$ 398,484.00	$ (180,202.00)	$ 1,362,141.00
Authority Plan	72,148.83	-	(21,547.83)	50,601.00
Total Net OPEB Liability	$ 1,216,007.83	$ 398,484.00	$ (201,749.83)	$ 1,412,742.00
Deferred Inflows of Resources - Related to OPEB				
State Plan	$ -	$ 172,636.06	$ (21,450.06)	$ 151,186.00
Authority Plan	-	-	-	-
Total Deferred Inflows of Resources - Related to OPEB	$ -	$ 172,636.06	$ (21,450.06)	$ 151,186.00

Note 5: INTERGOVERNMENTAL AGREEMENTS

Borough of Penns Grove Agreement

A Service Agreement was entered into on November 22, 1962 between the Authority and the Borough of Penns Grove. Under the agreement, the Borough agrees to pay any shortfall the Authority may encounter in making payments for either operating expenses and/or debt service requirements. The Borough shall be entitled to recover from the Authority the amount of any payments in the next ensuing or any subsequent fiscal year.

Note 6: RISK MANAGEMENT

The Authority is a member of New Jersey Utility Authorities Joint Insurance Fund (the “Fund”). The Fund provides the Authority with the following coverage:

Property and Physical Damage
Worker’s Compensation
General Liability
Excess Liability
Boiler and Machinery
Automobile Liability
Fidelity Bonds
Environmental Liability

Contributions to the Fund, including a reserve for contingencies are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Authority's agreement with the pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of $500,000.00 for each insured event.

The Fund publishes its own financial report for the year ended June 30, 2019, which can be obtained from:

New Jersey Utility Authority Joint Insurance Fund
9 Campus Drive, Suite 216
Parsippany, New Jersey, 07054-4412

Note 7: CONTINGENCIES

Litigation - The Authority is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Authority, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Note 8: RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS

As indicated in note 1 to the financial statements, the Authority adopted GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, for the fiscal year ended May 31, 2019. As a result of implementing this Statement, a restatement of unrestricted net position was required to record the Authority's net OPEB obligation. The cumulative effect on the financial statements as reported for May 31, 2017 is as follows:

	As Previously Reported May 31, 2017	Net OPEB Liability (1)	As Restated May 31, 2017
Net Position:			
Net Investment in Capital Assets	$ 436,698.87		$ 436,698.87
Restricted	15,162.56		15,162.56
Unrestricted (Deficit)	651,027.93	$ (1,139,771.14)	(488,743.21)
Total Net Position	$ 1,102,889.36	$ (1,139,771.14)	$ (36,881.78)
State Plan		$ (1,143,859.00)	
Authority Plan		4,087.86	
		$ (1,139,771.14)	

(1) Represents the change in the Authority's Net OPEB Liability as of May 31, 2017
(2) Represents the change in the Authority's Deferred Outflow of Resources as of May 31, 2017
(3) Represents the change in the Authority's Deferred Inflow of Resources as of May 31, 2017

Note 8: RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS (CONT'D)

The following represents the cumulative effects of the restatement on the respective financial statement balances of the Authority for the fiscal year ended May 31, 2018:

Statement of Net Position - May 31, 2018

	Previously Reported	Cumulative Effect - Increase / (Decrease)	Restated Balance
DEFERRED OUTFLOWS OF RESOURCES			
Related to OPEB	$ -	$ 297,478.16	$ 297,478.16
Total Deferred Inflows of Resources	240,819.00	297,478.16	538,297.16
LIABILITIES			
Long-term Liabilities:			
Net OPEB Liability	72,148.83	1,340,593.17	1,412,742.00
Total Long-term Liabilities	2,434,334.03	1,340,593.17	3,774,927.20
Total Liabilities	2,561,757.12	1,340,593.17	3,902,350.29
DEFERRED INFLOWS OF RESOURCES			
Related to OPEB	-	151,186.00	151,186.00
Total Deferred Inflows of Resources	317,168.00	151,186.00	468,354.00
NET POSITION			
Unrestricted (Deficit)	699,723.67	(1,194,301.01)	(494,577.34)
Total Net Position	$ 1,098,547.36	$ (1,194,301.01)	$ (95,753.65)

