ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE
CITY OF ATLANTIC CITY)

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

December 31, 2019

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF ATLANTIC CITY)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Atlantic City Municipal Utilities Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Atlantic City Municipal Utilities Authority (the "Authority") (a component unit of the City of Atlantic City, County of Atlantic, State of New Jersey), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

P.O. Box 7648 | Princeton, NJ 08543-7648 | 609.689.9700 | Fax 609.689.9720
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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2019, and the changes in financial position and its cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of the Authority as of and for the year ended December 31, 2018, were audited by other auditors whose report dated August 27, 2019, expressed an unmodified opinion on those financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Proportionate Share of Net Pension Liability - PERS, Schedule of Contributions - PERS, Notes to the Pension Required Supplementary Information, Schedule of Proportionate Share of the Net OPEB Liability, Schedule of Contributions - OPEB, and Notes to the OPEB Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Authority's basic financial statements. The other supplementary information on pages 56 through 60, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information, except for the portion marked "unaudited", is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Digesh B. Patel

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

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 10, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

OVERVIEW OF ANNUAL FINANCIAL REPORT

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

The basic financial statements report information about the Authority using full accrual accounting methods as utilized in similar business activities by the private sector. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities. The basic financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, a statement of cash flows, and notes to the basic financial statements.

The ***statements of net position*** presents the financial position of the Authority on a full accrual historical cost basis. The statement of net position presents information on all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position are one indicator of whether the financial position of the Authority is improving or deteriorating.

While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the ***statements of revenues, expenses and changes in net position*** presents the results of the business activities over the course of the fiscal year and information as to how the net position has changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This statement also provides certain information about the Authority's recovery of its costs.

The ***statements of cash flows*** provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operating, capital and related financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or the depreciation of capital assets.

The ***notes to the financial statements*** provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

Other Supplementary information comparing the budget to actual expenses, as well as important debt coverage data, is provided.

MANAGEMENT'S ANALYSIS OF FINANCIAL POSITION

Financial Highlights
Management believes the financial condition of the Authority is stable. The Authority is well within the debt covenants and the more stringent financial policies and guidelines set by the Board. The following are key financial highlights:

- Total assets and deferred outflows at year-end totaled $72,974,147 and exceeded liabilities and deferred inflows in the amount of $23,142,981 (i.e., net position). Total assets and deferred outflows increased by $1,736,215. The total net position increased by $5,453,717.
- Net pension liability under Government Accounting Standard Board (GASB) Statement 68 was $7,684,107 in 2019, a decrease of $886,083 from the year 2018.
- Post-employment benefits other than pensions (OPEB) liability under GASB Statement 75 was $13,687,628 in 2019, a decrease of $3,255,193.
- For the fiscal year 2019, the Authority pumped approximately 3,257 million gallons of water, compared to 3,364 million gallons of water in 2018.
- Operating revenues were $17,356,991, an increase of $1,740,413 from the year 2018.
- Operating expenses (excluding depreciation) were $856,922 less than last year.
- Operating income for the year was $5,384,292.
- Connection fee income was $36,977 compared to $61,571 in 2018.
- Actual investment income was $322,115, an $85,911 increase over 2018.

The Authority's total net position was up from last year in large part because of an increase in Unrestricted funds, which resulted mainly from a reduction in net pension and OPEB liability associated with GASB Statements 68 and 75, respectively. Operating revenue increased due to the user charge rate increase, which became effective in 2019. Operating expenses decreased primarily due to the recording of a lower pension and health expenses in 2019 as required under GASB Statements 68 and 75.

CONDENSED COMPARATIVE STATEMENT OF NET POSITION

Explanations for material fluctuations are as follows:

Total Current Assets- Total Current Assets for 2019 totaled $17,801,030 compared to $ 14,675,095 in 2018. The increase amounted to $3,125,935 and resulted primarily from an increase in cash and investments. The Authority recognized additional income from the annual rate increase that resulted in additional funds available for investment in securities. These additional funds will be utilized to assist in the funding of the Authority's future capital projects.

MANAGEMENT'S ANALYSIS OF FINANCIAL POSITION (CONTINUED)

CONDENSED COMPARATIVE STATEMENT OF NET POSITION (CONTINUED)

Total Restricted Assets- Total Restricted Assets totaled $2,807,982 in 2019 compared to $2,821,543 in 2018. The decrease amounted to $13,562. A decline in the receivable due from the New Jersey Infrastructure Bank (NJIB) contributed to the decrease. The debt reserve requirement remained similar in 2019.

Net Capital Assets – Net Capital Assets for 2019 totaled $49,161,640 compared to $49,481,078 in 2018. This decrease of $319,438 resulted from an increase in accumulated depreciation that amounted to $2,810,742, partially offset by 2019 additions.

Total Current Liabilities Payable From Unrestricted Assets - Total Current Liabilities Payable from Unrestricted Assets for 2019 totaled $2,083,127 compared to $2,150,667 in 2018. The decrease amounted to $67,540 and resulted primarily due to the lower recognition of accrued payroll and taxes and customer overpayments. The increased liabilities owed to vendors at year-end and the higher recognition of deferred income in 2019 also contributed to the decrease.

Total Current Liabilities Payable From Restricted Assets - Total Current Liabilities Payable from Restricted Assets for 2019 totaled $1,398,092 compared to $1,369,974 in 2018. The current principal payment in 2019 was approximately $33,700 higher than in 2018. Partially offsetting the increase was the recognition of lower accrued interest due at year end.

Total Long-Term Liabilities Payable from Restricted Assets- Total Long-Term Liabilities Payable for 2019 totaled $30,021,624 compared to $35,472,378 in 2018. This significant decrease was in large part due to the reporting of the Authority's proportionate share of net pension liability and OPEB liability. The net pension and the OPEB liabilities decreased by $886,083 and $3,255,193, respectively, as of December 31, 2019, compared to December 31, 2018. The Authority had a net pension liability of $7,684,107 and OPEB liability of $13,687,628 in 2019. A decrease of $1,359,300 in long term debt, net of current portion was due primarily to the principal annual payments made in 2019. Compensated balances payable increased by $49,822, which partially offset the decrease.

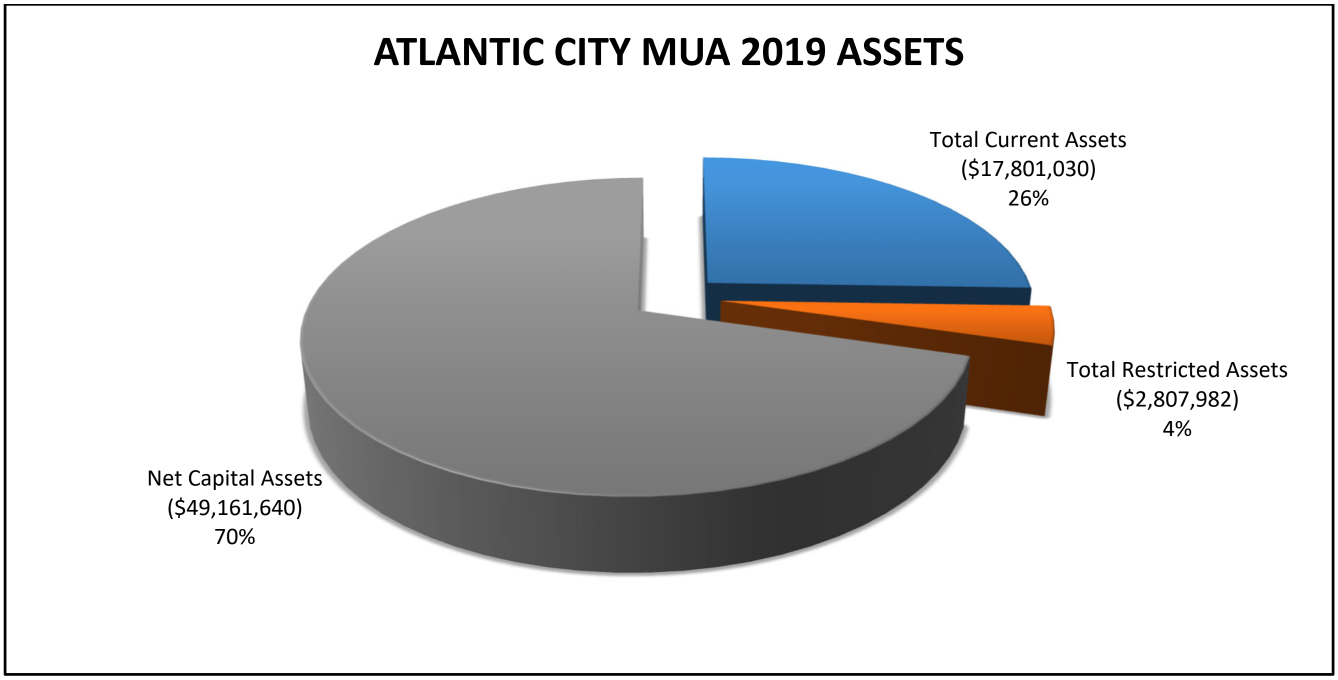
MANAGEMENT'S ANALYSIS OF FINANCIAL POSITION (CONTINUED)

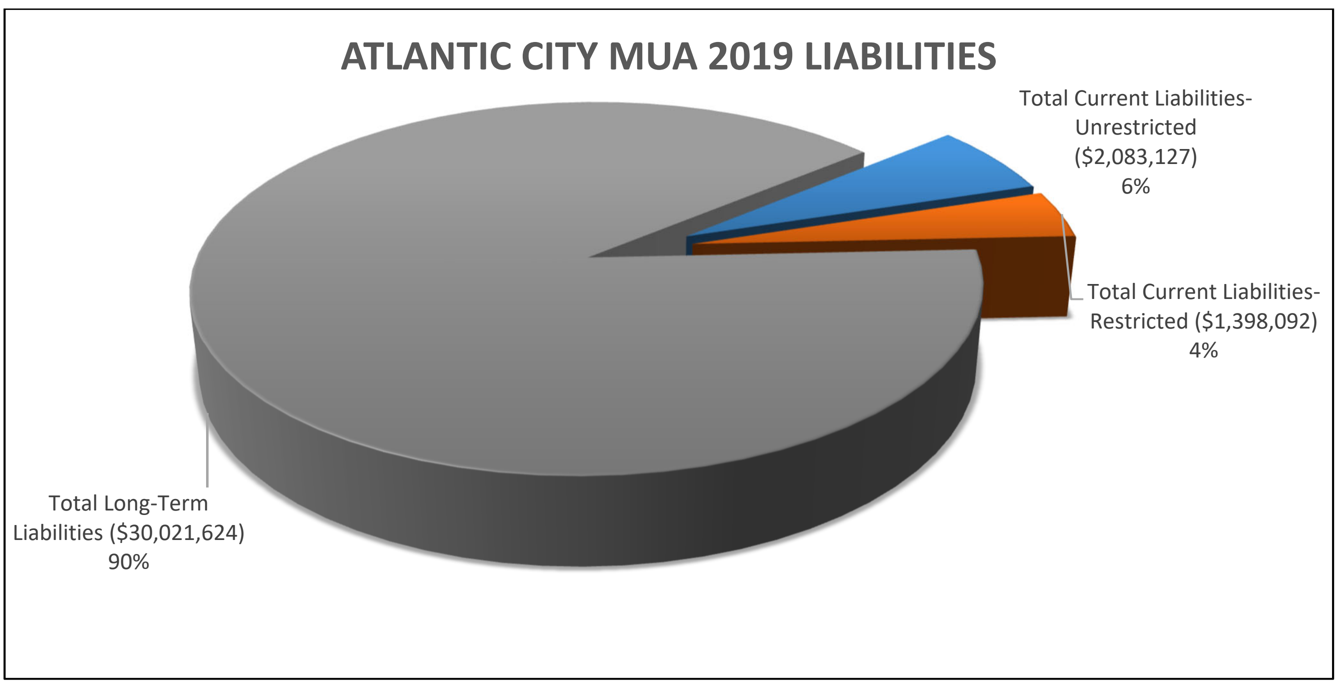
CONDENSED COMPARATIVE STATEMENT OF NET POSITION (CONTINUED)

	December 31, 2019	December 31, 2018	December 31, 2017	$ Change 2018-2019	% Change 2018-2019
Total Current Assets	$17,801,030	$14,675,095	$12,098,971	$ 3,125,935	21.3%
Total Restricted Assets	2,807,982	2,821,543	3,207,103	(13,561)	-0.5%
Net Capital Assets	49,161,640	49,481,078	50,220,830	(319,438)	-0.6%
Total Assets	69,770,652	66,977,716	65,526,904	2,792,936	4.2%
Loss on Refunding of Long-Term Debt	82,580	91,397	100,213	(8,817)	-9.6%
Related to Pensions	1,393,648	2,208,916	3,542,259	(815,268)	-36.9%
Related to OPEB	1,727,267	1,959,903	-	(232,636)	-11.9%
Total Deferred Outflows of Resources	3,203,495	4,260,216	3,642,472	(1,056,721)	-24.8%
Total Current Liabilities - Unrestricted	2,083,127	2,150,667	1,759,453	(67,540)	-3.1%
Total Current Liabilities - Restricted	1,398,092	1,369,974	1,340,780	28,118	2.1%
Total Long-Term Liabilities	30,021,624	35,472,378	23,140,346	(5,450,754)	-15.4%
Total Liabilities	33,502,843	38,993,019	26,240,579	(5,490,176)	-14.1%
Related to Pensions	4,856,546	5,380,197	3,881,680	(523,651)	-9.7%
Related to OPEB	11,471,777	9,175,452	-	2,296,325	25.0%
Total Deferred Inflows of Resources	16,328,323	14,555,649	3,881,680	1,772,674	12.2%
Net Investment in Capital Assets	39,575,327	38,585,170	38,049,608	990,157	2.6%
Restricted for Capital Projects and Debt Service	2,804,494	2,805,283	3,178,589	(789)	0.0%
Unrestricted	(19,236,840)	(23,701,189)	(2,181,080)	4,464,349	-18.8%
Total Net Position	$23,142,981	$17,689,264	$39,047,117	5,453,717	30.8%

MANAGEMENT'S ANALYSIS OF FINANCIAL POSITION (CONTINUED)

CONDENSED COMPARATIVE STATEMENT OF NET POSITION (CONTINUED)





MANAGEMENT'S ANALYSIS OF FINANCIAL POSITION (CONTINUED)

CONDENSED COMPARATIVE STATEMENT OF CASH FLOWS

The following table illustrates the Authority's ability to generate net operating cash. Net cash provided by operating activities is shown both in total dollars and as a percentage of operating revenues.