Note 8: RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS (CONT'D)

The following represents the cumulative effects of the restatement on the respective financial statement balances of the Authority for the fiscal year ended May 31, 2018 (Cont'd):

Statement of Revenues, Expenses and Changes in Net Position - May 31, 2018

	Previously Reported	Cumulative Effect - Increase / (Decrease)	Restated Balance
Operating Expenses:			
Administration:			
Fringe Benefits	$ 106,006.98	$ 22,902.54	$ 128,909.52
Total Administration	277,678.22	22,902.54	300,580.76
Cost of Providing Service:			
Fringe Benefits	120,094.34	31,627.32	151,721.66
Total Cost of Providing Service	733,184.70	31,627.32	764,812.02
Total Operating Expenses	1,215,813.88	54,529.87	1,270,343.75
Operating Income	73,367.90	(54,529.87)	18,838.03
Change in Net Position	(4,342.00)	(54,529.87)	(58,871.87)
Net Position - Beginning	1,102,889.36	(1,139,771.14)	(36,881.78)
Net Position - Ending	$ 1,098,547.36	$ (1,194,301.01)	$ (95,753.65)

REQUIRED SUPPLEMENTARY INFORMATION

PENNS GROVE SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios - Authority Plan
Last Two Fiscal Years

Total OPEB Liability	**2019**	**2018**
Interest Cost	$ 1,353.00	$ 2,387.00
Benefit Payments	(3,508.00)	(21,394.00)
Actuarial Assumption Changes	929.00	-
Net Change in Total OPEB Liability	(1,226.00)	(19,007.00)
Total OPEB Liability - Beginning of Fiscal Year	50,601.00	69,608.00
Total OPEB Liability - End of Fiscal Year	$ 49,375.00	$ 50,601.00
Covered-Employee Payroll	$ -	$ -
Total OPEB Liability as a Percentage of Covered-Employee Payroll	N/A	N/A

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

PENNS GROVE SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of the Authority's Proportionate Share
of the Net OPEB Liability - State Plan
Last Two Plan Years

	Measurement Date Ended June 30,	
	2018	**2017**
Authority's Proportion of the Net OPEB Liability	0.006759%	0.006672%
Authority's Proportionate Share of the Net OPEB Liability	$ 1,058,907.00	$ 1,362,141.00
Authority's Covered Payroll (Plan Measurement Period)	$ 292,716.00	$ 288,691.00
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	361.75%	471.83%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%	1.03%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

PENNS GROVE SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of the Authority's OPEB Contributions - State Plan
Last Two Fiscal Years

	Fiscal Year Ended May 31,	
	2019	**2018**
Authority's Required Contributions	$ 40,842.57	$ 49,296.20
Authority's Contributions in Relation to the Required Contribution	(40,842.57)	(49,296.20)
Authority's Contribution Deficiency (Excess)	$ -	$ -
Authority's Covered Payroll	$ 289,691.00	$ 282,721.00
Authority's Contributions as a Percentage of Covered Payroll	14.10%	17.44%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

PENNS GROVE SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS)
Last Six Plan Years

	Measurement Date Ending June 30,		
	2018	**2017**	**2016**
Proportion of the Net Pension Liability	0.0036163501%	0.0033874385%	0.0042788846%
Proportionate Share of the Net Pension Liability	$ 712,041.00	$ 788,542.00	$ 1,267,283.00
Covered Payroll (Plan Measurement Period)	$ 253,956.00	$ 234,684.00	$ 294,360.00
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	280.38%	336.00%	430.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%
	2015	**2014**	**2013**
Proportion of the Net Pension Liability	0.0041835140%	0.0040515022%	0.0039820588%
Proportionate Share of the Net Pension Liability	$ 939,115.00	$ 758,552.00	$ 761,051.00
Covered Payroll (Plan Measurement Period)	$ 288,580.00	$ 280,184.00	$ 274,692.00
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	325.43%	270.73%	277.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

PENNS GROVE SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of the Authority's Contributions
Public Employees' Retirement System (PERS)
Last Six Fiscal Years

	Fiscal Year Ended May 31,		
	2019	**2018**	**2017**
Contractually Required Contribution	$ 35,971.00	$ 31,381.00	$ 38,013.00
Contribution in Relation to the Contractually Required Contribution	(35,971.00)	(31,381.00)	(38,013.00)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Payroll (Fiscal Year)	$ 289,691.00	$ 282,721.00	$ 283,873.00
Contributions as a Percentage of Covered Payroll	12.42%	11.10%	13.39%
	2016	**2015**	**2014**
Contractually Required Contribution	$ 35,967.00	$ 33,400.00	$ 30,004.00
Contribution in Relation to the Contractually Required Contribution	(35,967.00)	(33,400.00)	(30,004.00)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Payroll (Fiscal Year)	$ 292,265.00	$ 292,915.00	$ 287,183.00
Contributions as a Percentage of Covered Payroll	12.31%	11.40%	10.45%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

PENNS GROVE SEWERAGE AUTHORITY
Notes to Required Supplementary Information
For the Fiscal Year Ended May 31, 2019

Note 1: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN

Changes in Benefit Terms

None

Changes in Assumptions

In 2017, the discount rate changed to 3.58% from 2.85%. In 2018, the discount rate changed to 3.87% from 3.58%, there were changes in the census, claims and premiums experience and a decrease in the assumed health care cost trend and excise tax assumptions.

Note 2: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - AUTHORITY PLAN

Changes in Benefit Terms

In fiscal year 2019, there were no changes to the benefit terms. In fiscal year 2018, there was a reduction in the medigap premium from $5,000 to $3,508.

Changes in Assumptions

In 2019, the discount rate changed to 2.77% from 3.20%.

Note 3: POSTEMPLOYMENT BENEFITS - PENSION

Public Employees' Retirement System (PERS)

Changes in Benefit Terms

None

Changes in Assumptions

The Discount Rate changed at June 30th over the following years, 5.39% 2014, 4.90% 2015, 3.98% 2016, 5.00% 2017 and 5.66% 2018.

The Long-term Expected Rate of Return changed at June 30th over the following years, 7.90% 2014 and 2015, 7.65% 2016, 7.00% 2017 and 2018.

For 2016, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the Plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter.

For 2015, the social security wage base was set at $118,500.00 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at $265,000.00 for 2015, increasing 3.00% per annum, compounded annually.

SUPPLEMENTARY SCHEDULES

PENNS GROVE SEWERAGE AUTHORITY
Schedule of Anticipated Revenues, Operating Appropriations, Principal Payments and Non-Operating Appropriations Compared To Budget--Non-GAAP (Budgetary) Basis
For the Fiscal Year Ended May 31, 2019

	Adopted / Amended Budget	2018-2019 Actual	Variance Favorable (Unfavorable)	2017-2018 Actual
Budget Revenues:				
Operating Revenues:				
User Fees	$ 1,157,000.00	$ 1,092,201.49	$ (64,798.51)	$ 1,168,341.37
Delinquent Charges	60,000.00	25,482.56	(34,517.44)	94,218.58
Miscellaneous		11,935.15	11,935.15	26,621.83
Total Operating Revenues	1,217,000.00	1,129,619.20	(87,380.80)	1,289,181.78
Non-Operating Revenues:				
Interest on Investments	-	1,633.82	1,633.82	1,584.57
Total Budget Revenues	1,217,000.00	1,131,253.02	(85,746.98)	1,290,766.35
Operating Appropriations:				
Administration:				
Salaries and Wages:				
Authority Members	5,000.00	5,000.00		5,000.00
Office Staff	37,050.00	37,118.14	(68.14)	38,671.07
Extra Help	12,050.00	11,174.28	875.72	8,468.94
Total Salaries and Wages	54,100.00	53,292.42	807.58	52,140.01
Fringe Benefits:				
PERS	36,000.00	36,108.00	(108.00)	31,381.00
Payroll Tax Expense	4,200.00	9,080.71	(4,880.71)	4,009.40
Health Insurance	67,000.00	56,036.30	10,963.70	71,031.63
Total Fringe Benefits	107,200.00	101,225.01	5,974.99	106,422.03
Other Expenses:				
Engineering	8,000.00		8,000.00	
Audit	27,500.00	26,452.00	1,048.00	25,000.00
Accounting Services	13,250.00	10,212.00	3,038.00	20,429.40
Solicitor	2,400.00	2,400.00		2,400.00
Insurance	39,000.00	38,877.48	122.52	40,263.34
Office Supplies	5,500.00	4,014.80	1,485.20	3,441.25
Telephone	9,750.00	9,400.94	349.06	8,588.77
Office Equipment	13,000.00	9,929.50	3,070.50	340.47
State Permit Tax	10,000.00	6,970.14	3,029.86	
Miscellaneous	11,000.00	4,923.52	6,076.48	18,896.00
Dues and Subscriptions	200.00		200.00	172.00
Total Other Expenses	139,600.00	113,180.38	26,419.62	119,531.23
Total Administration	300,900.00	267,697.81	33,202.19	278,093.27