	December 31, 2019	December 31, 2018
Total Operating Revenues	$17,356,991	$15,616,578
Net Cash Provided by Operating Activities	$7,004,669	$5,472,603
Net Operating Cash as a Percentage of Operating Revenue	40.35%	35.04%

2019 Net Cash Provided by Operating Activities as Compared to 2018
Net cash provided by operating activities increased by 28%. This increase resulted primarily from additional payment received from customers as a result of the 2019 user charge rate increase. An increase in payments to vendors and employees and related benefit payments offset this increase.

MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION

CONDENSED COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Total Revenues (excluding connection fees and gain on disposal of net assets) for 2019 were $17,679,105 compared to $15,852,782 in 2018. Total revenues increased by 11.5%. Operating expenses for 2019 totaled $11,972,699 compared to $12,767,723 in 2018. Total operating expenses decreased by 6%. Explanations of the fluctuations are as follows:

Operating Revenues - Operating Revenues for 2019 totaled $17,356,991 compared to $15,616,578 in 2018. The increase of $1,740,413 in revenue recognized during the year resulted primarily from the rate increase that went into effect in 2019.

Connection Fee Income - Connection Fee income for 2019 totaled $36,977 compared to $61,571 in 2018. There were fewer small constructions during the year as compared to the prior year.

Investment Income – Investment Income for 2019 totaled $322,115, compared to $236,204 in 2018. This increase was due to additional capital amounts available for investing at higher earnings interest rates in 2019, as compared to last year.

MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION (CONTINUED)

CONDENSED COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)

Salaries Expense - Salaries Expense for 2019 totaled $3,928,266 compared to $3,628,717 in 2018. The increase amounted to $299,550, which primarily resulted from the retroactive wage increases (2015 through 2018) for White and Supervisor Union employees. The 2% annual increase in salaries for all other employees also contributed to the increase in salaries expense.

Employee Benefits - Employee Benefits for 2019 totaled $1,450,242 compared to $2,727,519 in 2018. The decrease in employee benefits expense amounted to $1,277,277. This significant decrease was primarily due to the decline in unfunded pension liability and post-retirement benefits (OPEB) liability. The Authority's pension and OPEB expenses decreased by $130,494 and $1,057,879 under GASB No. 68 and 75 respectively, as compared to last year. Another contributing factor was a decrease in worker's compensation.

Repairs and Maintenance - Repairs and Maintenance expenses for 2019 totaled $447,619 compared to $562,071 in 2018. The Authority experienced a decrease of $114,452 in repair and maintenance. There was fewer street opening jobs due to warmer than normal winter temperatures during the year as compared to last year.

Other Expenses – Other Expenses for 2019 totaled $3,335,829 compared to $3,100,572 in 2018. The increase for the year was $235,257 and resulted from fluctuations in various accounts, including Chemical and Gases, Electricity, General Insurance, and Professional fees. The increase in miscellaneous expenses resulted primarily from an increase in professional fees, including legal fees, annual audit fees, and other consulting services.

Depreciation Expense - Depreciation Expense for 2019 totaled $2,810,742 compared to $2,748,844 in 2018. The depreciation expense recorded on assets placed in service and purchased during the year contributed to the increase. A decline in expenses for assets that were fully depreciated in 2019 partially offset the increase.

Interest Expenses – Interest Expenses for 2019 totaled $308,466 compared to $341,616 in 2018. A decline in Interest Expense was recognized for the year due to a decrease in Long-Term Debt Outstanding. The deobligated New Jersey Infrastructure Bank (NJIB) loan, relative to the 2009A and 2010A bonds, lowered both principal and interest expense payments from 2016 through 2029.

MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION (CONTINUED)

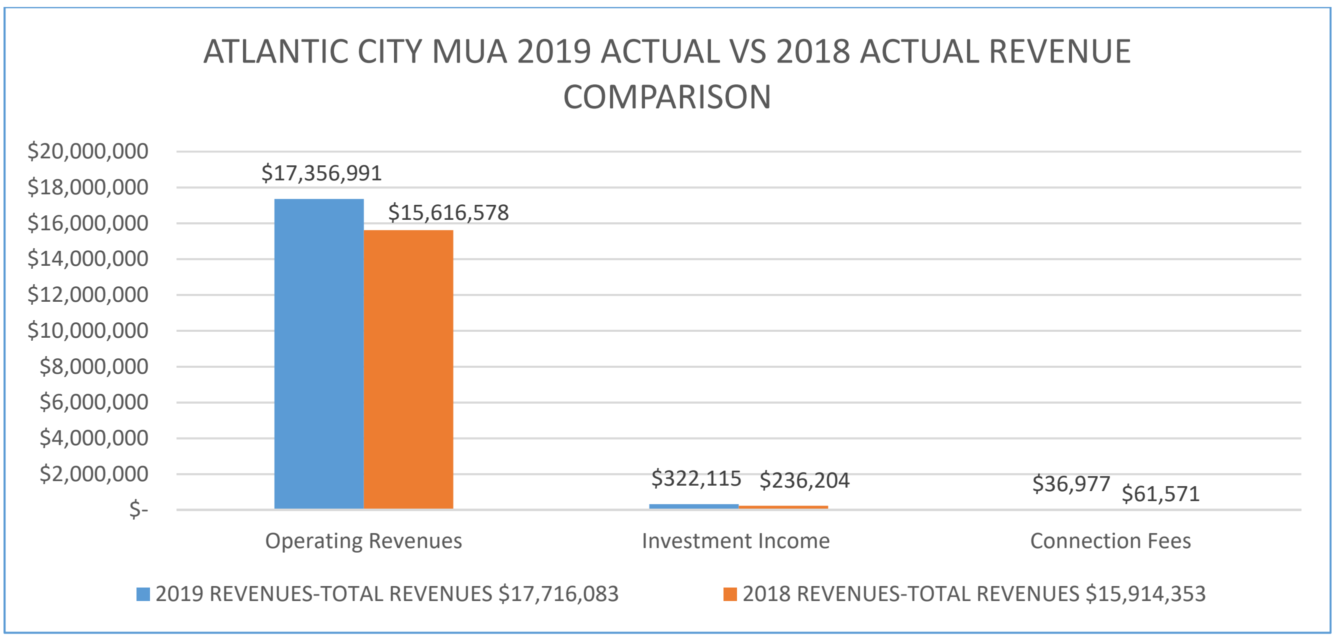
CONDENSED COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)

	December 31, 2019	December 31, 2018	December 31, 2017	$ Change 2018-2019	% Change 2018-2019
Total Operating Revenues	$ 17,356,991	$ 15,616,578	$ 14,994,561	$ 1,740,413	11.1%
Operating Expenses:					
Total Salaries Expense	(3,928,266)	(3,628,717)	(3,369,845)	299,549	8.3%
Total Employee Benefits	(1,450,242)	(2,727,519)	(3,341,668)	(1,277,277)	-46.8%
Total Repairs and Maintenance	(447,619)	(562,071)	(491,780)	(114,452)	-20.4%
Total Other Expenses	(3,335,830)	(3,100,572)	(3,147,836)	235,258	7.6%
Depreciation	(2,810,742)	(2,748,844)	(2,793,960)	61,898	2.3%
Total Operating Expenses	(11,972,699)	(12,767,723)	(13,145,089)	(795,024)	-6.2%
Non-Operating Revenues (Expenses):					
Connection Fees	36,977	61,571	19,088	(24,594)	-39.9%
Investment Income	322,115	236,204	149,473	85,911	36.4%
Bond Interest	(317,282)	(350,432)	(401,704)	(33,150)	-9.5%
Net Change in Fair Value of Investments	-	(34,159)	(40,110)	(34,159)	-100.0%
Gain on Disposal of Assets	27,615	4,989	-	22,626	453.5%
Total Non-Operating Revenues (Expenses)	69,425	(81,827)	(273,253)	151,252	184.8%
Changes in Net Position	5,453,717	2,767,028	1,576,219	2,686,689	97.1%
Net position, beginning of year	17,689,264	39,047,117	37,470,898	(21,357,853)	-54.7%
Cumulative effect of adoption of GASB 75	-	(24,124,881)	-	(24,124,881)	-100.0%
Net position, end of year	$ 23,142,981	$ 17,689,264	$ 39,047,117	$ 5,453,717	30.8%

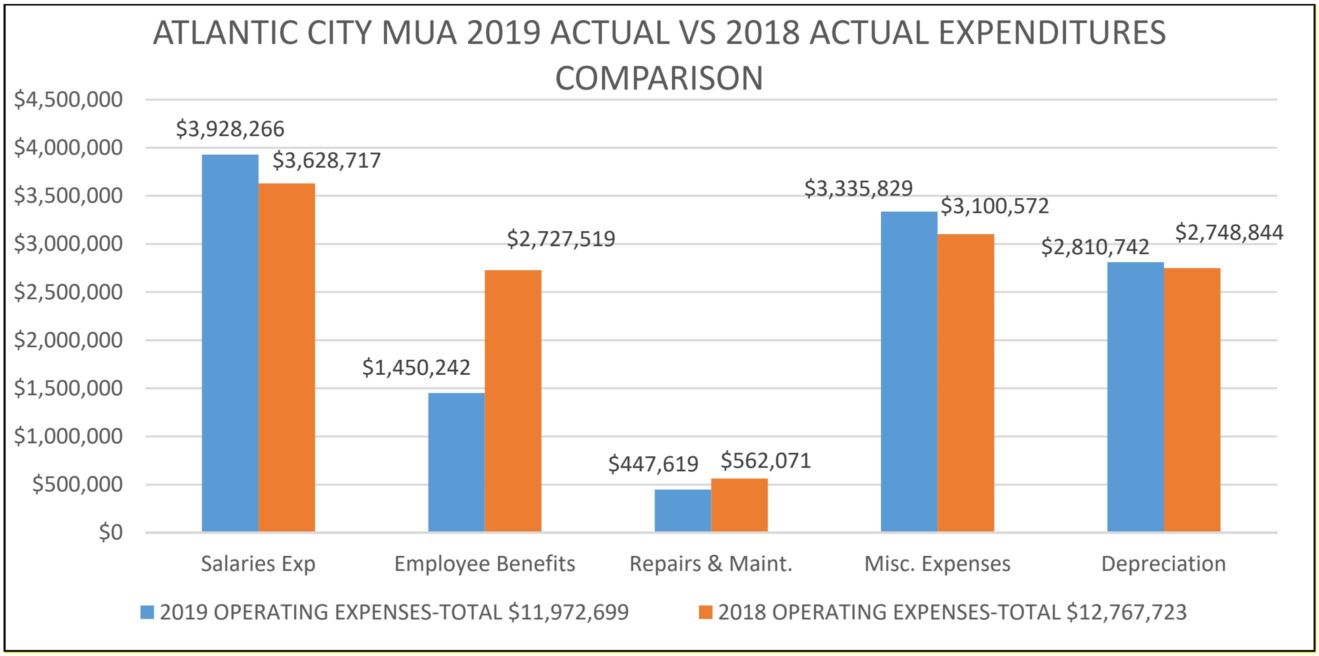
MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION (CONTINUED)

The following table shows the composition of operating expenses by major classification of expense for the last three years:

	December 31, 2019	%	December 31, 2018	%	December 31, 2017	%
Operating Expenses:						
Salaries Expense	$ 3,928,266	32.8%	$ 3,628,717	28%	$ 3,369,845	26%
Employee Benefits	1,450,242	12.1%	2,727,519	21%	3,341,668	25%
Repairs and Maintenance	447,619	3.7%	562,071	4%	491,780	4%
Other Expenses	3,335,830	27.9%	3,100,572	24%	3,147,836	24%
Depreciation	2,810,742	23.5%	2,748,844	22%	2,793,960	21%
Total	$11,972,699	100%	$12,767,723	100%	$13,145,089	100%



MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION (CONTINUED)