(Continued)

PENNS GROVE SEWERAGE AUTHORITY
Schedule of Anticipated Revenues, Operating Appropriations, Principal Payments and Non-Operating Appropriations Compared To Budget--Non-GAAP (Budgetary) Basis
For the Fiscal Year Ended May 31, 2019

	Adopted / Amended Budget	2018-2019 Actual	Variance Favorable (Unfavorable)	2017-2018 Actual
Operating Appropriations (Continued)				
Cost of Providing Services:				
Salaries and Wages:				
Labor	$ 265,000.00	$ 260,732.55	$ 4,267.45	$ 286,585.32
Part Time	13,000.00	7,578.96	5,421.04	10,328.56
Longevity	7,000.00	6,817.48	182.52	
Licenses	2,500.00	2,500.00		
Overtime	40,000.00	47,529.06	(7,529.06)	14,046.00
Total Salaries and Wages	327,500.00	325,158.05	2,341.95	310,959.88
Fringe Benefits:				
Payroll Tax Expense	25,100.00	30,791.05	(5,691.05)	24,034.86
Health Insurance	88,000.00	77,383.47	10,616.53	98,091.29
Total Fringe Benefits	113,100.00	108,174.52	4,925.48	122,126.15
Other Expenses:				
Utilities	140,000.00	125,747.69	14,252.31	125,827.53
Water Rents	1,000.00	126.97	873.03	805.78
Operating Training	2,500.00	3,079.00	(579.00)	1,759.00
Treatment Materials	30,000.00	20,395.39	9,604.61	20,889.60
Vehicle Expense	5,000.00	1,786.86	3,213.14	2,160.67
Repairs, Maintenance	100,000.00	80,525.38	19,474.62	91,129.16
Equipment	10,000.00	11,862.58	(1,862.58)	740.90
Sludge Disposal	35,000.00	31,950.71	3,049.29	31,902.76
Laboratory Analysis	35,000.00	35,055.91	(55.91)	29,767.52
Travel Expense	100.00		100.00	
Miscellaneous	20,000.00	19,640.82	359.18	21,815.08
Total Other Expenses	378,600.00	330,171.31	48,428.69	326,798.00
Total Cost of Providing Services	819,200.00	763,503.88	55,696.12	759,884.03
Principal Payments on Debt Service in Lieu of Depreciation	109,565.00	109,564.57	0.43	129,401.76
Non-Operating Appropriations:				
Debt Service - Interest	74,135.00	74,131.43	3.57	79,779.24
Total Non-Operating Appropriations	74,135.00	74,131.43	3.57	79,779.24
Total Budget Appropriations	1,303,800.00	1,214,897.69	88,902.31	1,247,158.30

(Continued)

PENNS GROVE SEWERAGE AUTHORITY
Schedule of Anticipated Revenues, Operating Appropriations, Principal Payments and Non-Operating Appropriations Compared To Budget--Non-GAAP (Budgetary) Basis
For the Fiscal Year Ended May 31, 2019