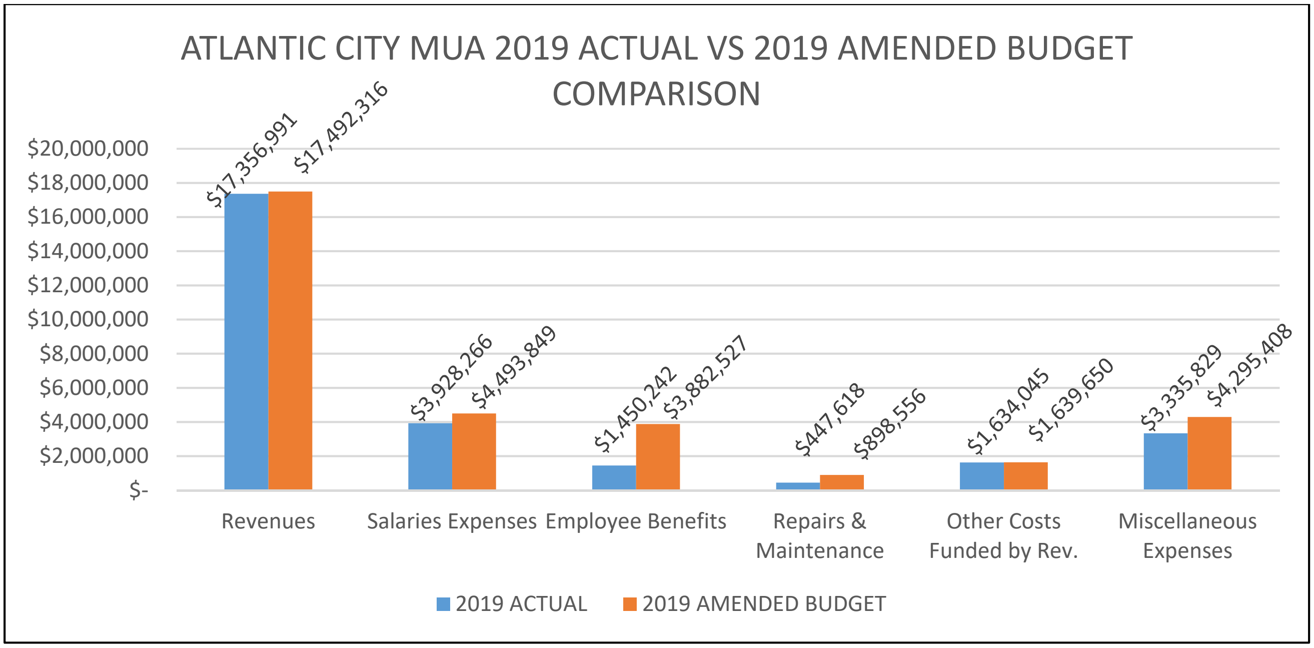


CONDENSED SCHEDULE OF APPROPRIATIONS COMPARED TO AMENDED BUDGET

Total operating revenues for 2019 amounted to $17,356,991 compared to budgeted revenues of $17,492,316. Revenues include those from all sources, except connection fees revenues and investment income. Actual revenues were $135,325 less than the anticipated budget amount. The user fees revenues were less than anticipated due to less water consumption than budgeted. The recognition of additional miscellaneous revenues also partially offset the decrease in actual revenue. The anticipated investment income was higher due to additional capital amounts available for investing at higher earnings interest rates. Expenses from administration and operations for 2019 totaled $9,161,957 compared to budgeted expenses of $13,570,340. The actual expenses for 2019 were $4,408,383 less than projected expenditures. Some of the larger fluctuations fell in the categories of Salaries, Employee Benefits, Utilities, Chemical and Gases, Repairs and Maintenance, and Other Outside Services expenses. Salaries Expense was lower than the projected budget. The Authority did not replace several positions that were left vacant due to retirement or resignation during 2019 and prior years. Employee Benefits were lower than the projected budget primarily from the recognition of the decrease in the net pension liability and OPEB liability related to GASB 68 and 75. Workers Compensation premiums during the year were also lower than the projected budget amount. Utility expenses were less than the budgeted amount due to lower than expected electric supplier rate and consumption of electricity. Repairs and Maintenance, including street openings costs, were lower than projected as the winter weather was not severe in 2019. Chemical and gas expenses were also lower than the budget due to the use of less chemicals than anticipated in the water treatment process. Furthermore, a lower general insurance premium and fewer expenditures in the laboratory and other miscellaneous services contributed to lower than expected other outside services expenses.

MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION (CONTINUED)

CONDENSED SCHEDULE OF APPROPRIATIONS COMPARED TO AMENDED BUDGET (CONTINUED)



MANAGEMENT'S ANALYSIS OF 2019 CAPITAL ASSETS & LONG-TERM DEBT ACTIVITY

Capital Assets

Total capital assets increased by approximately $2,409,306 during 2019. Property and equipment in-service increased by $3,702,715 in 2019. Impacting these increases were the 2019 additions and the transfer of assets from construction in progress. The major components of construction in progress are the Water Main Replacement project (fourth-year of a five-year plan) and the Basin C Floating Cover Rehabilitation project.

MANAGEMENT'S ANALYSIS OF 2019 CAPITAL ASSETS & LONG-TERM DEBT ACTIVITY (CONTINUED)

Capital Assets (Continued)

	December 31, 2019	December 31, 2018	December 31, 2017
Treatment and Distribution Facilities	$ 104,857,338	$ 101,680,715	$ 100,146,598
Land and Land Improvements	1,811,009	1,811,009	1,811,009
Equipment and Vehicles	5,969,458	5,445,746	5,377,185
Office Building	3,877,030	3,877,030	3,877,030
Furniture and Fixtures	459,859	457,479	459,324
Construction in Progress	289,999	1,583,408	1,287,613
Total Assets	$ 117,264,693	$ 114,855,387	$ 112,958,759

Long-Term Debt

At the end of the current fiscal year, the Authority had total bonded debt outstanding of $9,633,589.

	2019	2018
Revenue Bonds	$ 6,125,000	$ 6,880,000
New Jersey IB Loans	$ 3,508,589	$ 4,079,168

OTHER SELECTED INFORMATION

Selected Data for Analysis	2019	2018	Change Amount	Change %
Employees at Year End (Excluding Board)	68	63	5	(7.9%)
Number of Customers at Year End	8,146	8,152	(6)	(0.07%)
Water Pumped (Millions of Gallons)	3,257	3,364	(107)	(3.1%)
Revenues per 1,000 Gallons Pumped	5.3	4.6	(0.7)	(15.2%)
Expenses per 1,000 Gallons Pumped:				
Expenses Excluding Depreciation	2.8	3.0	0.2	6.6%
Total Operating Expenses	3.7	3.8	(0.1)	(2.6%)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors and Customer Base

The Authority's water demand has shown a steady and continual decline over the last two decades. The Authority attributes the decline to two primary factors. The first significant factor in the Authority's revenue decline is water-conserving devices. Water conservation is always promoted to minimize the wasteful use of resources.

The second factor that contributed to the decline of water sales was the closing of underperforming hotels and the removal of many housing units in Atlantic City through demolition. The closure of a number of casinos over the past several years further impacted the continual decline of water sales. The non-renewal of bulk purchases from New Jersey American Water in 2017 also decreased water sales significantly. The declining pattern over the past several years has begun to positively reverse due in part to the re-opening of the Ocean Resort (former Revel) and Hard Rock (former Taj).

As casino hotel properties and tourism dominate the City's economic profile, recent outcomes present considerable promise. First, the introduction of two new casino hotel properties (Hard Rock and Ocean Resort) were thought to be threats to the existing seven casinos as observers felt the market was at the peak. However, each of the nine properties has registered profits over the first two quarters of 2019. While the profit margins were less than prior quarters, the fact that the City sustained nine casino properties with none reporting losses is positive.

Atlantic City's economy was undergoing a rapid advance, which had positively impacted the Authority's revenue until the COVID-19 pandemic struck at the end of the first Quarter. There was a foreseeable future in the reopening of the shuttered casino, former Atlantic Club, and other developments, including the Bader Field. The COVID-19 pandemic hit Atlantic City at an inopportune time as all the businesses were forced to shut down for public safety. The Authority's 2020 revenue will be significantly impacted due to COVID-19, especially from its commercial and industrial customers. The Authority is expecting to lose 20%-35% of its budgeted revenue if the pandemic extends into next year. This financial impact due to COVID-19 was not accounted for in the 2020 budget as this pandemic is unprecedented.

2020 Budget

The 2020 proposed budget is fully funded, providing for the continuation of all of the Authority's major operations. The proposed appropriations for 2020 are anticipated to be approximately $117,390 higher than budgeted appropriations for 2019. This increase is due primarily to an increase in the 2020 Renewal and Replacement Reserve of $87,706. The additional reserves will be utilized to help fund the 2020 Capital Budget. The increase of $33,721 in the principal debt payment also contributed to the higher appropriations for 2020. The increase in total Administration cost, including Salary and Wages, also contributed to the increase. Somewhat offsetting the expected increase in appropriations is a decline in the interest payment on debt and operating costs such as utilities and repairs and maintenance.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (CONTINUED)

Rates

The Authority has four major customer categories: Residential, Commercial, Industrial, and Government. The water service charge for each customer is the sum of the customer base rate and excess water rate. The Authority rates are structured to ensure that projected revenues will be sufficient to cover the anticipated appropriations for the year. In 2018, the Authority increased the flat rate by 2% and the excess rate by 4% for all customers. The rates for residential customers increased from a flat charge of $50.00 per quarter to $51.00 per quarter. In 2019, a significant rate increase was needed to assist in the funding of capital projects as specified in the Authority's Capital Improvement Program. The Authority increased its flat rate by 19% and excess rates by 10%. The flat charge for residential customers increased from $51.00 per quarter to $61.00 per quarter in 2019. Effective January 1, 2020, the Authority increased its excess rate for all customers by 2%. Residential customers that will exceed the allowed allotment of 2500 cubic feet per quarter will be subject to a 2% increase in the excess rate. This increase raised the average residential bill by approximately $2.32. The 2019 connection fee rate was $19.9722 per gallon. For 2020, the connection fee rate was increased to $20.6188 per gallon.

Legislation with Potential Impact to the Authority

Over the years, several events combined to sustain the Authority from the pressure to privatize in order to assist the budget shortfalls of the City of Atlantic City and to change the form of government. First, the City, under the State of New Jersey, implemented a "Pilot" program to stabilize property taxes to be paid by the casino properties. Second, the citizens of Atlantic City mobilized a campaign with national support groups to protect the Authority and its quality water services from any takeover efforts. Nonetheless, a special election was scheduled for the City's change of government referendum on May 12, 2020. Privatization of the Authority to a corporate entity was possible under the new proposed change of government. It could happen without having a vote or having the input of the City's residents. The change of government referendum did not pass as the Atlantic City voters rejected the change and voted against it.

The NJ Water Quality Accountability Act (the "Act") requires the Authority to replace 1/150th of its underground pipes, conduct flushing and repairs on all street valves, mark and paint all fire hydrants, and implement both an Asset Management and Cyber Security Program. In recognition of the costs to water systems statewide, the State of New Jersey has approved the Water Infrastructure Bond Act of 2018 to support this statewide utility undertaking. The Authority is seeking to borrow funding from the Water Infrastructure Bond Act to cover costs to comply with the Act.

On Apr 1, 2019, New Jersey became the only state in the union to propose a Maximum Contaminant Level ("MCL") for Per- and polyfluoroalkyl substances ("PFAS") in drinking water. The State adopted this regulation on June 1, 2020. Although the Authority complies with the current standard, the new proposed standard (the setting an MCL of 13 parts per trillion) will be an urgent challenge for the Authority. PFAS contamination in the Authority's system arises from the FAA Technical Center in Pomona, where testing of fire-fighting foams containing PFAS has occurred for decades with residuals entering groundwater supplies. The Authority's current water treatment components are unable to achieve MCL compliance without expensive upgrades. A geoscience engineering consultant engaged by the Authority projected a thirty million plus up-front expenditure followed by one million-plus in annual regeneration costs going forward. Recognizing these costs are well beyond the Authority's ability to

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (CONTINUED)

Legislation with Potential Impact to the Authority (Continued)

fund. Management sought and engaged a nationally recognized environmental law firm to recover the costs to retrofit the system's treatment components. Sher Edling, LLP, has filed a federal lawsuit on behalf of the Authority naming Dupont, 3M, and other entities responsible for the PFAS contamination affecting the Authority. The Authority does not anticipate the upgrade cost in the 2020 proposed budget because there are many unknown factors regarding this new proposed regulation, including available funding/grant by the state and NJDEP approval. These significant upgrades will be addressed in the Authority's 2021 budget.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those who have an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Authority, ACMUA, PO BOX 117, ATLANTIC CITY, NJ 08404-0117. The telephone number is 609-345-3315. The Authority's Administration offices are located at 401 N. Virginia Avenue, Atlantic City, NJ.