	Adopted / Amended Budget	2018-2019 Actual	Variance Favorable (Unfavorable)	2017-2018 Actual
Unrestricted Net Position to Balance Budget	$ 86,800.00	$ -	$ 86,800.00	$ -
Total Appropriations and Unrestricted Net Position	1,217,000.00	1,214,897.69	2,102.31	1,247,158.30
Excess Budget Appropriations Over Budget Revenues	$ -	$ (83,644.67)	$ (83,644.67)	$ 43,608.05

Reconciliation to Operating income

Excess Budget Appropriations Over Budget Revenues		$ (83,644.67)
Add:		
Principal Payments	$ 109,564.57	
Interest on Debt	74,131.43	
Major Repairs and Replacements	20,042.60	
Encumbrances Payable	4,218.37	
		207,956.97
		124,312.30
Less:		
Investment Income	1,633.82	
Net OPEB Obligation Accrual	68,657.47	
Net Pension Expense	(12,891.00)	
Depreciation	176,188.93	
		233,589.22
Operating Income (Loss)		$ (109,276.92)

PENNS GROVE SEWERAGE AUTHORITY
Schedule of Revenue Bonds Payable
For the Fiscal Year Ended May 31, 2019

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding May 31, 2019 Dates	Amounts	Interest Rate	Balance June 1, 2018	Paid	Balance May 31, 2019
1988 Series A Bonds	11/01/88	$ 2,500,000.00	2020	$ 92,008.06				
			2021	96,665.96				
			2022	101,559.68				
			2023	106,701.14				
			2024	112,102.88				
			2025	117,778.09				
			2026	123,740.60				
			2027	130,004.98				
			2028	136,586.47				
			2029	68,409.08	5.00%	$ 1,173,131.53	$ 87,574.59	$ 1,085,556.94
1988 Series B Bonds	11/01/88	500,000.00	2020	18,401.60				
			2021	19,333.19				
			2022	20,311.93				
			2023	21,340.22				
			2024	22,420.57				
			2025	23,555.61				
			2026	24,748.11				
			2027	26,000.98				
			2028	27,317.29				
			2029	13,681.94	5.00%	234,626.35	17,514.91	217,111.44
USDA Series 2011 Bonds	12/06/11	250,000.00	2020	4,576.32				
			2021	4,679.87				
			2022	4,785.76				
			2023	4,894.05				
			2024	5,004.78				
			2025	5,118.02				
			2026	5,233.82				
			2027	5,352.25				

(Continued)

PENNS GROVE SEWERAGE AUTHORITY
Schedule of Revenue Bonds Payable
For the Fiscal Year Ended May 31, 2019

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding May 31, 2019 Dates	Maturities of Bonds Outstanding May 31, 2019 Amounts	Interest Rate	Balance June 1, 2018	Paid	Balance May 31, 2019
USDA Series 2011 Bonds (Cont'd)	12/06/11	$ 250,000.00	2028	$ 5,473.35				
			2029	5,597.19				
			2030	5,723.84				
			2031	5,853.35				
			2032	5,985.80				
			2033	6,121.23				
			2034	6,259.73				
			2035	6,401.37				
			2036	6,546.21				
			2037	6,694.33				
			2038	6,845.79				
			2039	7,000.70				
			2040	7,159.10				
			2041	7,321.09				
			2042	7,486.73				
			2043	7,656.13				
			2044	7,829.36				
			2045	8,006.52				
			2046	8,187.68				
			2047	8,372.93				
			2048	8,562.39				
			2049	8,756.12				
			2050	8,954.24				
			2051	9,156.84				
			2052	9,081.93	2.25%	$ 225,153.89	$ 4,475.07	$ 220,678.82
						$ 1,632,911.77	$ 109,564.57	$ 1,523,347.20

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PENNS GROVE SEWERAGE AUTHORITY
Schedule of Findings and Recommendations
For the Fiscal Year Ended May 31, 2019

Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Finding No. 2019-001

Criteria or Specific Requirement
Pursuant to N.J.A.C. 5:30-5.7, the general ledger, together with the books of original entry and supporting subsidiary ledgers shall constitute a complete accounting system which all local units shall have and maintain. Proper internal control practices dictate that a complete and accurate general ledger should be maintained for each fund to ensure adequate control over the preparation of financial statements including the related footnotes.