BASIC FINANCIAL STATEMENTS

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF ATLANTIC CITY)

STATEMENTS OF NET POSITION

	December 31, 2019	December 31, 2018
Assets		
Current Assets		
Cash and Cash Equivalents	$ 2,024,034	$ 1,649,152
Accounts receivable, net	812,878	1,016,367
Investments	14,446,472	11,518,989
Inventories	397,579	342,281
Prepaid expenses	58,170	58,026
Accrued interest receivable	61,896	90,280
Total Current Assets	17,801,030	14,675,095
Non Current Assets		
Restricted Assets		
Investments	2,804,494	2,805,283
Receivable - NJIB	3,488	16,260
Total Restricted Assets	2,807,982	2,821,543
Capital Assets		
Land and land improvements	1,811,009	1,811,009
Construction-in-progress	289,999	1,583,408
Other capital assets, net of depreciation	47,060,633	46,086,661
	49,161,640	49,481,078
Total Assets	$ 69,770,652	$ 66,977,716
DEFERRED OUTFLOWS OF RESOURCES:		
Loss on refunding of long-term debt	$ 82,580	$ 91,397
Related to pensions	1,393,648	2,208,916
Related to other post-employment benefit	1,727,267	1,959,903
Total Deferred Outflows of Resources	$ 3,203,495	$ 4,260,216

STATEMENTS OF NET POSITION (CONTINUED)

	December 31,	
	2019	2018
Liabilities and Net Position		
Current liabilities payable from unrestricted assets		
Accounts payable	$ 615,117	$ 540,247
Employer pension contributions payable	438,394	432,950
Accrued payroll and payroll liabilities	49,424	187,159
Prepaid user charges	44,218	138,874
Unearned revenue	935,975	851,437
Total current liabilities payable from unrestricted assets	2,083,127	2,150,667
Current liabilities payable from restricted assets		
Accrued interest payable	38,792	44,395
Current portion of long-term debt	1,359,301	1,325,579
Total current liabilities payable from restricted assets	1,398,092	1,369,974
Noncurrent liabilities		
Compensated absences	375,600	325,778
Long-term debt, net of current portion	8,274,289	9,633,589
Net pension liability	7,684,107	8,570,190
Net OPEB liability	13,687,628	16,942,821
Total Noncurrent Liabilities	30,021,624	35,472,378
Total Liabilities	33,502,843	38,993,019
DEFERRED INFLOWS OF RESOURCES		
Related to pensions	4,856,546	5,380,197
Related to other post-employment benefit	11,471,777	9,175,452
	16,328,323	14,555,649
Net Position (Deficit)		
Net investment in capital assets	39,575,327	38,585,170
Restricted for capital projects and debt service	2,804,494	2,805,283
Unrestricted (Deficit)	(19,236,840)	(23,701,189)
Total Net Position	$ 23,142,981	$ 17,689,264

See notes to financial statements.

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF ATLANTIC CITY)

STATEMENTS REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31, 2019	2018
Operating Revenues		
User charges	$ 17,290,961	$ 15,563,274
Rental income	2,500	2,500
Miscellaneous	63,530	50,804
Total Operating Revenues	17,356,991	15,616,578
Operating Expenses		
Cost of providing services	6,444,456	7,351,518
General and administrative	2,717,501	2,667,361
Depreciation	2,810,742	2,748,844
	11,972,699	12,767,723
Operating Income	5,384,292	2,848,855
Non-Operating Revenues (Expenses), Net		
Connection fee	36,977	61,571
Investment income	322,115	236,204
Bond interest	(317,282)	(350,432)
Net change in fair value of investments	-	(34,159)
Gain on disposal of assets	27,615	4,989
	69,425	(81,827)
Changes in net position	5,453,717	2,767,028
Net position, beginning of year	17,689,264	39,047,117
Cumulative effect of adoption of GASB 75	-	(24,124,881)
Net position, end of year	$ 23,142,981	$ 17,689,264

See notes to financial statements.

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF ATLANTIC CITY)

STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2019	Years Ended December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipt from customers	$ 17,484,331	$ 15,518,146
Receipt from others	66,030	53,304
Payments to employees and related benefits	(6,365,178)	(6,162,138)
Payments to suppliers and vendors for goods and services	(4,180,513)	(3,936,709)
Net cash provided by operating activities	7,004,669	5,472,603
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,492,833)	(2,010,723)
Receipts from sale of capital assets	29,142	6,625
Receipts from NJIB	12,765	12,254
Connection fees	36,977	61,571
Interest paid on debt	(314,069)	(347,382)
Principal paid on debt	(1,325,580)	(1,290,620)
Net cash used for capital and related financing activities	(4,053,598)	(3,568,275)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	350,499	174,110
Transferred to investments	(2,926,687)	(2,529,258)
Net cash used in investing activities	(2,576,189)	(2,355,148)
Net increase (decrease) in cash and cash equivalents	374,882	(450,820)
Cash and cash equivalents, beginning of year	1,649,152	2,099,972
Cash and cash equivalents, end of year	$ 2,024,034	$ 1,649,152
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 5,384,292	$ 2,848,855
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	2,810,742	2,748,844
Provision for (recovery of) doubtful accounts	24,531	17,388
GASB 68 adjustment	(726,232)	(435,446)
GASB 75 adjustment	(589,021)	33,489
(Increase) decrease in assets		
Accounts receivable	178,958	(149,021)
Inventories	(55,298)	44,434
Prepaid expenses	(139)	(9,251)
Increase (decrease) in liabilities		
Accounts payable	74,871	196,153
Employer pension contributions payable		(38,138)
Accrued payroll and payroll liabilities	(137,735)	146,694
Unearned income	84,538	4,756
Prepaid user charges	(94,656)	81,749
Compensated absences	49,820	(17,903)
Net cash provided by operating activities	$ 7,004,669	$ 5,472,603

See notes to financial statements.

A. DESCRIPTION OF ENTITY

The Atlantic City Municipal Utilities Authority (the "Authority") was created in accordance with the State Municipal Utilities Authorities Law (P.L. 1957, c. 183), by Ordinance No. 63 of 1978 of the City of Atlantic City (the "City"), adopted September 14, 1978.

Pursuant to the provisions of the law, the Authority is authorized to acquire, construct, maintain, operate or improve works for the accumulation, supply or distribution of water.

Under the criteria specified in Government Accounting Standards Board ("GASB") 14, as amended by GASB 61, the Authority is considered a component unit of the City. The basic criteria for classifying an organization (the Authority) as a component unit of a primary government (the City) is the ability of the primary government to appoint a voting majority of the organization's governing body, the ability to impose its will on that organization and/or potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. Another important criterion in determining the classification as a component unit is the scope of public service (i.e., whether the activity benefits the primary government and/or its citizens).

The Authority, as a component unit, issues separate financial statements from the City. However, if the City presented its financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"), these financial statements would be included with the City's financial statements on a blended basis.

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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position, financial position and cash flows. The 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 (1) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (2) 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 (3) 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.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The 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.

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. Water service charges are recognized as revenue when services are provided. Connection fees are paid to the Authority at the time a new property applies for connection, and are recognized as revenue when the funds are received. Services are supplied to customers under a rate structure designed to produce revenues sufficient to provide for operating and maintenance costs, capital outlay, debt service, reserves and debt service coverage. *Non-exchange transactions,* in which the Authority receives value without directly giving equal value in return, include capital grants and other supplemental support by federal, state and local grants in support of system improvements. Revenue from these transactions is recognized in the year in which all eligibility requirements (e.g., timing, purpose, etc.) have been satisfied.

Expenses are recognized at the time they are incurred.

Budgets and Budgetary Accounting

An annual operating budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures in accordance with NJSA 40A:5A. The annual operating budget covers the general fund activity only. The current operating budget details the Authority's plans to earn and expend funds for charges incurred for the operation, maintenance, certain interest and general functions, and other charges for the fiscal year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Funds

In accordance with the provisions of the bond resolution authorizing the issuance of the Revenue Bonds (Note J), revenues and expenses are to be accounted for in the following funds:

General Fund - All revenues, except connection charges and operating expense charges, derived from the operations of the Authority are pledged to secure the payment of principal and interest on the Bonds. Transfers are made to funds in the following order (1) Debt Service Fund; (2) Debt Service Reserve Fund; (3) Renewal and Replacement; and (4) Operating Fund.

Operating Fund - Transfers are made equal to budgeted operating expenses for the current year. At year end, this fund is adjusted to reflect the actual expenses incurred.

Debt Service Fund - First transfers are made for an amount sufficient to meet the principal and interest requirements for the year. The amount reserved for all issued bonds is $1,638,860.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds (Continued)

Debt Service Reserve Fund - This fund is fully funded. As each series of bonds was issued an amount was transferred to this fund. The amount reserved for each issue is $1,015,634.

Bond Redemption and Improvement Fund - General Account - A reserve has been established based on a schedule in the 1999 bond documents. The amount varies each year in direct relationship with the debt service for the 1999 bond documents. The fund balance in the improvement fund is derived from budget appropriations. The fund will be used for future capital projects or the costs of extraordinary maintenance and repairs to the extent not provided for in the annual budget.

Capital Fund - The Authority's collection system, property and equipment which were constructed or acquired with the proceeds of the Revenue Bonds, are accounted for herein.

Cash and Cash Equivalents

Cash and cash equivalents include various checking and money market accounts, U.S. obligations and certificates of deposit with maturities of three months or less. For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents.

Allowance for Doubtful Accounts

The Authority's policy is to individually review all accounts as to collectability. Each December, all accounts determined to be delinquent by more than $100 are turned over to the City as liens to be sold at the City municipal lien sale. Any collection of delinquent account balances by the municipal tax collectors is subsequently forwarded to the Authority. Municipal liens can be foreclosed by the City. If the liens are foreclosed, the Authority will not receive any funds.

Investments

Investments are carried at fair market value with associated premiums and discounts amortized over the term of the investment held. Purchase of investments is limited by N.J.S.A. 40A:5-15.1 to bonds or obligations of or guaranteed by the federal government and to bonds or other obligations of federal or local units. These investments are generally required to have a maturity date not more than 397 days from the date of purchase.

Inventories

Material inventories for the Authority are made up of supplies that are directly related to customer accounts, such as water meters and accessories, and are stated at cost. The inventories are presented using the FIFO method.

Restricted Assets

Restricted assets represent investments maintained in accordance with bond resolutions and other resolutions and formal actions of the Authority or by agreement for the purpose of funding certain debt service payment, and improvements and extensions to the utility system.

The New Jersey Infrastructure Bank ("NJIB") provided funding for capital improvements, additions, and/or replacements. As these projects are completed, the funds are reimbursed by the NJIB and the Authority reduces the remaining receivable.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Plant and equipment in service and construction in progress are recorded at cost, if purchased or constructed. Internal engineering costs are capitalized to the extent of direct support and contribution to construction and expansion projects. Maintenance and repairs, which do not significantly extend the value of life of plant and equipment, are expensed as incurred.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed utilizing the straight-line method, as follows:

	Years
Wellsfield	50
Office building	40
Pumping station, distribution system and land improvements	10-50
Filtration plan	15-40
Vehicles, machinery and equipment, furniture and fixtures	5-15

Deferred Outflows and Inflows of Resources

The accompanying statements of net position report 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 GASB standards.

The Authority is required to report the following as deferred outflows of resources and deferred inflows of resources:

Loss on Refunding of Long-Term Debt - The loss on refunding arising from the issuance of refunding bonds, which is amortized in a systematic and rational manner over the duration of the related debt as a component of interest expense.

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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue. The Authority's unearned revenue consists of advance billings and unearned easement income. In July 2016, the Authority entered into an easement agreement with an unrelated third party. Under the terms of the agreement, the Authority granted an easement on their property for a period of 55 years for the purpose of the third party to operate communications equipment. As consideration for the easement, the Authority received $367,261 which is being amortized over 55 years (approximately $556 a month). Easement income recognized for the years ended December 31, 2019 and 2018 was $6,672 for each year, and is recognized as miscellaneous income in the accompanying comparative statements of revenues, expenses and changes in net position.

Compensated Absences

Compensated absences are payments to employees for accumulated time such as paid vacation, paid sick leave, and other compensated time. A liability for compensated absences that is 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.

Pensions and Other Post-employment Benefits

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.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), establishes accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers. GASB 68 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pension in the basic financial statements, in addition to requiring more extensive disclosures and required supplementary information (Note M).

GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* ("GASB 75"), establishes accounting and financial reporting for other post-employment benefits ("OPEB") that are provided to the employees of state and local governmental employers. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB in the basic financial statements, in addition to requiring more extensive disclosures and required supplementary information. OPEB includes post-employment healthcare, as well as other forms of post-employment benefits (e.g., life insurance) when provided separately from a pension plan (Note N).

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the Authority's financial statements. Net position is classified in the following categories:

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 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 its 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.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues that are generated directly from water services (e.g., user service charges) and other revenue sources (e.g., rental income, scrap metal sold). Non-operating revenues consist of connection fees and investment income.

Operating expenses include expenses associated with the operation, maintenance and treatment of the water facilities and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt and changes in fair value of investments and gain/loss on disposal of assets.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years.

Statement No. 87, *Leases.* The primary objective of this Statement is to increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance and purpose of a government's leasing arrangements. The Statement will become effective for the Authority in 2022. Management has not yet determined the impact of this Statement on the financial statements.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements (Continued)

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.* The primary objective of this Statement is to improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The Statement will become effective for the Authority in 2020. 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 primary 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 and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Statement will become effective for the Authority in 2021. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 91, *Conduit Debt Obligations.* The primary 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. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required disclosures. The Statement will become effective for the Authority in 2022. Management has not yet determined the impact of this Statement on the financial statements.

C. CASH

Custodial Credit Risk - Deposits

Under the provisions of N.J.S.A. 17:9-41, authorized 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. The market value of the collateral must equal five percent of the average daily balance of public funds; and, if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than $25,000,000.

C. CASH (CONTINUED)

Custodial Credit Risk – Deposits (Continued)
Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. Deposits were made with contracted depository banks in interest bearing accounts that were insured under the Government Unit Deposit Protection Act ("GUDPA"). All such deposits are held in the Authority's name. Deposits in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC") are covered by a collateral pool maintained by the banks under GUDPA requirements.

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 December 31, 2019 and 2018, the Authority's bank balances were insured or exposed to credit risk as follows:

	December 31, 2019	December 31, 2018
Insured by FDIC	$ 500,000	$ 500,000
Collateralized in the Authority's name under GUDPA	1,988,538	2,564,589
Total	$ 2,488,538	$ 3,064,589

D. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts on municipal liens is provided as follows:

	December 31, 2019	December 31, 2018
Municipal liens	$ 131,591	$ 496,310
Approximate uncollectible %	95%	95%
Total Allowance	$ 125,011	$ 471,494

E. INVESTMENTS

As of December 31, 2019 and 2018, the Authority had the following investments and maturities:

Investment	Valuation Input Level	Maturity Date*	Interest Rate	Moody's/ S&P Credit Rating	2019 Fair Value	2018 Fair Value
Federated treasury obligations	2	N/A	N/A	N/A	$ 14,101,463	$ 8,104,272
Certificate of Deposit	2	11/13/2019	1.70%	N/A	-	2,570,000
Certificate of Deposit	2	1/30/2020	1.70%	N/A	149,504	150,000
Certificate of Deposit	2	3/26/2020	1.80%	N/A	1,000,000	1,000,000
Certificate of Deposit	2	3/26/2020	1.80%	N/A	2,000,000	2,500,000
					$ 17,250,966	$ 14,324,272

* - Renewed at maturity date.

E. INVESTMENTS (CONTINUED)

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. All investments noted above are Level 2 inputs.

Custodial Credit Risk - Investments
For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. All of the Authority's investments in treasury obligations, certificates of deposit, and municipal bonds are held in the name of the Authority.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, it is the Authority's general policy not to purchase investments with terms greater than one year.

Credit Risk
Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. 40A:5-15.1 limits the investments that the Authority may purchase such as Treasury securities in order to limit the exposure of governmental units to credit risk. The Authority has no investment policy that would further limit its investment choices.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority's investment policies place no limit on the amount the Authority may invest in any one issuer.

F. INVENTORIES

Material inventories totaled $397,579 and $342,281 as of December 31, 2019 and 2018, respectively.

G. RESTRICTED ASSETS

Restricted investments consist of the following:

	December 31, 2019	December 31, 2018
Debt service Fund	$ 1,638,860	$ 1,639,649
Debt service reserve fund	1,015,634	1,015,634
Bond redemption and improvement fund	150,000	150,000
	$ 2,804,494	$ 2,805,283

H. CAPITAL ASSETS

Capital asset balances and activities for the year ended December 31, 2019, were as follows:

	Balance, January 1, 2019	Additions	Reclass/ Reductions	Balance, December 31, 2019
Capital assets not being depreciated				
Land and land improvements	$ 1,811,009	$ -	$ -	$ 1,811,009
Construction-in-progress	1,583,408	1,589,805	2,883,214	289,999
Capital assets not being depreciated	3,394,417	1,589,805	2,883,214	2,101,008
Capital assets being depreciated				
Treatment and distribution facilities	101,680,715	3,246,329	55,298	104,871,746
Equipment and vehicles	5,445,746	590,641	81,338	5,955,049
Office building	3,877,030	-	-	3,877,030
Furniture and fixtures	457,479	4,568	2,187	459,860
Capital assets being depreciated	111,460,970	3,841,538	138,823	115,163,684
Accumulated depreciation	(65,374,309)	(2,810,742)	81,999	(68,103,052)
Capital assets, net of depreciation	46,086,661	1,030,796	220,822	47,060,633
Total capital assets, net	$ 49,481,078	$ 2,620,600	$ 3,104,036	$ 49,161,640

Capital asset balances and activity for the year ended December 31, 2018, were as follows:

	Balance, January 1, 2018	Additions	Reclass/ Reductions	Balance, December 31, 2018
Capital assets not being depreciated				
Land and land improvements	$ 1,811,009	$ -	$ -	$ 1,811,009
Construction-in-progress	1,287,613	1,512,383	(1,216,588)	1,583,408
Capital assets not being depreciated	3,098,622	1,512,383	(1,216,588)	3,394,417
Capital assets being depreciated				
Treatment and distribution facilities	100,146,599	318,378	1,215,738	101,680,715
Equipment and vehicles	5,377,185	177,693	(109,132)	5,445,746
Office building	3,877,030	-	-	3,877,030
Furniture and fixtures	459,324	2,269	(4,114)	457,479
Capital assets being depreciated	109,860,138	498,340	1,102,492	111,460,970
Accumulated depreciation	(62,737,930)	(2,748,844)	112,465	(65,374,309)
Capital assets, net of depreciation	47,122,208	(2,250,504)	1,214,957	46,086,661
Total capital assets, net	$ 50,220,830	$ (738,121)	$ (1,631)	$ 49,481,078

I. DEFERRED LOSS ON REFUNDING ISSUES

The 2007 advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old bonds of $193,907. The difference, reported in the accompanying financial statements as a Deferred Outflow of Resources, is being charged to operations through the year 2029 using the straight-line method. Amounts charged in both 2019 and 2018 were $8,816. The balance as of December 31, 2019 and 2018, was $82,580 and $91,397, respectively.

J. LONG-TERM DEBT

Long-term debt consists of the following:

- $1,510,000 Subordinated Water System Revenue Bonds, Series 2005A, dated November 10, 2005, payable in annual installments through August 1, 2025. Interest is paid semi-annually at varying interest rates ranging from 4.00% to 5.00%. The balance at December 31, 2019 and 2018, was $645,000 and $735,000, respectively.

- $4,033,215 Subordinated Water System Revenue Bonds, Series 2005B, dated November 10, 2005. The bonds bear no interest and the principal amount is due and payable on February 1 and August 1 each year, maturing on August 1, 2025. The balance at December 31, 2019 and 2018, was $1,359,090 and $1,581,140, respectively.

- $660,000 Subordinated Water System Revenue Bonds, Series 2006A, dated November 9, 2006, payable in annual installments through September 1, 2026. Interest is paid semi-annually at varying interest rates ranging from 4.00% to 5.00%. The balance at December 31, 2019 and 2018, was $305,000 and $340,000, respectively.

- $1,489,065 Subordinated Water System Revenue Bonds, Series 2006B, dated November 9, 2006. The original amount issued of $1,798,103 was reduced by $309,038 in 2014. The New Jersey Department of Environmental Protection authorized the deobligation of the 2006B bond series in the amount of $309,038 as a result of the Authority having excess funds remaining related to the project funded by this bond series. The deobligated funds were transferred to the escrow funds established for the 2010 New Jersey Environmental Infrastructure Bonds, where funds will be applied to debt service. The 2006B bonds bear no interest and the principal amount is due and payable on February 1 and August 1 each year, maturing on August 1, 2026. The balance at December 31, 2019 and 2018, was $349,657 and $440,200, respectively.

- $2,500,000 Water System Revenue Bonds, Series 2012, dated July 19, 2012, payable in annual installments through May 1, 2021. Interest is paid semi-annually at varying interest rates ranging from 2.44% to 3.60%. The balance at December 31, 2019 and 2018, was $670,000 and $990,000, respectively.

J. LONG-TERM DEBT (CONTINUED)

- $460,000 Subordinated Water System Revenue Bonds, Series 2009A, dated December 2, 2009, payable in annual installments through August 1, 2029. Interest is paid semi-annually at varying interest rates ranging from 2.00% to 5.00%. The original amount issued of $810,000 was reduced by $350,000 in 2016. The NJIB authorized the deoboligation of the debt as the full amount of funding of the related capital projects was not fully utilized. The principal payments were adjusted for the years 2023 through 2029 to reflect the deobligation. The balance at December 31, 2019 and 2018, was $155,000 and $195,000, respectively.

- $774,039 Subordinated Water System Revenue Bonds, Series 2009B, dated December 2, 2009. The bonds bear no interest and the principal amount is due and payable on February 1 and August 1 each year, maturing on August 1, 2029. The balance at December 31, 2019 and 2018, was $414,664 and $456,132, respectively.

- $205,000 New Jersey Infrastructure Bank Bonds, Series 2010A, dated September 1, 2010, payable in annual installments through August 1, 2029. Interest is paid semi-annually at varying interest rates ranging from 3.00% to 5.00%. The original amount issued of $505,000 was reduced by $300,000 in 2016. The NJEIT authorized the deoboligation of the debt as the full amount of funding of the related capital projects were not fully utilized. The principal payments were adjusted for the years 2020 through 2029 to reflect the deobligation. The balance at December 31, 2019 and 2018, was $15,000 and $40,000, respectively.

- $495,000 New Jersey Infrastructure Bank Bonds, Series 2010B, dated March 10, 2010. The bonds bear no interest and the principal amount is due and payable on February 1 and August 1 each year, maturing on August 1, 2029. The balance at December 31, 2019 and 2018, was $265,178 and $291,696, respectively.

- The Authority issued $8,830,000 of Refunding Bonds, dated May 15, 2007, payable in annual installments through February 15, 2024. The purpose was to redeem $8,455,000 of the June 1, 1999 revenue bonds. The funds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of $8,455,000 general obligation bonds. As a result, the refunding bonds are considered to be defeased and the liability has been removed from the accompanying statements of net position. This advance refunding was undertaken to reduce total debt service payments over the next 21 years by $435,574 and resulted in an economic gain of $579,132. Interest is paid semiannually at varying rates ranging from 4.00% to 5.00%. The balance as of December 31, 2019 and 2018, was $5,455,000 and $5,890,000, respectively.

J. LONG-TERM DEBT (CONTINUED)

Principal and interest requirements until maturity are as follows:

Year	Principal	Interest	Total
2020	$ 1,359,301	$ 279,559	$ 1,638,860
2021	1,382,692	241,238	1,623,930
2022	1,065,810	208,100	1,273,910
2023	1,052,500	180,281	1,232,781
2024	985,703	151,425	1,137,128
2025-2029	3,787,583	334,100	4,121,683
	$ 9,633,589	$1,394,703	$11,028,292

	Balance 12/31/2018	Increase/ Adjustment	Decrease/ Adjustment	Balance 12/31/2019	Due Within One Year
Revenue Bonds	$ 6,155,000	$ -	$ 755,000	$ 5,400,000	$ 780,000
NJIB	3,478,589	-	604,300	2,874,289	579,301
Compensated Absences	325,778	49,822	-	375,600	-
Net Pension Liability	8,570,190	-	886,083	7,684,107	-
Net OPEB Liability	16,942,821	-	3,255,193	13,687,628	-
Totals	$ 35,472,378	$ 49,822	$ 5,500,576	$ 30,021,624	$ 1,359,301

	Balance 12/31/2017	Increase/ Adjustment	Decrease/ Adjustment	Balance 12/31/2018	Due Within One Year
Revenue Bonds	$ 6,880,000	$ -	$ 725,000	$ 6,155,000	$ 755,000
NJIB	4,079,168	-	600,579	3,478,589	570,579
Compensated absences	343,681	-	17,903	325,778	-
Net Pension Liability	11,837,496	-	3,267,306	8,570,190	-
Net OPEB Liability	-	16,942,821	-	16,942,821	-
Totals	$ 23,140,345	$ 16,942,821	$ 4,610,788	$ 35,472,378	$ 1,325,579

K. ARBITRAGE

The Tax Reform Act of 1986 ("Act") imposed additional restrictive regulations, reporting requirements, and an arbitrage rebate liability on issuers of tax-exempt debt. This Act requires the remittance to the Internal Revenue Service of 90% of the cumulative rebatable arbitrage within 60 days of the end of each five-year reporting period following the issuance of governmental bonds. The Authority's policy is to annually record a liability representing the estimated amount owed. The Authority actively manages its invested bond proceeds to minimize any arbitrage liability. The Authority had no cumulative arbitrage rebate liability as of December 31, 2019 and 2018.

L. NET POSITION

Net position consists of the following:

	December 31, 2019	December 31, 2018
Net investment in capital assets		
Capital assets, net	$ 49,161,640	$ 49,481,076
Receivable - NJIB	3,488	16,260
Loss on refunding of long-term debt	82,580	91,397
Debt	(9,633,589)	(10,959,168)
Accrued interest	(38,792)	(44,395)
	39,575,327	38,585,170
Restricted for capital projects and debt service		
Restricted investments	2,804,494	2,805,283
Unrestricted net positions (deficit)	(19,236,840)	(23,701,189)
Total net position	$ 23,142,981	$ 17,689,264

M. PENSION PLAN

Description of Plan and Benefits Provided

The State of New Jersey Division of Pensions and Benefits (the "Division") administers the Public Employees' Retirement System of New Jersey (the "PERS Plan"), a governmental cost-sharing multiple employer defined benefit pension plan. The general responsibility for the proper operation of the PERS Plan is vested in the Board of Trustees and the pension committees established pursuant to Chapter 78 P.L. 2011.

Under the terms of Chapter 71, P.L. 1966, most public employees in New Jersey not required to become members of another contributory retirement program are required to enroll in the PERS Plan. The Division issues a separate publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295 or online at https://www.nj.gov/treasury/pensions/financial-reports.shtml.

Chapter 78, P.L. 2011 grants the authority to amend the benefit terms of the PERS Plan to the pension committees. The pension committees have the discretionary authority to modify the member contribution rate, formula for calculation of final compensation and the fraction of compensation applied to service credited after the modification age at which a member may be eligible and the benefits for service and special retirement and benefits provided for disability benefit. The pension committees have the authority to reactivate the cost of living adjustment and set the duration and extent of the activation. The pension committees must give priority consideration to the reactivation of the cost of living adjustment. No decision of the pension committees shall be implemented if the direct or indirect result of the decision will be that the PERS Plan's funded ratio falls below the target funded ratio in any valuation period during the 30 years following the implementation of the decision.

M. PENSION PLAN (CONTINUED)

Description of Plan and Benefits Provided (Continued)

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

The membership tiers for the PERS Plan are as follows: (a) Tier 1 - Members who are enrolled prior to July 1, 2007; (b) Tier 2 - Members who were eligible to enroll on or after July 1, 2007, and prior to November 2, 2008; (c) Tier 3 - Members who were eligible to enroll on or after November 2, 2008, and prior to May 22, 2010; (d) Tier 4 - Members who were eligible to enroll on or after May 22, 2010, and prior to June 28, 2011; and (e) Tier 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 with 25 years or more of service credit before age 62, and tier 5 with 30 years or more 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.

Contributions

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. Further, beginning in July 2012, the member contribution rate increased 117th of 1% each July until a 7.5% member contribution rate was reached in July 2018. 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) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The Authority's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability.

The Authority's contractually required contribution rate as of December 31, 2019 and 2018, was 12.73% and 22.00%, respectively, of the Authority's covered-employee payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $414,817 and $667,152, respectively, for the years ended December 31, 2019 and 2018. Employee contributions were $232,891 and $234,202, respectively, for the years ended December 31, 2019 and 2018.

M. PENSION PLAN (CONTINUED)

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

At December 31, 2019, the Authority reported a liability of $7,684,107 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2019. 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. At June 30, 2019, the Authority's proportion was 0.0426456957%, which was a decrease of 0.0008810029% from its proportion measured as of June 30, 2018.

At December 31, 2018, the Authority reported a liability of $8,570,190 for its proportionate share of the net pension liability. 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. At June 30, 2018, the Authority's proportion was 0.0435266986%, which was a decrease of 0.0073251434% from its proportion measured as of June 30, 2017.

For the years ended December 31, 2019 and 2018, the Authority recognized ($128,540) and $1,954, respectively, for pension expense.

The Authority reported the deferred outflows and inflows of resources related to the PERS Plan from the following sources as of December 31, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 137,920	$ 33,945
Change of assumptions	767,286	2,667,129
Net difference between projected and actual earnings on pension plan investments	-	121,297
Changes in proportion and differences between Authority contributions and proportionate share of contributions	73,625	2,034,175
Authority contributions subsequent to the measured date*	414,817	-
	$ 1,393,648	$ 4,856,546

*$414,817 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the year ending December 31, 2020.

M. PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions (Continued)
The Authority reported the deferred outflows and inflows of resources related to the PERS Plan from the following sources as of December 31, 2018:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 163,435	$ 44,191
Change of assumptions	1,412,225	2,740,291
Net difference between projected and actual earnings on pension plan investments	-	80,389
Changes in proportion and differences between Authority contributions and proportionate share of contributions	200,306	2,515,326
Authority contributions subsequent to the measured date*	432,950	-
	$ 2,208,916	$ 5,380,197

*$432,950 reported as deferred outflows of resources related to pensions was included as a reduction of the net pension liability in the year ending December 31, 2019.

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

Year	Total
2020	$ 466,701
2021	(1,938,911)
2022	(1,593,264)
2023	(761,503)
2024	(50,739)
	$ (3,877,716)

M. PENSION PLAN (CONTINUED)

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

The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be 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, 2018	-	5.63
June 30, 2019	5.21	-
Changes of assumptions		
Year of pension plan deferral		
June 30, 2018	-	5.63
June 30, 2019	-	5.10
Net difference between projected and actual earnings on pension plan investments		
Year of pension plan deferral		
June 30, 2018	5.00	5.00
June 30, 2019	-	5.00
Changes in proportion and differences between Authority contributions and proportionate share of contributions		
Year of pension plan deferral		
June 30, 2018	5.63	5.63
June 30, 2019	-	-

Actuarial Assumptions

The net pension liability measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	
Price	2.75%
Wage	3.25%
Salary increases	
Through 2026	2.00% - 6.00%, based on age
Thereafter	3.00% - 7.00%, based on age
Investment rate of return	7.00%
Mortality rate of return	RP-2000, Conduent Modified MP-2019
Period of actuarial experience study upon which actuarial assumptions were based	July 1, 2014 - June 30, 2018

M. PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree Mortality Table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree Mortality Table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019. In accordance with the State of New Jersey statute, the long-term expected rate of return on plan investments is determined by the State of New Jersey's Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension 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.

The net pension liability 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. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	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%
Mortality rate of return	RP-2000, Conduent Modified MP-2014
Period of actuarial experience study upon which actuarial assumptions were based	July 1, 2011 - June 30, 2014

Mortality rates for male and female active participants are based on the RP-2000 Employee Pre-retirement Mortality Table. For employees of local employers, 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 Conduent Modified MP-2014.

In accordance with the State of New Jersey statute, the long-term expected rate of return on plan investments is determined by the State of New Jersey's Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees, and the actuaries.

M. PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)
Best estimates of arithmetic real rates of returns for each major asset class included in the pension's target asset allocation as of June 30, 2019, are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
US Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%
	100.00%	

Best estimates of arithmetic real rates of returns for each major asset class included in the pension's target asset allocation as of June 30, 2018, are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public 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 estate	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%	

M. PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.28% and 5.66%, respectively, as of June 30, 2019 and 2018. These single blended discount rates were each based on the long-term expected rate of return on pension plan investments of 7.00%, respectively, and a municipal bond rate of 3.50% and 3.57%, respectively, as of June 30, 2019 and 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 rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the PERS Plan's fiduciary net position was projected to be available to make projected future benefit payments of current PERS Plan members through 2057. Therefore, the long-term expected rate of return on PERS Plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Authority's proportionate share of the net pension liability at June 30, 2019, calculated using a discount rate of 6.28% for PERS, 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 (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
Authority's proportionate share of the net pension liability	$ 9,773,800	$ 7,684,107	$ 6,021,746

The following presents the Authority's proportionate share of the net pension liability at June 30, 2018, calculated using a discount rate of 5.66% for PERS, 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	$ 10,776,026	$ 8,570,190	$ 6,719,634

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued New Jersey Division of Pension and Benefits financial report. Information on where to obtain the report is indicated at the beginning of this note.

N. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Authority contributes to the State Health Benefit Local Government Retired Employees Plan (the "OPEB Plan"), a cost-sharing, multi-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. For additional information about the OPEB Plan, refer to the State of New Jersey (the "State"), Division of Pension 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 OPEB Plan provides medical and prescription drug coverage to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L 1974 and Chapter 48, P.L. 1999, local government employers electing to provide post-retirement 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.

The Authority provides that its retirees will be covered if they have 25 years participation in the other post-employment benefits ("OPEB") and have been employed by the Authority for 10 years. The OPEB Plan meets the definition of a qualified trust under GASB 75. The Authority's participation in the OPEB Plan does not meet the criteria as a special funding situation.

Contribution Requirements and Benefit Provisions

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 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 form the State, participating local employers and retired members. The Authority remits employer contributions on a monthly basis. Retired member contributions are generally received on a monthly basis by the State. Contributions made by the Authority to the OPEB Plan for the year-ended December 31, 2019 were $1,938,400.

N. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Net OPEB Liability
At December 31, 2019, the Authority reported a liability of $13,687,628 for its proportionate share of the net pension liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. For the June 30, 2019, measurement date, the Authority's proportionate share of the OPEB Plan liability was 0.101045%.

At December 31, 2018, the Authority reported a liability of $16,942,821 for its proportionate share of the net OPEB liability. 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. For the June 30, 2018, measurement date, the Authority's proportionate share of the OPEB Plan liability was 0.108146%.

The change in net OPEB liability for the year ended December 31, 2019, was $3,255,193. The difference between expected and actual experience decreased the net OPEB liability by $563,799 due to changes in the census, claims and premiums experience. Valuation assumption changes decreased the net OPEB liability by $552,823. This was due to the increase in the assumed discount rate from 3.87% as of June 30, 2018, to 3.50% as of June 30, 2019 and a decrease in the assumed heath care cost trend and excise tax assumptions.

The change in net OPEB liability for the year ended December 31, 2018, was $4,267,550. The difference between expected and actual experience decreased the net OPEB liability by $3,053,301 due to changes in the census, claims and premiums experience. Valuation assumption changes decreased the net OPEB liability by $2,502,759. This was due to the increase in the assumed discount rate from 3.58% as of June 30, 2017, to 3.87% as of June 30, 2018, and a decrease in the assumed heath care cost trend and excise tax assumptions.

	June 30, 2019	June 30, 2018
Total OPEB liability	$ 13,963,656	$ 17,282,924
Plan Fiduciary Net Position	276,028	340,103
Net OPEB Liability	$ 13,687,628	$ 16,942,821
Plan Fiduciary Net Position as a % of total OPEB liability	1.98%	1.97%

Actuarial Assumptions and Other Inputs
Actuarial assumptions used in the July 1, 2018 valuation were based on the results of the PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively. 100% of active members are considered to participate in the Plan upon retirement.

N. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Net OPEB Liability (Continued)
The net OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	2019	2018
Inflation	2.50%	2.50%
Salary increases*		
Through 2026	2.00% - 6.00%	1.65% - 8.98%
Thereafter	3.00% - 7.00%	2.65% - 9.98%

* Salary increases are based on years if service within the respective plan

Mortality rates were based on the PUB-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019.

Health Care Trend Assumptions
For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage rates for OBEB Plan Year 2019 and OPEB Plan Year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% decreasing to a 4.5% long-term trend rate after eight years.

Discount Rate
The discount rate for June 30, 2019, was 3.50%. 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.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate
The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate as of December 31, 2019:

At June 30, 2019		
At 1% Decrease (2.5%)	At Current Discount Rate (3.5%)	At 1% Increase (4.5%)
$ 15,826,379	$ 13,687,628	$ 11,949,609

N. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate (Continued)
The following presents the net OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate as of December 31, 2018:

At June 30, 2018		
At 1% Decrease (2.87%)	At Current Discount Rate (3.87%)	At 1% Increase (4.87%)
$ 19,878,408	$ 16,942,821	$ 14,597,951

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 health care cost trend rates that are 1% lower or 1% higher than the current healthcare cost trends as of December 31, 2019:

At June 30, 2019		
At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
$ 11,550,671	$ 13,687,628	$ 16,413,676

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 health care cost trend rates that are 1% lower or 1% higher than the current healthcare cost trends as of December 31, 2018:

At June 30, 2018		
At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
$ 14,133,029	$ 16,942,821	$ 20,579,109

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB
For the year ended December 31, 2019, the Authority recognized OPEB expense of $1,162,284. At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

N. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience in the total OPEB liability	$ -	$ 4,002,796
Changes of assumptions	-	4,850,591
Net difference between projected and actual earnings on OPEB plan investments	11,275	-
Changes in proportion	727,698	2,618,390
Employee health benefits contributions made subsequent to the measurement date	988,294	-
Total	$ 1,727,267	$ 11,471,777

For the year ended December 31, 2018, the Authority recognized OPEB expense of $33,489. At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience in the total OPEB liability	$ -	$ 3,439,997
Changes of assumptions	-	4,297,768
Net difference between projected and actual earnings on OPEB plan investments	8,954	-
Changes in proportion	846,216	1,437,687
Employee health benefits contributions made subsequent to the measurement date	1,104,733	-
Total	$ 1,959,903	$ 9,175,452

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

Year ended December 31,	Total
2020	$ (1,392,304)
2021	(1,392,304)
2022	(1,392,306)
2023	(1,394,543)
2024	(1,395,683)
Thereafter	(1,874,972)
	$ (8,842,112)

O. DEFERRED COMPENSATION

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, which is administered by the Valic Retirement Services Company, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are not included in the books and accounts of the Authority in accordance with GAAP.

P. MAJOR CUSTOMER

No major customers existed in 2019 or 2018.

Q. CONTINGENCIES

In the normal course of business, the Authority may periodically be named as a defendant in litigation. In the opinion of management, supported by legal counsel, the impact of any such matters, if adversely determined, would not have a material effect on the financial statement or operations of the Authority. From time to time, the Authority may be a defendant in legal proceedings relating to its operations as a utility authority.

At December 31, 2019 and 2018, 65% and 64%, respectively, of the Authority's employees are represented by unions, whose existing labor agreements expire on December 31, 2020.

In December 2018, the Authority reached an agreement in principal with the Government Workers Union ("GWU") on a collective bargaining agreement to replace the previous agreement which expired in 2014. The Authority and the GWU signed a memorandum of agreement regarding retroactive wages and payments to certain current union employees from 2015 through 2018. The retroactive payments representing annual wage increases of 2%, uniform allowance payments, pension and health contributions, and payroll taxes, totaled $207,744, of which $68,203 was paid during 2018. The remaining payments of $139,542 are reflected in the 2018 accrued expenses total on the accompanying balance sheet and were paid in January 2019.

R. RISK MANAGEMENT

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority purchases commercial insurance policies on an annual basis to handle risks of loss associated with property, auto, liability, workers' compensation, flood damage, and employee crime coverage. Any potential liability of the Authority with respect to loss claims would be equal to the deductibles associated with the policies and an event, which may exceed policy coverage limits.

Property and Liability Insurance - The Authority maintains commercial insurance for property, liability and surety bonds.

The Authority made no payments in excess of the insurance coverage during the fiscal year. Also, there was a slight decrease in insurance coverage in 2019 compared to 2018.

Many forecasters predicted the 2018 entry of two new properties (Hard Rock and Ocean Resort) into the market would cause the immediate closure of two or more of the older properties. No such decline has happened. In fact, two of the former properties that remain unlicensed have taken off in new directions. The Showboat has applied to retrofit one of its towers into a condominium residence while the other tower continues to welcome hotel guests. The former Atlantic Club Casino has announced an offer to sell the property by demolishing and providing an additional development site around the Stockton University District.

Other keynotes of new development reveal an investment energy toward resurgence. North Beach (NOBE), a new 250-unit apartment complex flush with total accommodations is completed and now open to the public. For entertainment, a new group of millennials entered the City to create the "Orange Loop." Orange is the color of Tennessee Avenue on the Monopoly Board and this group has taken over this beach block to create a series of walkable venues, from the Beer Garden, to Hayday, and to Boorie, where guests can experience gourmet chocolate, Cajun fare, yoga and other offerings within steps. This site is continuing to add new venues in favor of a potential street closing in order to accommodate pedestrian traffic.

Stockton University in Atlantic City is at full capacity and has a lengthy waiting list. Its staff and students, both resident and commuter, have enjoyed a presence at their down beach site as well as the new supporting businesses that have emerged. Within the University complex, the South Jersey Gas company has moved its corporate headquarters inside the new facilities.

S. RISKS AND UNCERTAINTIES

Forecasting risk is, perhaps, a science lacking objective verification where one could predict a particular result. Economists and forecasters usually rely upon certain data indicators, yet the whims of market forces and unforeseen events create variables often misunderstood until they emerge.

S. RISKS AND UNCERTAINTIES (CONTINUED)

Over the years, several events combined to sustain the Authority from the pressures to privatization in order to assist the budget shortfalls of the City of Atlantic City, and to change the form of government from mayor council to council manager. First, the City under the State of New Jersey, implemented a "Pilot" program to stabilize property taxes to be paid by the casino properties. Second, the citizens of Atlantic City mobilized a campaign with national support groups to protect the Authority and its quality water services from any takeover efforts. Finally, a special election was scheduled for the City’s change of government referendum on May 12, 2020. Privatization of the Authority to a corporate entity was possible under the new proposed change of government and it could happen without having a vote or having the input of the City’s residents. The change of government referendum did not pass as the Atlantic City voters strongly rejected the change and voted against it.

Atlantic City's recovery was heading toward the right direction with close supervision by the State of New Jersey. The openings of the Hard Rock and Ocean Casino Resorts contributed a 15% increase over 2018 Atlantic City's casino revenue. Other new developments and expansion had shown investment energy toward the City's resurgence such as 600 NOBE at North Beach, Stockton University and South Jersey Gas company. Unfortunately, the resurgence of the City took a downward swing as a result of the unprecedented COVID-19 pandemic that closed the casinos on March 16, 2020 and forced nearly all retail, hospitality, entertainment and businesses to temporarily shut down. The Atlantic City hospitality industry could suffer long-term impacts from COVID-19 even after the pandemic ends. The casinos are scheduled to start slowly reopening up by twenty-five percent (25%) on July 2, 2020. In May 2020, Casino Reinvestment Development Authority announced approval of their 2020 budget for $15 million in Capital Improvement Projects throughout the City of Atlantic City.

The temporary closings of casinos and businesses due to the COVID-19 pandemic has significantly impacted the Authority’s revenue. The Authority has lost 18% in revenue in the second quarter of 2020 as compared to 2019 due to this unprecedented COVID-19 pandemic. Although the casinos and businesses are slowly starting to resume services, the Authority is projecting a loss in its budgeted revenue by 20-35% for 2020. Recognizing this unrecoverable revenue and maintaining sustainability, the Authority has cut back on capital expenditures, general administrative expenses, started restructuring its organization, and only spending on goods and services that are necessary and are emergent.

The Authority faces critical challenges to meet regulatory compliance issues for necessary capital upgrades to its aged system.

National concerns over water quality triggered by the Flint Michigan crisis and more recently Newark New Jersey has resulted in a wave of water regulation affecting all New Jersey water purveyors. The NJ Water Quality Accountability Act, P.L. 2017, c. 133 (“WQAA”), enacted on July 21, 2017, established new requirements for purveyors of public water to improve the safety, reliability and administrative oversight of water infrastructure. The WQAA became effective on

S. RISKS AND UNCERTAINTIES (CONTINUED)

October 19, 2017, and requires the development of Asset Management Plans, water main replacements, valve testing, and other maintenance features across annual schedules. The WQAA is supplemented by the New Jersey Water Infrastructure Protection Act (“WIPA”), N.J.S.A. 58:30-1 et seq., which allows certain municipalities to sell or long-term-lease their water systems if certain emergent conditions exist. An inability of the ACMUA to successfully comply with the WQAA could trigger a review of the WIPA to accelerate a sale or lease of the City’s water system. As Atlantic City remains under state oversight, these regulatory mandates will continue to demand the critical attention of ACMUA management compliancy with the new regulations. In recognition of the costs to water systems statewide, the State of New Jersey has approved the Water Infrastructure Bond Act of 2018 to support this statewide utility undertaking. The Authority is seeking to borrow funding from the Water Infrastructure Bond Act to cover costs to comply with the Act.

On April 1, 2019, New Jersey became the only state in the country to propose a Maximum Contaminant Level (“MCL”) for Per- and polyfluoroalkyl substances (“PFAS”) in drinking water and adopted this new regulation on June 1, 2020. Although the Authority complies with the federal standard, the newly adopted groundwater standards and Maximum Contaminant Levels for PFOA and PFOS at 14 parts per trillion and 13 parts per trillion, respectively, will be an overwhelming challenge for the Authority. PFAS contamination in the Authority’s system arises from the FAA Technical Center in Pomona, New Jersey, where testing of fire-fighting foams containing PFAS has occurred for decades with residuals entering into the groundwater supplies. The Authority’s current water treatment processing ability is unable to achieve the new adopted MCL compliance without expensive upgrades. In 2019 the Authority engaged Geoscience Engineering Consultants which projected a thirty-million-plus up-front expenditure study, followed by a one million-plus in annual media regeneration costs going forward. Recognizing these costs are well beyond the Authority’s ability to fund, The Authority sought and engaged a nationally recognized environmental law firm, Sher Edling LLP, and Riley and Riley law firm to represent the ACMUA’s interest in recovering damages for the costs to retrofit the system’s treatment components. Sher Edling, LLP, has filed a federal lawsuit on behalf of the Authority naming Dupont, 3M, and other entities responsible for the PFAS contamination affecting the Authority’s groundwater. The Authority does not anticipate the upgrade cost in the 2020 proposed budget due to the pending lawsuit and unknown availability of funding /grants from the State and NJDEP, but will address these significant upgrades in the 2021 budget.

Despite some temporary setbacks, the Authority is still moving forward with a ground base installation solar energy program which is slated for an annual energy savings over the next 15 years.

T. POLLUTION REMEDIATION OBLIGATION

The New Jersey Department of Environmental Protection ("DEP") announced new legislation that will significantly affect the Authority. The legislation establishes an MCL of PFAS at 13 parts per trillion in the drinking water delivered to customers statewide. The Authority contracted with engineering consultants to report on their compliance with these standards. According to the results of the study, they found levels of PFAS that exceed the MCL proposed level standards at production wells established in 1984 at the US Federal Aviation Administration ("FAA") Testing Center ("Technical Center") in Pomona, NJ. The MCL levels were found to be approximately 37 parts per trillion, far exceeding the 13 parts per trillion.

The Authority accounts for any pollution remediation obligations ("PRO") in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* ("GASB 49"). Under GASB 49, the issue noted above would qualify as an "obligating event", as the levels are considered such that they can result in an "imminent endangerment" and thus compel the Authority to take pollution remediation action. In accordance with GASB 49, the Authority has included in its estimated liability those portions of the PRO that are currently deemed to be reasonably estimable. Cost estimates were developed using the expected cash flow technique. Estimated outlays are based on current cost and no adjustments were made for discounting or inflation. Cost scenarios were developed for the PRO based on data available at the time of estimation and will be adjusted for changes in circumstances as they become known.

Cost scenarios consider the relevant potential requirements and are adjusted when benchmarks are met or when new information revises estimated outlays, such as changes in the remediation plan or operating conditions. Costs were calculated on a weighted average that was based on the probabilities of each scenario being selected. In addition, certain estimates were derived from independent engineers and consultants. The estimates were made with the latest information available; however, as new information becomes available, estimates may vary significantly due to price fluctuations, technological advances, or applicable laws or regulations.

T. POLLUTION REMEDIATION OBLIGATION (CONTINUED)

In accordance with GASB 49, expected recoveries from other parties and expected insurance recoveries should be included in the measurement of the liability. Accordingly, the expense amount should be reduced by any expected recovery. If any expected recoveries are not yet realized or realizable, the estimated recovery should reduce the amount of the liability. Thus, if a responsible party has not acknowledged or accepted responsibility for its portion of the cost, an estimate of the recovery should still reduce the remediation expense and liability. The Authority is aggressively pursuing other third parties that may have contributed to the contamination of the site noted. The Authority's estimate for not yet realized recoveries that should offset the Authority's estimated environmental liability is $40 million.

As of December 31, 2019 and 2018, the total PRO before any recoveries equaled $39,422,294 and $39,999,364, respectively. This amount consists of the sum of (1) the total of estimated outlays for capital, indirect and post remediation operation and maintenance costs of $29,360,490; (2) 25% of the legal fees to be retained out of the expected recovery of $40 million, or $10,000,000; (3) actual consulting contract costs of $25,000; and (4) actual incurred costs (paid in 2020, accrued for as part of PRO) of $36,804. Total life-to-date actual costs incurred are $133,168.

As noted previously, GASB 49 allows for estimated but not yet realized recoveries to offset the estimated environmental lability. The $40 million estimated recoveries offset the expected total outlays of $39,422,294, therefore, as of December 31, 2019 the PRO net of recovery is $0.

GASB 49 also requires the disclosure of the nature of any outlays that are not reasonably estimable. Per management, the following alternatives that are currently not reasonably estimable are as follows:

- The Authority may consider relocating the entire wellfield presently established at the Technical Center to a new location or locations. The costs of relocating the wells has not been quantified. Some of the costs would include DEP approvals, engineering, test drills, final production wells, and extensive piping to move water from the new locations into the Authority's treatment plant.
- The Authority currently uses a mixture of raw water (80% well and 20% reservoir) to prepare finished water for its customers. Compliance with new PFAS regulations could possibly be achieved by increasing the percentage of reservoir raw water, which contains reduced detections of PFAS as compared to the well supply. The costs of treatment and/or chemical upgrades to prepare higher percentages of reservoir water for drinking is unknown, but a preliminary analysis should be explored.
- The sole known source of PFAS contamination affecting the Authority water is the Technical Center. A majority of ACMUA's production wells were relocated to the grounds of the Technical Center in 1984 to avoid contamination from Price's Pit, a Superfund Site. However, for decades, products containing PFAS were used at the Technical Center during the course of the FAA's firefighting training exercises. The resulting PFAS contamination has migrated from the Technical Center into ACMUA's raw water supply. The FAA has been conducting clean-up activities at the Technical Center for decades and continues to extract and monitor areas of concern. Accordingly, there is a remote possibility that, as part of its cleanup activities, the FAA could locate and extract a major underground plume of PFAS, thereby reducing or eliminating the costs of treatment enhancements.

U. SUBSEQUENT EVENTS

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

V. ROUNDING

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

OTHER SUPPLEMENTARY INFORMATION

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF ATLANTIC CITY)

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
With Summarized Totals for 2018

	Year Ended December 31, 2019						
	General Fund	Debt Service Fund	Debt Service Reserve Fund	Bond Redemption and Improvement Fund	Net Investment in Capital Assets	2019 Total	2018 Summarized Total
Operating Revenues							
User charged	$ 17,290,961	$ -	$ -	$ -	$ -	$ 17,290,961	$ 15,563,274
Rental income	2,500	-	-	-	-	2,500	2,500
Miscellaneous	63,530	-	-	-	-	63,530	50,804
Total Revenues	17,356,991	-	-	-	-	17,356,991	15,616,578
Operating Expenses							
Cost of providing services	6,444,456	-	-	-	-	6,444,456	7,351,518
General and administrative	2,717,501	-	-	-	-	2,717,501	2,667,361
Depreciation	-	-	-	-	2,810,742	2,810,742	2,748,844
Operating income (loss)	8,195,034	-	-	-	(2,810,742)	5,384,292	2,848,855
Non-operating revenues (expenses)							
Connection fees	36,977	-	-	-	-	36,977	61,571
Investment income	322,115	-	-	-	-	322,115	236,204
Bond interest	(308,466)	-	-	-	(8,816)	(317,282)	(350,432)
Bond payments	(1,325,579)	-	-	-	1,325,579	-	-
Net change in fair value of investments	-	-	-	-	-	-	(34,159)
Gain on disposal of assets	27,615	-	-	-	-	27,615	4,989
	(1,247,338)	-	-	-	1,316,763	69,425	(81,827)
Net increase (decrease) before transfers	6,947,696	-	-	-	(1,493,979)	5,453,717	2,767,028
Transfers between funds	(2,483,347)	(789)	-	-	2,484,136	-	-
Net increase (decrease) in net position	4,464,349	(789)	-	-	990,157	5,453,717	2,767,028
Net position (deficit), beginning of year	(23,701,189)	1,639,649	1,015,634	150,000	38,585,170	17,689,264	39,047,117
Cumulative effect of adoption of GASB 75	-	-	-	-	-	-	(24,124,881)
Net position (deficit), end of year	$ (19,236,840)	$ 1,638,860	$ 1,015,634	$ 150,000	$ 39,575,327	$ 23,142,981	$ 17,689,264
Analysis of net position (deficit), end of year							
Net investment in capital assets	$ -	$ -	$ -	$ -	$ 39,575,327	$ 39,575,327	$ 38,585,170
Restricted for capital projects and debt service	-	1,638,860	1,015,634	150,000	-	2,804,494	2,805,283
Unrestricted	(19,236,840)	-	-	-	-	(19,236,840)	(23,701,189)
	$ (19,236,840)	$ 1,638,860	$ 1,015,634	$ 150,000	$ 39,575,327	$ 23,142,981	$ 17,689,264

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF ATLANTIC CITY)

SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET
Years Ended December 31, 2019 and 2018

	2019 Budget (Unaudited)	2019 Actual	Over/ (under) (Unaudited)	2018 Actual
Revenues				
User charges	$ 17,456,653	$ 17,290,961	$ (165,692)	$ 15,563,274
Rental income	2,500	2,500	-	2,500
Miscellaneous	33,163	63,530	30,367	50,804
Investment	40,000	322,115	282,115	236,204
	17,532,316	17,679,105	146,789	15,852,782
Cost of providing services				
Personnel expenses				
Salaries - regular	3,207,629	2,719,541	(488,088)	2,519,028
Salaries - overtime	192,001	168,094	(23,907)	188,938
	3,399,630	2,887,635	(511,995)	2,707,966
Employee benefits				
Health benefits	2,063,128	949,901	(1,113,227)	1,734,978
Pension	450,000	(85,342)	(535,342)	473
Social Security	263,913	208,419	(55,494)	196,899
Unemployment	29,608	22,214	(7,394)	23,549
Workers compensation	300,000	104,119	(195,881)	209,440
	3,106,649	1,199,311	(1,907,338)	2,165,339
Plant				
Chemicals and gases	560,000	358,754	(201,246)	307,434
Fuel oil	18,725	9,473	(9,252)	13,111
Gasoline	65,000	34,770	(30,230)	35,650
Miscellaneous	51,500	31,506	(19,994)	38,985
	695,225	434,503	(260,722)	395,180
Utilities				
Electricity	885,000	653,926	(231,074)	633,647
Gas	12,700	10,246	(2,454)	5,350
Sewerage	2,500	1,188	(1,313)	1,188
Telephone	23,000	14,831	(8,169)	19,390
	923,200	680,191	(243,009)	659,575
Taxes				
Real estate	152,958	143,129	(9,829)	139,053
State water	38,500	26,056	(12,444)	26,464
	191,458	169,184	(22,274)	165,517

SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET (CONTINUED)
Years Ended December 31, 2019 and 2018

	2019 Budget (Unaudited)	2019 Actual	Over/ (under) (Unaudited)	2018 Actual
Repairs and maintenance				
Building and grounds	126,256	91,134	(35,122)	79,357
Electrical	60,000	29,220	(30,780)	10,873
Machinery and equipment	65,000	23,436	(41,564)	51,183
Miscellaneous	19,500	2,596	(16,904)	2,195
Motor vehicle	90,000	78,341	(11,659)	64,763
Plumbing	35,000	2,925	(32,075)	9,994
Street opening	430,000	171,044	(258,956)	328,186
Uniforms	40,000	38,755	(1,245)	6,255
	865,756	437,451	(428,305)	552,806
Rental				
Construction equipment	8,200	-	(8,200)	1,540
Other	52,000	13,046	(38,954)	31,084
	60,200	13,046	(47,154)	32,624
Outside services				
Advertising	2,500	301	(2,199)	1,104
Engineering fees	22,000	12,467	(9,533)	6,728
General insurance	370,000	275,094	(94,906)	301,810
Laboratory	130,000	85,666	(44,334)	87,837
New Jersey Department of Environmental Protection	56,000	51,796	(4,204)	39,875
Other	237,000	172,583	(64,417)	213,220
	817,500	597,907	(219,593)	650,574
Training, travel and education				
Employee travel	3,500	313	(3,187)	16
Training	27,000	18,298	(8,703)	15,565
	30,500	18,610	(11,890)	15,581
Dues and subscriptions				
Books and publications	2,000	-	(2,000)	-
Dues	5,000	1,318	(3,682)	638
	7,000	1,318	(5,682)	638
Office supplies				
Office	6,700	4,984	(1,716)	4,608
Miscellaneous	1,500	277	(1,223)	746
Postage	1,500	37	(1,463)	305
Printing	1,000	-	(1,000)	59
	10,700	5,299	(5,401)	5,718
Total cost of providing services	10,107,818	6,444,456	(3,663,362)	7,351,518

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
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SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET (CONTINUED)
Years Ended December 31, 2019 and 2018

	2019 Budget (Unaudited)	2019 Actual	Over/ (under) (Unaudited)	2018 Actual
General and administrative				
Personnel expenses				
Salaries - regular	1,050,219	999,537	(50,682)	879,941
Salaries - overtime	2,000	753	(1,247)	575
Board salaries	42,000	40,341	(1,659)	40,235
	1,094,219	1,040,631	(53,588)	920,751
Employee benefits				
Health benefits	520,009	212,383	(307,626)	485,185
Pension	161,927	(43,198)	(205,125)	1,481
Social security	83,708	72,949	(10,759)	67,004
Unemployment	10,234	8,797	(1,437)	8,510
	775,878	250,931	(524,947)	562,180
Operations				
Data processing	16,000	13,434	(2,566)	12,475
Janitorial	25,000	15,077	(9,923)	18,214
Office	17,500	15,007	(2,493)	13,847
Outside services	18,000	16,107	(1,893)	6,928
Postage	27,500	22,738	(4,762)	22,789
Printing	8,500	7,694	(806)	7,768
Professional fees	461,080	404,725	(56,355)	208,076
Telephone	37,454	27,976	(9,478)	29,962
Training	9,000	4,439	(4,561)	6,758
Travel	1,500	10	(1,490)	63
Utilities	67,500	45,491	(22,009)	53,780
	689,034	572,699	(116,335)	380,660
Repairs and maintenance				
Building and grounds	18,000	2,510	(15,490)	1,975
Machinery and equipment	12,800	7,508	(5,292)	6,327
Miscellaneous	1,000	-	(1,000)	-
Motor vehicle	1,000	150	(850)	963
	32,800	10,168	(22,632)	9,265

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
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SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET (CONTINUED)
Years Ended December 31, 2019 and 2018

	2019 Budget (Unaudited)	2019 Actual	Over/ (under) (Unaudited)	2018 Actual
Miscellaneous				
Administrative fees	67,500	60,219	(7,281)	59,196
Advertisement	4,000	654	(3,346)	443
Books and periodicals	3,500	1,715	(1,785)	2,075
Computer equipment maintenance	50,000	28,313	(21,687)	24,031
Membership dues	10,000	9,664	(336)	9,230
Miscellaneous	14,000	6,368	(7,632)	5,369
Municipal appropriation	709,091	709,091	-	673,220
Provision for (recovery of) doubtful accounts	5,000	24,531	19,531	17,388
Rentals	1,500	389	(1,111)	114
Software license fee	6,000	2,129	(3,871)	3,439
	870,591	843,072	(27,519)	794,505
Total general and administrative	3,462,522	2,717,501	(745,021)	2,667,361
Total cost of providing services and general and administrative expenses	13,570,340	9,161,957	(4,408,383)	10,018,879
Other costs funded by revenues				
Debt service				
Principal	1,325,579	1,325,580	1	1,290,619
Interest	314,071	308,466	(5,605)	341,616
	1,639,650	1,634,046	(5,604)	1,632,235
Total costs funded by operating revenues	$ 15,209,990	$ 10,796,003	$ (4,413,987)	$ 11,651,114

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF ATLANTIC CITY)

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY –
PERS - LAST TEN YEARS

	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.0426456957%	0.0435266986%	0.0508518420%	0.0580285106%	5.9807255900%
Authority's proportionate share of net pension liability	$ 7,684,107	$ 8,570,190	$ 11,837,496	$ 17,186,380	$ 13,425,530
Authority's covered-employee payroll	3,259,697	2,996,692	3,089,543	3,800,042	4,126,964
Authority's proportionate share of net pension liability as a % of payroll	235.73%	285.99%	383.15%	452.27%	325.31%
Total pension liability	17,694,323	18,469,063	22,808,255	28,709,430	2,578,265,685
Plan fiduciary net position	10,010,216	9,898,873	10,970,759	11,523,050	1,235,712,637
Plan fiduciary net position as a % of total pension liability	56.57%	53.60%	48.10%	40.14%	47.93%

Note: In accordance with the Governmental Accounting Standards Board, the Authority is required to present ten years of detail in the above Schedule of Proportionate Share of Net Pension Liability, however, only five years of data are available at this time.

SCHEDULE OF CONTRIBUTIONS – PERS – LAST TEN YEARS

	2019	2018	2017	2016	2015
Contractually required contribution	$ 414,817	$ 667,152	$ 697,390	$ 754,799	$ 797,999
Contributions in relation to the contractually required contribution	414,817	667,152	697,390	754,799	797,999
Agency's covered-employee payroll	3,259,697	3,032,253	3,026,339	3,336,897	4,043,269
Contributions as a % of covered-employee payroll	12.73%	22.00%	23.04%	22.62%	19.74%

Note: In accordance with the Governmental Accounting Standards Board, the Authority is required to present ten years of detail in the above Schedule of Contributions, however, only five years of data are available at this time.

Changes in Benefit Terms

None.

Changes in Assumptions

For 2019, the discount rate changed to 6.28% and the long-term expected rate of return remained at 7.00%. For 2018, the discount rate changed to 5.66% and the long-term expected rate of return changed to 7.00%. For 2017, the discount rate changed to 5.00%, the long-term expected rate of return changed to 7.50%, 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 using a generational approach relative to future improvements in mortality rates starting from the base year of 2013. 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 discount rate changed to 4.90%. In addition, the social security wage base was set at $118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(I 7) pay limit was set at $265,000 for 2015, increasing 3.00% per annum, compounded annually.

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
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SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

	2019	2018	2017	2016
Authority's proportion of the net OPEB liability	0.101045%	0.108146%	0.103892%	0.112704%
Authority's proportionate share of the net OPEB liability	$ 13,687,628	$ 16,942,821	$ 24,476,451	$ 21,210,371
Authority's covered payroll (plan measurement period)	3,127,603	3,116,194	3,369,845	3,572,439
Authority's proportionate share of the net OPEB liability as a percentage of covered- employee payroll	437.64%	543.70%	726.34%	593.72%
Plan fiduciary net position as a percentage of the total pension liability	1.98%	1.97%	1.03%	0.69%

Note: In accordance with the Governmental Accounting Standards Board, the Authority is required to present ten years of detail in the above Schedule of Proportionate Share of OPEB Liability, however, only four years of data are available at this time.

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
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SCHEDULE OF CONTRIBUTIONS
Year Ended December 31, 2019

	2019	2018	2017	2016
Contractually required contribution	$ 1,938,400	$ 2,219,784	$ 2,212,776	$ 2,225,116
Contribution in relation to the contractually required contribution	(1,938,400)	(2,219,784)	(2,212,776)	(2,225,116)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 3,259,697	$ 3,089,305	$ 3,369,845	$ 3,572,439
Contributions as a percentage of the Authority's covered payroll	59.47%	71.85%	65.55%	62.29%

Note: In accordance with the Governmental Accounting Standards Board, the Authority is required to present ten years of detail in the above Schedule of Contributions, however, only four years of data are available at this time.

Changes in Benefit Terms

None.

Changes in Assumptions

The discount rate changed from 3.87% as of June 30, 2018, to 3.50% as of June 30, 2019.

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

To the Board of Directors
Atlantic City Municipal Utilities Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Atlantic City Municipal Utilities Authority (the "Authority"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated July 10, 2020.

Internal Control Over Financial Reporting

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

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

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

P.O. Box 7648 | Princeton, NJ 08543-7648 | 609.689.9700 | Fax 609.689.9720

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

Compliance and Other Matters

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

Purpose of this Report

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

Digesh B. Patel

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

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 10, 2020

SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS
Year Ended December 31, 2019

None reported.

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF ATLANTIC CITY)

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended December 31, 2019

None reported.