Condition
The Authority's computerized general ledger cash balances do not agree to the reconciled cash balances per the subsidiary bank reconciliations for the Revenue, Payroll and Flexible Spending Accounts.

Context
Adjustments were required to bring the general ledger cash balances into agreement with the reconciled bank accounts to properly reflect the financial activity of the Authority.

Effect
Without a properly maintained general ledger system, the immediate and current identification of assets, liabilities, revenues, expenditures and net position cannot be achieved.

Cause
Proper internal control policies and procedures over financial transactions are not in place to properly reconcile the general ledger with the corresponding subsidiary bank reconciliations.

Recommendation
That the computerized general ledger cash balances be reconciled to the subsidiary bank reconciliations on a monthly basis.

View of the Responsible Official
The Authority has appointed a fee accountant to perform monthly bank reconciliations, and to implement and maintain proper posting of the general ledger for the Authority’s unrestricted funds.

PENNS GROVE SEWERAGE AUTHORITY
Schedule of Findings and Recommendations
For the Fiscal Year Ended May 31, 2019

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2019-002

Criteria or Specific Requirement
Management is responsible for establishing and maintaining internal controls in the financial reporting system and for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements in conformity with U.S. generally accepted accounting principles (GAAP). Additionally, for each accounting function, the transaction authorization, custody of the assets, and the recording of the transactions should not be performed by the same individual.

Condition
The Authority's internal control system lacks certain controls with respect to separation of duties and its system does not consistently produce information and classifications to bring the accounting records into alignment with generally accepted accounting principles. The Authority does not have a system in place that would enable management to prepare its own financial statements and complete disclosures in accordance with generally accepted accounting principles.

Context
The lack of certain controls within the Authority's internal control system was noted in performing the annual review of the internal control system and from prior experience with the Authority.

Effect
A lack of internal controls in the areas described above could result in the following: misappropriation of assets, misstated financial statements, inaccurate financial documentation, and improper use of funds or modification of data which could go undetected by employees in the normal course of performing their assigned duties.

Cause
There is a severely limited number of staff members to perform all accounting functions. There is one full-time employee, the Office Manager, and one part-time staff member to perform all of the accounting functions. The ability to produce financial statements and disclosures that incorporate the increasingly rigorous accounting requirements is beyond her expertise and training.

Recommendation
That duties be divided among various Authority personnel so that one employee cannot conceal errors and irregularities in the normal course of his or her duties. Ideally, Authority personnel should have the ability to prepare financial statements and complete disclosures in accordance with generally accepted accounting principles.

View of the Responsible Official
Cost benefit considerations prohibit increasing staff size or expertise. We would also like to comment on the fact that the situation regarding preparation of the financial statements is not new. The auditors have always prepared the financial statements due to the inability of the Authority to prepare them. Now their new auditing standards require that they comment on that fact. While we do not prepare the financial statements ourselves, we carefully review the drafts prepared by the auditors including the related footnote disclosures.

PENNS GROVE SEWERAGE AUTHORITY
Summary Schedule of Prior Year Audit Findings
And Recommendations as Prepared by Management

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

FINANCIAL STATEMENT FINDINGS

Finding No. 2018-001

Condition
The Authority's internal control system lacks certain controls with respect to separation of duties and its system does not consistently produce information and classifications to bring the accounting records into alignment with generally accepted accounting principles. The Authority does not have a system in place that would enable management to prepare its own financial statements and complete disclosures in accordance with generally accepted accounting principles.

Current Status
The condition remains unresolved as Finding No. 2019-002.

Planned Corrective Action
The responsible officials agree with the finding. However, officials also believe that the cost benefit considerations prohibit increasing staff size to achieve proper separation of duties and implementation of an internal control structure.

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APPRECIATION

We express my appreciation for the assistance and courtesies rendered by the Authority officials during the course of the audit.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants