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

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

December 31, 2020

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 years ended December 31, 2020 and 2019, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 audits were conducted for the purpose of forming an opinion on the financial statements that comprise the Authority's basic financial statements. The combining schedule of revenues, expenses, and changes in net position and the schedule of appropriations compared to budget are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedule of revenues, expenses and changes in net position and the schedule of appropriations compared to budget, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the part marked "unaudited", has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it. In our opinion, except for the part marked "unaudited", the combining schedule of revenues, expenses and changes in net position and the schedule of appropriations compared to budget are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2022, 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.

Mercadien, P.C.
Certified Public Accountants

March 10, 2022

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 $81,051,636 and exceeded liabilities and deferred inflows in the amount of $27,346,150 (i.e., net position). Total assets increased by $1,830,304. The total net position increased by $4,203,169.
- Net pension liability under Government Accounting Standard Board (GASB) Statement 68 was $7,441,713 in 2020, a decrease of $242,394 from 2019.
- Post-employment benefits other than pensions (OPEB) liability under GASB statement 75 was $20,495,750 in 2020, an increase of $6,808,122.
- For the fiscal year 2020, the Authority pumped approximately 2,765 million gallons of water, compared to 3,257 million gallons of water in 2019.
- Operating revenues were $15,673,980, a decrease of $1,683,011 from the year 2019.
- Operating expenses (excluding depreciation) were $719,531 less than last year.
- Operating income for the year was $4,304,022.
- Connection fee income was $76,031 compared to $36,977 in 2019.
- Actual investment income was $100,237, a $221,878 decrease over 2019.

The unprecedented COVID-19 pandemic affected the Authority's water demand starting the second quarter of 2020. As a result, the Authority pumped 2,765 million gallons of water in 2020, a 15% drop from last year. Operating revenue decreased by 10% in 2020, partially offset by the rate increase, which became effective in 2020. Operating expenses decreased primarily due to recording a lower pension and health expenses in 2020 as required under GASB Statements 68 and 75.

CONDENSED COMPARATIVE STATEMENT OF NET POSITION

Explanations for material fluctuations are as follows:

<u>Total Current Assets</u>- Total Current Assets for 2020 totaled $20,077,705 compared to $17,801,030 in 2019. The increase amounted to $2,276,675 and resulted primarily from an increase in Investments and Accounts Receivable. The available funds from liquidated investments will help fund the Authority's major capital projects. The governor's executive order for utilities to halt shut-off and tax sale lien for nonpayments during COVID-19 pandemic resulted in an increase in Accounts Receivable.

MANAGEMENT'S ANALYSIS OF FINANCIAL POSITION (CONTINUED)

CONDENSED COMPARATIVE STATEMENT OF NET POSITION (CONTINUED)

Total Restricted Assets- Total Restricted Assets totaled $2,787,867 in 2020 compared to $2,807,982 in 2019. The decrease amounted to $20,115 primarily due to the lower debt reserve requirement. A decline in the receivable due from the New Jersey Infrastructure Bank (NJIB) also contributed to the decrease.

Net Capital Assets – Net Capital Assets for 2020 totaled $48,735,385 compared to $49,161,640 in 2019. This decrease of $426,255 resulted from an increase in accumulated depreciation that amounted to $2,682,098, partially offset by 2020 additions.

Total Current Liabilities Payable From Unrestricted Assets - Total Current Liabilities Payable from Unrestricted Assets for 2020 totaled $2,050,384 compared to $2,083,127 in 2019. The decrease amounted to $32,743 and resulted primarily from the fewer liabilities owed to vendors at year-end. The higher recognition of accrued payroll and taxes and employer annual pension contributions payable partially offset the decrease.

Total Current Liabilities Payable From Restricted Assets - Total Current Liabilities Payable from Restricted Assets for 2020 totaled $1,415,635 compared to $1,398,092 in 2019. The current principal payment in 2020 was approximately $23,391 higher than in 2019. 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 2020 totaled $35,190,013 compared to $30,021,624 in 2019. This significant increase was in large part due to the reporting of the Authority's proportionate share of OPEB liability. The Authority reported a net OPEB liability of $20,495,750 in 2020 per state's GASB 75 report, compared to $13,687,628 in 2020. The OPEB liability increased by $6,808,122. A decrease of $1,382,692 and $242,394 in Long Term Debt and Net Pension Liability, respectively, offset the increase.

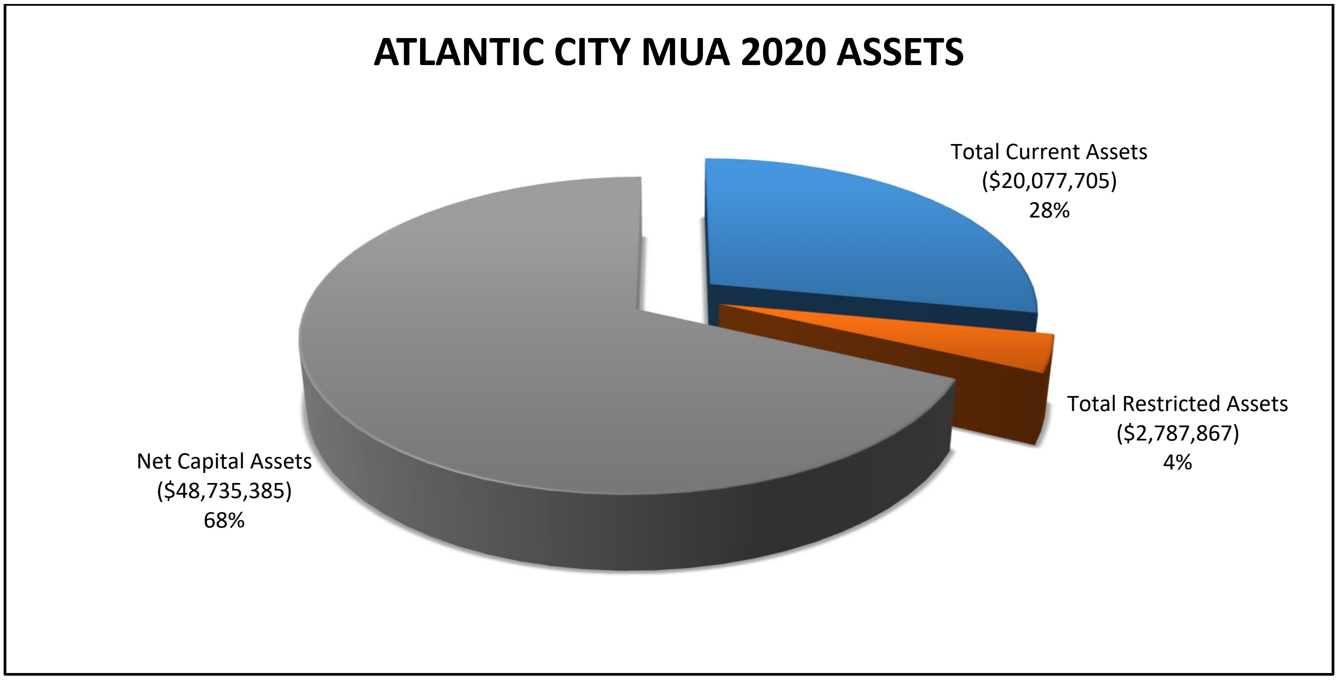
MANAGEMENT'S ANALYSIS OF FINANCIAL POSITION (CONTINUED)

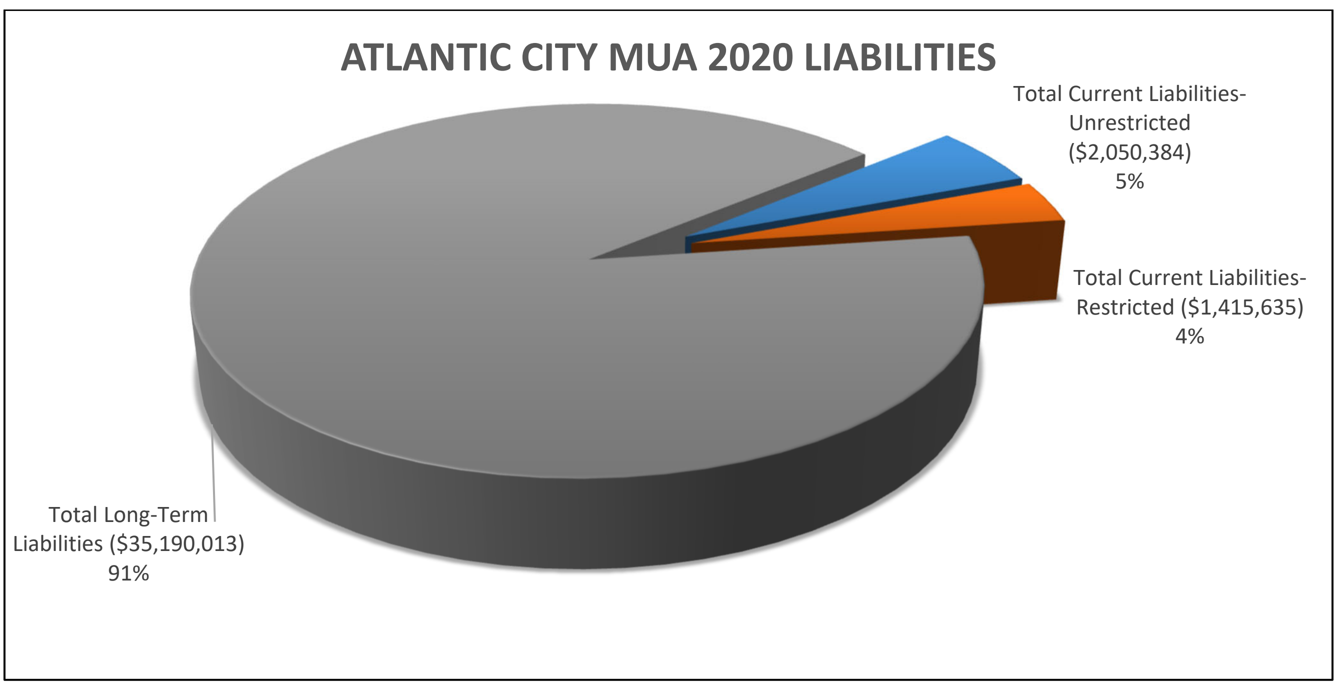
CONDENSED COMPARATIVE STATEMENT OF NET POSITION (CONTINUED)

	December 31, 2020	December 31, 2019	December 31, 2018	$ Change 2019-2020	% Change 2019-2020
Total Current Assets	$ 20,077,705	$ 17,801,030	$ 14,675,095	$ 2,276,675	12.8%
Total Restricted Assets	2,787,867	2,807,982	2,821,543	(20,116)	-0.7%
Net Capital Assets	48,735,385	49,161,640	49,481,078	(426,255)	-0.9%
Total Assets	71,600,956	69,770,652	66,977,716	1,830,304	2.6%
Loss on Refunding of Long-Term Debt	73,764	82,580	91,397	(8,816)	-10.7%
Related to Pensions	1,672,900	1,393,648	2,208,916	279,252	20.0%
Related to OPEB	7,704,016	1,727,267	1,959,903	5,976,749	346.0%
Total Deferred Outflows of Resources	9,450,680	3,203,495	4,260,216	6,247,185	195.0%
Total Current Liabilities - Unrestricted	2,050,384	2,083,127	2,150,667	(32,743)	-1.6%
Total Current Liabilities - Restricted	1,415,635	1,398,092	1,369,974	17,543	1.3%
Total Long-Term Liabilities	35,190,013	30,021,624	35,472,378	5,168,389	17.2%
Total Liabilities	38,656,033	33,502,843	38,993,019	5,153,190	15.4%
Related to Pensions	4,495,700	4,856,546	5,380,197	(360,846)	-7.4%
Related to OPEB	10,553,753	11,471,777	9,175,452	(918,024)	-8.0%
Total Deferred Inflows of Resources	15,049,453	16,328,323	14,555,649	(1,278,870)	-7.8%
Net Investment in Capital Assets	40,501,917	39,575,327	38,585,170	926,590	2.3%
Restricted for Capital Projects and Debt Service	2,787,866	2,804,494	2,805,283	(16,628)	-0.6%
Unrestricted	(15,943,632)	(19,236,840)	(23,701,189)	3,293,208	-17.1%
Total Net Position	$ 27,346,151	$ 23,142,981	$ 17,689,264	4,203,170	18.2%

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, 2020	December 31, 2019
Total Operating Revenues	$15,673,980	$17,356,991
Net Cash Provided by Operating Activities	$5,821,540	$7,004,669
Net Operating Cash as a Percentage of Operating Revenue	37.14%	40.35%

2020 Net Cash Provided by Operating Activities as Compared to 2019
Net cash provided by operating activities decreased by 16.9%. This decrease resulted primarily from a decline in cash from customers' receipts following the COVID-19 pandemic. Somewhat offsetting the decrease was lesser payments made to employees related to payroll expenses. Few positions left vacant by employees who retired or resigned during the year were not replaced until the following year. Also contributing to the decrease was lesser payments made to vendors due to lower recognition of the change in the outstanding amount owed to vendors at year-end than 2019.

MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION

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

Total Revenues (excluding connection fees) for 2020 were $15,774,217 compared to $17,679,105 in 2019. Total revenues decreased by 11%. Operating expenses for 2020 totaled $11,369,958 compared to $11,972,699 in 2019. Total operating expenses decreased by 5%. Explanations of the fluctuations are as follows:

Operating Revenues - Operating Revenues for 2020 totaled $15,673,980 compared to $17,356,991 in 2019. The decrease of $1,683,011 in revenue recognized during the year resulted primarily from the decline in water usage impacted by the unprecedented COVID-19 outbreak. Casinos and non-essential businesses are forced to close and reopen with a limited capacity.

Connection Fee Income - Connection Fee income for 2020 totaled $76,031 compared to $36,977 in 2019. There was a slight increase in small constructions and re-connection fees compared to the prior year.

Investment Income – Investment Income for 2020 totaled $100,237 compared to $322,115 in 2019. This decrease was due to the decline in interest rates following the COVID-19 pandemic.

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 2020 totaled $3,495,665 compared to $3,928,266 in 2019. The decrease amounted to $432,601, which primarily resulted from not replacing a few positions that were left vacant by retired or resigned employees during the year.

Employee Benefits - Employee Benefits for 2020 totaled $1,815,154 compared to $1,450,242 in 2019. The increase in employee benefits expense amounted to $364,912. This significant increase was primarily due to less net pension and OPEB expenses reported per GASB 68 and 75 in 2019 compared to 2020.

Repairs and Maintenance - Repairs and Maintenance expenses for 2020 totaled $319,332 compared to $447,619 in 2019. The Authority experienced a decrease of $128,287 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. Fewer uniforms allotment to employees compared to 2019 also contributed to this decrease.

Other Expenses – Other Expenses for 2020 totaled $2,812,274 compared to $3,335,830 in 2019. The decrease for the year was $523,556 and resulted from fluctuations in various accounts, including Chemical and Gases, Electricity, General Insurance, and Professional fees. Chemicals and Gases, and Electricity utilized during the water treatment process in 2020 decreased due to the less water demand caused by the pandemic. The professional fees such as bond counseling fees or special counseling fees related to the solar project also decreased due to the projects being delayed due to the pandemic. Recognizing the pandemic effect on revenue, the Authority paid less municipal appropriation to the City than in 2019.

Depreciation Expense - Depreciation Expense for 2020 totaled $2,927,533 compared to $2,810,742 in 2019. 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 2020 partially offset the increase.

Interest Expenses – Interest Expenses for 2020 totaled $282,527 compared to $317,282 in 2019. A decline in Interest Expense was recognized for the year due to a decrease in Long-Term Debt Outstanding. The deobligated New Jersey Business and Industry Association (NJBIA) 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)

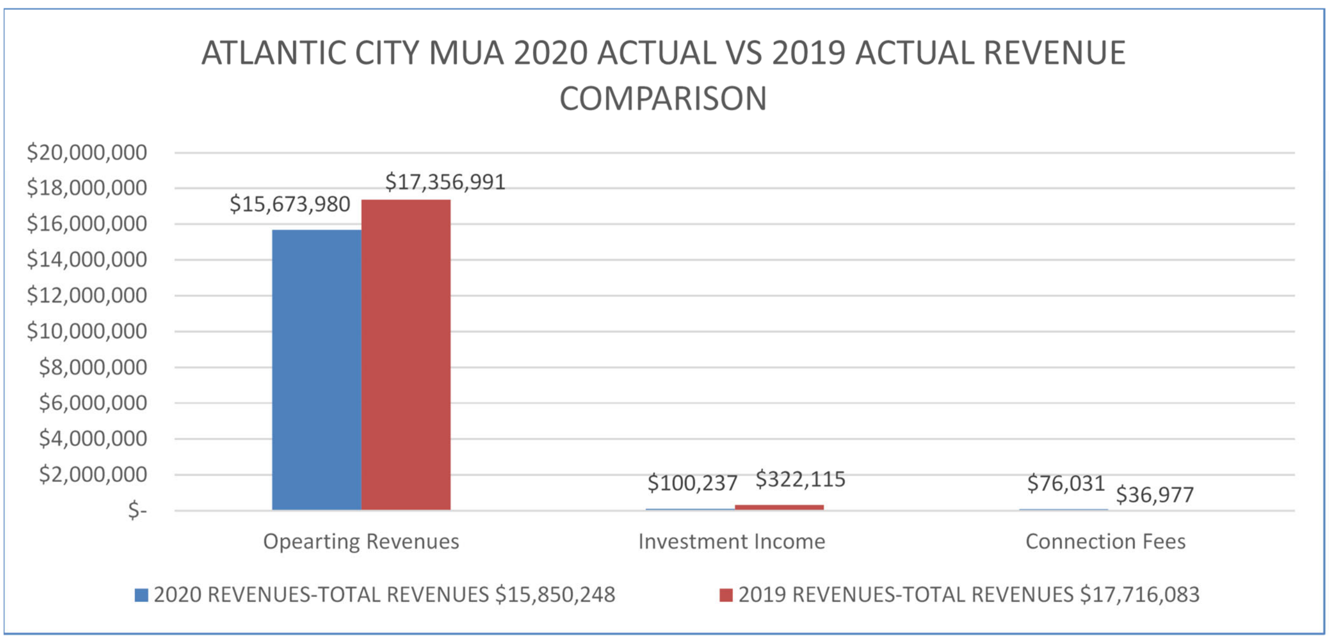
CONDENSED COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)

	December 31, 2020	December 31, 2019	December 31, 2018	$ Change 2019-2020	% Change 2019-2020
Total Operating Revenues	$ 15,673,980	$ 17,356,991	$ 15,616,578	$ (1,683,011)	-9.7%
Operating Expenses:					
Total Salaries Expense	(3,495,665)	(3,928,266)	(3,628,717)	(432,601)	-11.0%
Total Employee Benefits	(1,815,154)	(1,450,242)	(2,727,519)	364,912	25.2%
Total Repairs and Maintenance	(319,332)	(447,619)	(562,071)	(128,287)	-28.7%
Total Other Expenses	(2,812,274)	(3,335,830)	(3,100,572)	(523,556)	-15.7%
Depreciation	(2,927,533)	(2,810,742)	(2,748,844)	116,791	4.2%
Total Operating Expenses	(11,369,958)	(11,972,699)	(12,767,723)	(602,741)	-5.0%
Non-Operating Revenues (Expenses):					
Connection Fees	76,031	36,977	61,571	39,054	105.6%
Investment Income	100,237	322,115	236,204	(221,878)	-68.9%
Bond Interest	(282,527)	(317,282)	(350,432)	(34,754)	-11.0%
Net Change in Fair Value of Investments	-	-	(34,159)	-	0.0%
Gain on Disposal of Assets	5,407	27,615	4,989	(22,208)	-80.4%
Total Non-Operating Revenues (Expenses)	(100,852)	69,425	(81,827)	(170,277)	-245.3%
Changes in Net Position	4,203,170	5,453,717	2,767,028	(1,250,547)	-22.9%
Net position, beginning of year	23,142,981	17,689,264	39,047,117	5,453,717	30.8%
Cumulative effect of adoption of GASB 75	-	-	(24,124,881)	-	0.0%
Net position, end of year	$ 27,346,150	$ 23,142,981	$ 17,689,264	$ 4,203,170	18.2%

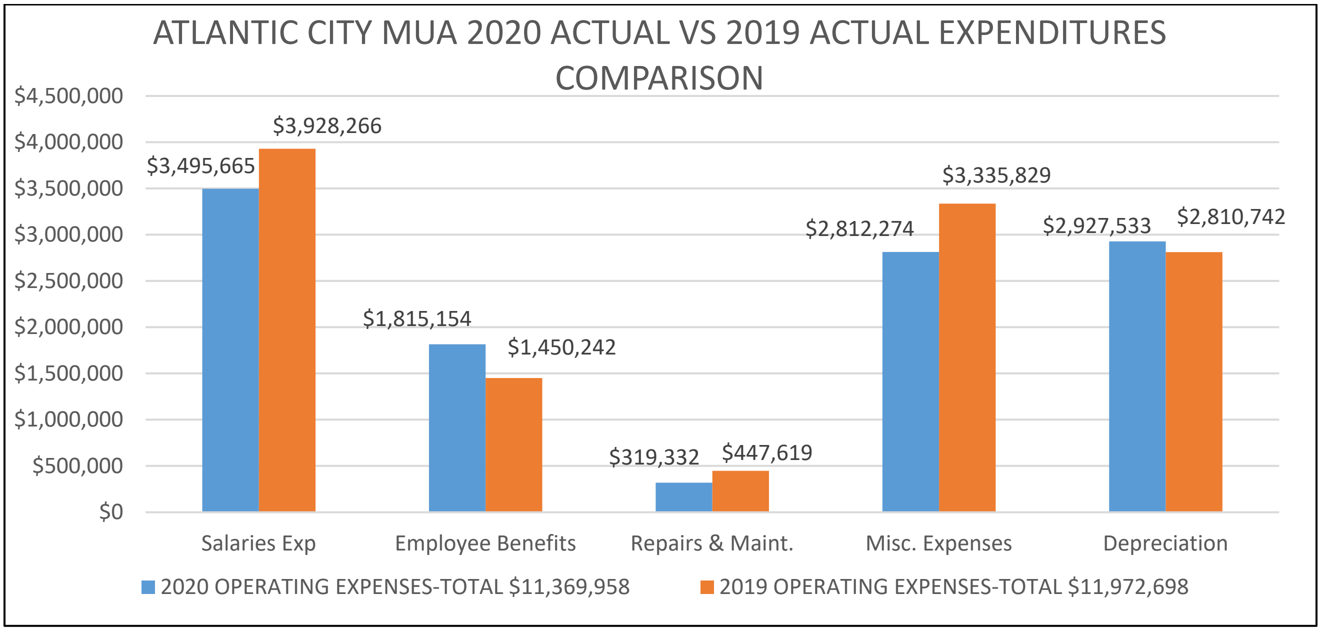
MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION (CONTINUED)

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

	December 31, 2020	%	December 31, 2019	%	December 31, 2018	%
Operating Expenses:						
Salaries Expense	$ 3,495,665	30.7%	$ 3,928,266	32.8%	$ 3,628,717	28%
Employee Benefits	1,815,154	16.0%	1,450,242	12.1%	2,727,519	21%
Repairs and Maintenance	319,332	2.8%	447,619	3.7%	562,071	4%
Other Expenses	2,812,274	24.7%	3,335,830	27.9%	3,100,572	24%
Depreciation	2,927,533	25.7%	2,810,742	23.5%	2,748,844	22%
Total	$ 11,369,958	100%	$ 11,972,699	100%	$ 12,767,723	100%



MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION (CONTINUED)



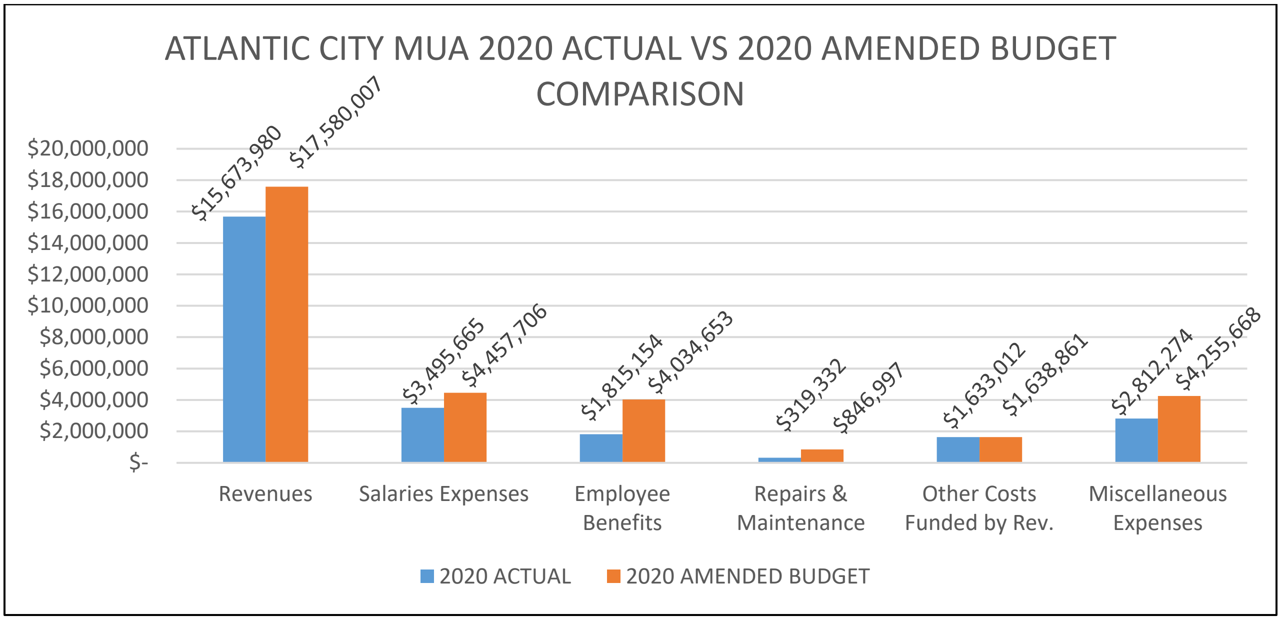
CONDENSED SCHEDULE OF APPROPRIATIONS COMPARED TO AMENDED BUDGET

Total operating revenues for 2020 amounted to $15,673,980 compared to budgeted revenues of $17,356,991. Revenues include those from all sources, except connection fees revenues and investment income. Actual revenues were 11% less than the anticipated budget amount. The user fee revenues were significantly lower than anticipated due to the unprecedented COVID-19 pandemic that forced businesses to close down or operate with limited capacity during 2020. The anticipated investment income was lower due to the declining interest rates as the pandemic affected the investment market. Expenses from administration and operations for 2020 totaled $8,442,426 compared to budgeted expenses of $13,595,024. The actual expenses for 2020 were $5,152,598 less than projected expenditures. Some of the larger fluctuations fell in the categories of Salaries, Employee Benefits, Municipal Appropriation, 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 2020 or prior years. Employee Benefits were lower than the projected budget, primarily from recognizing the decrease in the net pension liability and OPEB liability related to GASB 68 and 75. The municipal appropriation payment to the City was lower than budgeted due to the ongoing COVID-19 pandemic impact on the Authority's revenue. Utility expenses were less than the budgeted amount due to lower than expected electric supplier rates and electricity consumption. Chemical and gas expenses were also lower than the budget due to the less use of chemicals than anticipated in the water treatment process. Repairs and Maintenance, including street opening costs, were lower than projected as the winter weather did not bring extreme cold or heavy snow in 2020. Workers Compensation and general insurance premiums during the year were also lower than the projected budget amount. Furthermore,

MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION (CONTINUED)

CONDENSED SCHEDULE OF APPROPRIATIONS COMPARED TO AMENDED BUDGET (CONTINUED)

lower professional fees such as special and bond counseling and fewer other miscellaneous services contributed to lower than expected other outside services expenses.



MANAGEMENT'S ANALYSIS OF 2020 CAPITAL ASSETS & LONG-TERM DEBT ACTIVITY

Capital Assets

Total capital assets increased by approximately $2,255,843 during 2020. Property and equipment in-service increased by $2,415,221 in 2020. Impacting these increases were the 2020 additions and the transfer of assets from construction in progress. The construction in progress projects includes the Water Main Replacement and the Cradle Rehabilitation.

MANAGEMENT'S ANALYSIS OF 2020 CAPITAL ASSETS & LONG-TERM DEBT ACTIVITY (CONTINUED)

Capital Assets (Continued)

	December 31, 2020	December 31, 2019	December 31, 2018
Treatment and Distribution Facilities	$ 107,118,876	$ 104,871,746	$ 101,680,715
Land and Land Improvements	1,811,009	1,811,009	1,811,009
Equipment and Vehicles	6,089,485	5,955,049	5,445,746
Office Building	3,877,030	3,877,030	3,877,030
Furniture and Fixtures	493,514	459,860	457,479
Construction in Progress	130,621	289,999	1,583,408
Total Assets	$ 119,520,535	$ 117,264,693	$ 114,855,387

Long-Term Debt

At the end of the current fiscal year, the Authority had total bonded debt outstanding (principal and interest) of $9,389,436.

	2020	**2019**	**2018**
Revenue Bonds	$5,345,000	$ 6,125,000	$ 6,880,000
New Jersey IB Loans	$2,929,289	$ 3,508,589	$ 4,079,168

OTHER SELECTED INFORMATION

Selected Data for Analysis	**2020**	**2019**	**Change Amount**	**Change %**
Employees at Year End (Excluding Board)	65	68	(3)	(4.4%)
Number of Customers at Year End	8,166	8,146	20	0.2%
Water Pumped (Millions of Gallons)	2,765	3,257	(492)	(15.1%)
Revenues per 1,000 Gallons Pumped	$5.7	$5.3	$0.4	7.5%
Expenses per 1,000 Gallons Pumped:				
Expenses Excluding Depreciation	$3.4	$2.8	$0.6	21.4%
Total Operating Expenses	$4.4	$3.7	$0.7	18.9%

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 contributing to the decline of water sales was the closing of underperforming hotels and the removal of many housing units in Atlantic City through demolition and abandonment. 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.

Over the past several years, the declining pattern has begun to reverse positively with the re-opening of the two shuttered casinos, Ocean Resort (former Revel) and Hard Rock (former Taj), and the opening of the Stockton University's Atlantic City campus. Atlantic City's economy was undergoing a rapid advance growth, which had positively impacted the Authority's revenue until the COVID-19 pandemic struck at the end of the 1st Quarter. There was a foreseeable future in reopening 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 was significantly impacted due to the pandemic, especially from its commercial and industrial customers. This financial impact due to COVID-19 was not accounted for in the 2020 budget as this pandemic was unprecedented. However, the decline in Authority's water revenue due to the COVID-19 pandemic is considered in the Authority's 2021 budget as it is uncertain when this ongoing pandemic will end.

2021 Budget

The 2021 proposed budget is fully funded, providing for the continuation of all of the Authority's major operations. The Authority expects a decrease of 11.4% in total user water charges in 2021, mainly due to an adverse impact of the COVID-19 outbreak on the economies and financial markets. Due to the uncertainty of the COVID-19 pandemic, the management has reorganized and looked into areas where cost-cutting is possible. The proposed total net appropriations for 2021 are anticipated to decrease by 11.6% in 2021 compared to 2020.

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 year's anticipated appropriations. In 2019, the flat rate increased 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. The Authority increased its excess rate for all customers by 2% in 2020. Effective January 1, 2021, the flat rate for all customers increased by 2%, while the excess rate will remain the same at $3.762 per 100 cubic feet. The residential flat rate will increase to $62.25 a quarter from $61.00 a quarter. The 2020 connection fee rate was $20.6188 per gallon per day. For 2021, the connection fee rate remained the same at $20.6188 per gallon per day.

Legislation with Potential Impact to the Authority

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 seeks to borrow funding from the Water Infrastructure Bond Act to cover costs to comply with the Act.

The State of NJ adopted the Per-and polyfluoroalkul substance (PFAS) regulation on June 1, 2020. PFAS contamination in the Authority's system arises from the testing of fire-fighting foams at the FAA Technical Center in Pomona. The contamination occurred for decades, with residuals entering groundwater supplies. Expensive upgrades to the Authority's aging infrastructure are needed to meet the new PFAS regulation of the NJ State. A geoscience engineering consultant engaged by the Authority projected a thirty million plus up-front expenditure followed by one million-plus in annual regenerations cost going forward. The Authority will be seeking any available funding/grants by the state to address the cost of this significant upgrade. If there is no State funding/grant available, these expensive capital improvements will need to be funded from bonding and service charges. The Authority is not anticipating any monetary compensation, if any, from a federal lawsuit against entities responsible for the PFAS contamination to recover the cost of this significant upgrade in 2021 or the next couple of years.

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

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, 2020	December 31, 2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents	$ 2,139,716	$ 2,024,034
Accounts receivable, net of allowance for doubtful accounts of $99,924 and $125,011	1,190,827	812,878
Investments	16,275,879	14,446,472
Inventories	395,463	397,579
Prepaid expenses	75,820	58,170
Accrued interest receivable	-	61,896
Total Current Assets	20,077,705	17,801,030
Noncurrent Assets		
Restricted Assets		
Investments	2,787,867	2,804,494
Receivable - NJIB	-	3,488
Total Restricted Assets	2,787,867	2,807,982
Capital Assets		
Land and land improvements	1,811,009	1,811,009
Construction in progress	130,621	289,999
Other capital assets, net of depreciation	46,793,755	47,060,633
Total Capital Assets	48,735,385	49,161,640
Total Noncurrent Assets	51,523,252	51,969,622
Total Assets	71,600,956	69,770,652
Deferred Outflows of Resources:		
Loss on refunding of long-term debt	73,764	82,580
Related to pensions	1,672,900	1,393,648
Related to other post-employment benefits	7,704,016	1,727,267
Total Deferred Outflows of Resources	9,450,680	3,203,495
Total Assets and Deferred Outflows of Resources	$ 81,051,636	$ 72,974,147

STATEMENTS OF NET POSITION (CONTINUED)

	December 31, 2020	December 31, 2019
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities Payable from Unrestricted Assets		
Accounts payable	$ 367,549	$ 615,117
Employer pension contributions payable	499,213	438,394
Accrued payroll and payroll liabilities	180,677	49,424
Prepaid user charges	76,456	44,218
Unearned revenue	926,490	935,975
Total Current Liabilities Payable from Unrestricted Assets	2,050,384	2,083,127
Current Liabilities Payable from Restricted Assets		
Accrued interest payable	32,943	38,792
Current portion of long-term debt	1,382,692	1,359,301
Total Current Liabilities Payable from Restricted Assets	1,415,635	1,398,092
Noncurrent Liabilities		
Compensated absences	360,953	375,600
Long-term debt, net of current portion	6,891,597	8,274,289
Net pension liability	7,441,713	7,684,107
Net OPEB liability	20,495,750	13,687,628
Total Noncurrent Liabilities	35,190,013	30,021,624
Total Liabilities	38,656,033	33,502,843
Deferred Inflows of Resources		
Related to pensions	4,495,700	4,856,546
Related to other post-employment benefits	10,553,753	11,471,777
Total Deferred Inflows of Resources	15,049,453	16,328,323
Net Position (Deficit)		
Net investment in capital assets	40,501,917	39,575,327
Restricted for capital projects and debt service	2,787,866	2,804,494
Unrestricted (Deficit)	(15,943,632)	(19,236,840)
Total Net Position	27,346,151	23,142,981
Total Liabilities, Deferred Inflows of Resources, and Net Postion	$ 81,051,636	$ 72,974,147

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, 2020	Years Ended December 31, 2019
Operating Revenues		
User charges	$ 15,626,025	$ 17,290,961
Rental income	2,500	2,500
Miscellaneous	45,455	63,530
Total Operating Revenues	15,673,980	17,356,991
Operating Expenses		
Cost of providing services	6,119,234	6,444,456
General and administrative	2,323,191	2,717,501
Depreciation	2,927,533	2,810,742
Total Operating Expenses	11,369,958	11,972,699
Operating Income	4,304,022	5,384,292
Non-Operating Revenues (Expenses), Net		
Connection fee	76,031	36,977
Investment income	100,237	322,115
Bond interest	(282,527)	(317,282)
Gain on disposal of assets	5,407	27,615
Total Non-Operating Revenues (Expenses), Net	(100,852)	69,425
Changes in net position	4,203,170	5,453,717
Net position, beginning of year	23,142,981	17,689,264
Net position, end of year	$ 27,346,151	$ 23,142,981

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

STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipt from customers	$ 15,270,829	$ 17,484,331
Receipt from others	47,955	66,030
Payments to employees and related benefits	(5,667,723)	(6,365,178)
Payments to suppliers and vendors for goods and services	(3,829,521)	(4,180,513)
Net cash from operating activities	5,821,540	7,004,669
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,504,903)	(2,492,833)
Receipts from sale of capital assets	9,033	29,142
Receipts from NJIB	3,488	12,765
Connection fees	76,031	36,977
Interest paid on debt	(279,559)	(314,069)
Principal paid on debt	(1,359,301)	(1,325,580)
Net cash from capital and related financing activities	(4,055,212)	(4,053,598)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	162,133	350,499
Transferred to investments	(1,812,779)	(2,926,687)
Net cash from investing activities	(1,650,646)	(2,576,189)
Net change in cash and cash equivalents	115,681	374,882
Cash and cash equivalents, beginning of year	2,024,034	1,649,152
Cash and cash equivalents, end of year	$ 2,139,716	$ 2,024,034
Reconciliation of operating income to net cash from operating activities		
Operating income	$ 4,304,022	$ 5,384,292
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	2,927,533	2,810,742
Allowance for (recovery of) doubtful accounts	(25,087)	24,531
GASB 68 adjustment	(821,673)	(726,232)
GASB 75 adjustment	(86,651)	(589,021)
Changes in assets and liabilities		
Accounts receivable	(352,862)	178,958
Inventories	2,116	(55,298)
Prepaid expenses	(17,650)	(139)
Accounts payable	(247,569)	74,871
Accrued payroll and payroll liabilities	131,254	(137,735)
Unearned income	(9,484)	84,538
Prepaid user charges	32,238	(94,656)
Compensated absences	(14,647)	49,820
Net cash from operating activities	$ 5,821,540	$ 7,004,669

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") Statement 14, as amended by GASB Statement 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 economic resources measurement focus, 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 recognized when earned and expenses are recorded when the related liability is incurred regardless of the timing of the related cash flows.

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.

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 $1,623,929.

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 $1,013,938.

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 first in, first out ("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 plant	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.

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, 2020 and 2019, 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.

C. CASH AND CASH EQUIVALENTS

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.

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 Governmental 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, 2020 and 2019, the Authority’s bank balances were insured or exposed to credit risk as follows:

	December 31,	
	2020	2019
Insured by FDIC	$ 500,000	$ 500,000
Collateralized in the Authority's name under GUDPA	2,033,020	1,988,538
NJCMF	3,001,030	-
Total	$ 5,534,050	$ 2,488,538

D. ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

	December 31,	
	2020	2019
Municipal liens	$ 105,183	$ 131,591
Approximate uncollectible %	95%	95%
Total Allowance	$ 99,924	$ 125,011

E. INVESTMENTS

As of December 31, 2020 and 2019, the Authority had the following investments and maturities:

Investment	Maturity Date	Interest Rate	Moody's IS&P Credit Rating	2020 Fair Value	2019 Fair Value
Federated treasury obligations	N/A	N/A	N/A	$ 16,062,715	$ 14,101,463
NJ Cash Management Fund	N/A	N/A	N/A	3,001,030	-
Certificate of Deposit	1/30/2020	1.70%	N/A	-	149,504
Certificate of Deposit	3/26/2020	1.80%	N/A	-	1,000,000
Certificate of Deposit	3/26/2020	1.80%	N/A	-	2,000,000
				$ 19,063,745	$ 17,250,966

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 and New Jersey Cash Management Fund 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 $395,463 and $397,579 as of December 31, 2020 and 2019, respectively.

G. RESTRICTED ASSETS

Restricted investments consist of the following:

	December 31, 2020	December 31, 2019
Debt service fund	$ 1,623,929	$ 1,638,860
Debt service reserve fund	1,013,938	1,015,634
Bond redemption and improvement fund	150,000	150,000
	$ 2,787,867	$ 2,804,494

H. CAPITAL ASSETS

Capital asset balances and activities for the year ended December 31, 2020, were as follows:

	Balance, January 1, 2020	Additions	Reclass/ Reductions	Balance, December 31, 2020
Capital assets not being depreciated				
Land and land improvements	$ 1,811,009	$ -	$ -	$ 1,811,009
Construction in progress	289,999	1,761,010	1,920,388	130,621
Capital assets not being depreciated	2,101,008	1,761,010	1,920,388	1,941,630
Capital assets being depreciated				
Treatment and distribution facilities	104,871,746	2,247,130	-	107,118,876
Equipment and vehicles	5,955,049	369,963	235,527	6,089,485
Office building	3,877,030	-	-	3,877,030
Furniture and fixtures	459,860	47,188	13,534	493,514
Capital assets being depreciated	115,163,684	2,664,282	249,061	117,578,905
Accumulated depreciation	(68,103,052)	(2,682,098)	-	(70,785,150)
Capital assets, net of depreciation	47,060,633	(17,816)	249,061	46,793,755
Total capital assets, net	$ 49,161,640	$ 1,743,194	$ 2,169,448	$ 48,735,385

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

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 2020 and 2019 were $8,816. The balance as of December 31, 2020 and 2019, was $73,764 and $82,580, 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, 2020 and 2019, was $550,000 and $645,000, respectively. In the event of default, outstanding amounts become immediately due.

- $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, 2020 and 2019, was $1,134,904 and $1,359,090, respectively. In the event of default, outstanding amounts become immediately due.

- $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, 2020 and 2019, was $265,000 and $305,000, respectively. In the event of default, outstanding amounts become immediately due.

- $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, 2020 and 2019, was $252,526 and $349,657, respectively. In the event of default, outstanding amounts become immediately due.

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, 2020 and 2019, was $115,000 and $155,000, respectively. In the event of default, outstanding amounts become immediately due.

- $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, 2020 and 2019, was $373,197 and $414,664, respectively. In the event of default, outstanding amounts become immediately due.

- $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 was not fully utilized. The principal payments were adjusted for the years 2020 through 2029 to reflect the deobligation. The balance at December 31, 2020 and 2019, was $0 and $15,000, respectively. In the event of default, outstanding amounts become immediately due.

- $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, 2020 and 2019, was $238,661 and $265,178, respectively. In the event of default, outstanding amounts become immediately due.

- $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, 2020 and 2019, was $340,000 and $670,000, respectively. In the event of default, outstanding amounts become immediately due.

- 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, 2020 and 2019, was $5,005,000 and $5,455,000, respectively. In the event of default, outstanding amounts become immediately due.

J. LONG-TERM DEBT (CONTINUED)

Principal and interest requirements until maturity are as follows:

Year	Principal	Interest	Total
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	1,015,647	122,113	1,137,761
2026-2030	2,771,937	211,988	2,983,926
	$ 8,274,289	$ 1,115,145	$ 9,389,436

	Balance December 31, 2019	Increase/ Adjustment	Decrease/ Adjustment	Balance December 31, 2020	Due Within One Year
Revenue Bonds	$ 5,400,000	$ -	$ 865,000	$ 4,535,000	$ 810,000
NJIB	2,874,289	-	517,692	2,356,597	572,693
Compensated absences	375,600	-	14,647	360,953	-
Totals	$ 8,649,889	$ -	$ 1,397,339	$ 7,252,550	$ 1,382,693

	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	-
Totals	$ 9,959,367	$ 49,822	$ 1,359,300	$ 8,649,889	$ 1,359,301

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, 2020 and 2019.

L. NET POSITION

Net position consists of the following:

	December 31, 2020	December 31, 2019
Net investment in capital assets		
Capital assets	$ 48,735,385	$ 49,161,640
Receivable - NJIB	-	3,488
Loss on refunding of long-term debt	73,764	82,580
Debt	(8,274,289)	(9,633,589)
Accrued interest	(32,943)	(38,792)
	40,501,917	39,575,327
Restricted for capital projects and debt service		
Restricted investments	2,787,866	2,804,494
Unrestricted net positions (deficit)	(15,943,632)	(19,236,840)
Total net position	$ 27,346,150	$ 23,142,981

M. PENSION PLAN

Plan Description

The State of New Jersey PERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). For additional information about PERS, please refer to Division's annual financial statements, which can be found at https://www.state.nj.us/treasury/pensions/annual-reports.shtml.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

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

M. PENSION PLAN (CONTINUED)

Plan Description (Continued)
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.

Basis of Presentation
The schedule of employer allocations and the schedule of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with GAAP. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Allocation Methodology
GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. The Authority allocation percentage is based on the ratio of the contributions of the Authority to the total contributions to PERS during the measurement period July 1, 2019 through June 30, 2020. Contributions from the Authority are recognized when due, based on statutory requirements.

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan. To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions and fiduciary net position applicable to each group. The allocation percentage as of June 30, 2020 and 2019, is based on the ratio of the Authority's contributions to the plan relative to total employer contributions of all the participating employers' contributions for the years ended June 30, 2020 and 2019.

M. PENSION PLAN (CONTINUED)

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers were credited with the full payment and any such amounts were not included in their unfunded liability. The actuaries determined the unfunded liability of the System, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012, and will be adjusted by the rate of return on the actuarial value of assets. For the years ended December 31, 2020 and 2019, the Authority's contractually required contribution to the PERS plan was $499,213 and $414,817, respectively.

Components of Net Pension Liability

At December 31, 2020 and 2019, the Authority's proportionate share of the PERS net pension liability was $7,441,713 and $7,684,107, respectively. The December 31, 2020 and 2019, net pension liability was determined by an actuarial valuation as of July 1, 2019 and July 1, 2018, which was rolled forward to June 30, 2020 and June 30, 2019, respectively. The Authority's December 31, 2020, proportion measured as of June 30, 2020, was 0.0456340052%, which was an increase of 0.0029883095 from its proportion measured as of June 30, 2019, of 0.0426456957%.

Components of Net Pension Liability

At December 31, 2020 and 2019, the Authority's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2020 and June 30, 2019, measurement dates was $(281,485) and $(174,202), respectively. At December 31, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	December 31, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 135,501.00	$ 26,317.00
Changes in assumptions	241,418.00	3,115,916.00
Net difference between projected and actual investment earnings on pension plan investments	254,364.00	-
Changes in proportion	542,404.00	1,353,467.00
Authority contributions subsequent to the measurement date	499,213.00	-
	$ 1,672,900.00	$ 4,495,700.00

	December 31, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 137,920.00	$ 33,945.00
Changes in assumptions	767,286.00	2,667,129.00
Net difference between projected and actual investment earnings on pension plan investments	-	121,297.00
Changes in proportion	73,625.00	2,034,175.00
Authority contributions subsequent to the measurement date	414,817.00	-
	$ 1,393,648.00	$ 4,856,546.00

M. PENSION PLAN (CONTINUED)

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

Years Ending December 31,	Amount
2021	$ (1,132,283.00)
2022	(1,520,551.00)
2023	(688,786.00)
2024	21,979.00
2025	(2,372.00)
	$ (3,322,013.00)

Actuarial Assumptions

The collective total pension liability for the June 30, 2020 and June 30, 2019, measurement date was determined by an actuarial valuation as of July 1, 2019 and July 1, 2018, which was rolled forward to June 30, 2020 and June 30, 2019, respectively. This actuarial valuation used the following actuarial assumptions:

	2020	2019
Inflation		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary Increases through 2026 (based on years of service)	2.00-6.00%	2.00-6.00%
Salary Increases: Thereafter (based on years of service)	3.00-7.00%	3.00-7.00%
Investment rate of return	7.00%	7.00%
Mortality rate table	Pub-2010	Pub-2010

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

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

M. PENSION PLAN (CONTINUED)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2020 and 2019), is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees, and the actuaries. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020 and 2019, are summarized in the following tables:

	2020	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Market Equity	13.50%	8.57%
Emerging Market Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	3.00%	3.40%
	100.00%	

	2019	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%
	100.00%	

M. PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020, and 6.28% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2020 and 2019, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	At June 30, 2020		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of net pension liability	$ 9,441,538	$ 7,441,713	$ 5,852,977

	At June 30, 2019		
	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
Authority's proportionate share of net pension liability	$ 9,773,800	$ 7,684,107	$ 6,021,746

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") annual financial statements, 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

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

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, 2020 were $1,868,907.

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

Net OPEB Liability

At December 31, 2020, the Authority reported a liability of $20,495,750 for its proportionate share of the net pension liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. For the June 30, 2020, measurement date, the Authority's proportionate share of the OPEB Plan liability was 0.114204%.

At December 31, 2019, the Authority reported a liability of $13,687,628 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of 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%.

The change in net OPEB liability for the year ended December 31, 2020, was $6,808,122. The difference between expected and actual experience increased the net OPEB liability by $186,105 due to changes in the census, claims and premiums experience. Valuation assumption changes increased the net OPEB liability by $292,653. This was due to the increase in the assumed discount rate from 3.50% as of June 30, 2019, to 2.21% as of June 30, 2020 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, 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.

	June 30, 2020	June 30, 2019
Total OPEB liability	$ 20,684,029	$ 13,963,656
Plan Fiduciary Net Position	188,279	276,028
Net OPEB Liability	$ 20,495,750	$ 13,687,628
Plan Fiduciary Net Position as a % of total OPEB liability	0.91%	1.98%

Actuarial Assumptions and Other Inputs

Actuarial assumptions used in the July 1, 2019 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:

	2020	2019
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 of service.

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-2020.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially 5.6% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage rates for OBEB Plan Year 2020 and OPEB Plan Year 2021 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% decreasing to a 4.5% long-term trend rate after eight years.

Discount Rate

The discount rate for June 30, 2020, was 2.21%. 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, 2020:

At June 30, 2020		
At 1% Decrease (1.21%)	At Current Discount Rate (2.21%)	At 1% Increase (3.21%)
$ 24,230,307	$ 20,495,750	$ 17,539,509

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, 2019:

At June 30, 2019		
At 1% Decrease (2.5%)	At Current Discount Rate (3.5%)	At 1% Increase (4.5%)
$ 16,102,408	$ 13,687,628	$ 12,225,637

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, 2020:

At June 30, 2020		
At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
$ 16,960,254	$ 20,495,750	$ 25,125,530

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

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB
For the year ended December 31, 2020, the Authority recognized OPEB expense of ($86,651). At December 31, 2020, 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	$ 539,842	$ 3,816,691
Changes of assumptions	3,065,519	4,557,938
Net difference between projected and actual earnings on OPEB plan investments	13,016	-
Changes in proportion	3,170,396	2,179,124
Employee health benefits contributions made subsequent to the measurement date	915,243	-
Total	$ 7,704,016	$ 10,553,753

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:

	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

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

Year ending December 31,	Total
2021	(5,125,052)
2022	(824,745)
2023	(829,327)
2024	(833,056)
2025	(789,914)
Thereafter	3,645,842
	$ (4,756,252)

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 2020 or 2019.

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 statements 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.

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 2020 compared to 2019.

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.

R. RISK MANAGEMENT (CONTINUED)

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 own 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 such as the COVID-19 pandemic create variables often misunderstood until they emerge.

Atlantic City's recovery was heading toward the right direction with close supervision by the State of New Jersey. Unfortunately, the City's resurgence took a downward swing due to the unprecedented COVID-19 pandemic that closed the casinos on March 16, 2020. It forced nearly all retail, hospitality, entertainment and businesses to shut down temporarily. The temporary closings of casinos and businesses due to the COVID-19 pandemic have significantly impacted the Authority’s revenue. The Authority lost 10% in revenue in 2020 compared to 2019 due to this unprecedented COVID-19 pandemic. The long-term impacts from COVID-19 pandemic restrictions on the Atlantic City hospitality and tourism industry are unknown as the economy is starting to open. Nevertheless, Atlantic City casinos, including Hard Rock, Harrah’s, and Bally’s, are reinvesting millions to attract tourists with the latest technology and compete with other surrounding casinos in Pennsylvania, Delaware and New York. Other non-gaming new expansions from AtlantiCare’s Medical Arts Pavilion and Stockton University’s New Residence Hall, which has been delayed due to the pandemic, show positive steps for Atlantic City.

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 U.S. Federal Aviation Administration ("FAA") Technical 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, 2020 and 2019, the total PRO before any recoveries equaled $39,395,819 and $39,422,294, 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 $10,329. Total life-to-date actual costs incurred are $143,497.

As noted previously, GASB 49 allows for estimated but not yet realized recoveries to offset the estimated environmental liability. The $40 million estimated recoveries offset the expected total outlays of $39,395,819, therefore, as of December 31, 2020, the PRO net of recovery is $0.

The current PRO is based on an analysis performed in 2019. Based on test results received subsequent to year end, a new analysis will be performed in 2022 to provide a revised estimated environment liability and a revised expected recovery.

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’s water is the Technical Center. A majority of the Authority’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 the Authority's raw water supply.

T. POLLUTION REMEDIATION OBLIGATION (CONTINUED)

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. COVID-19 IMPACT

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, 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, revenues were down in 2020 and it is reasonably possible that revenues will continue to decline. It is unknown how long these conditions will last and what the complete financial effect will be to the Authority.

V. PENDING GOVERNMENT ACCOUNTING STANDARDS (GASB) STATEMENTS

The GASB has issued Statement No. 87, *"Leases."* This Statement is required to be adopted by the Authority for the year ending December 31, 2022. The Authority has not determined the effect of Statement No. 87 on the financial statements.

The GASB has issued Statement No. 91, *"Conduit Debt Obligations."* This Statement is required to be adopted by the Authority for the year ending December 31, 2022. The Authority has not determined the effect of Statement No. 91 on the financial statements.

The GASB has issued Statement No. 92, *"Omnibus 2020."* This Statement clarifies the effective date of Statement No. 87 and addresses other topics that are required to be adopted by the Authority for the year ended December 31, 2022. The Authority has not determined the effect of Statement No. 92 on the financial statements.

The GASB has issued Statement No. 93, *"Replacement of Interbank Offered Rates."* This Statement is required to be adopted by the Authority for the year ending December 31, 2022. The Authority has not determined the effect of Statement No. 93 on the financial statements.

The GASB has issued Statement No. 94, *"Public-Private and Public-Public Partnerships and Availability Payment Arrangements."* This Statement is required to be adopted by the Authority for the year ending December 31, 2023. The Authority has not determined the effect of Statement No. 94 on the financial statements.

V. PENDING GOVERNMENT ACCOUNTING STANDARDS (GASB) STATEMENTS (CONTINUED)

The GASB has issued Statement No. 96, *“Subscription- Based Information Technology Arrangements."* This Statement is required to be adopted by the Authority for the year ending December 31, 2023. The Authority has not determined the effect of Statement No. 96 on the financial statements.

The GASB has issued Statement No. 97, *“Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a suppression of GASB No. 32."* This Statement is required to be adopted by the Authority for the year ending December 31, 2022. The Authority has not determined the effect of Statement No. 97 on the financial statements.

W. ROUNDING

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

X. SUBSEQUENT EVENT

In August 2021, the Authority issued $4,645,000 Water System Revenue Refunding Bonds, Series 2021. This transaction refunded the callable portion of the Authority’s outstanding Series 2007 Bonds.

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 2019

	Year Ended December 31, 2020						
	General Fund	Debt Service Fund	Debt Service Reserve Fund	Bond Redemption and Improvement Fund	Net Investment in Capital Assets	2020 Total	2019 Summarized Total
Operating Revenues							
User charged	$ 15,626,025	$ -	$ -	$ -	$ -	$ 15,626,025	$ 17,290,961
Rental income	2,500	-	-	-	-	2,500	2,500
Miscellaneous	45,455	-	-	-	-	45,455	63,530
Total Revenues	15,673,980	-	-	-	-	15,673,980	17,356,991
Operating Expenses							
Cost of providing services	6,119,234	-	-	-	-	6,119,234	6,444,456
General and administrative	2,323,191	-	-	-	-	2,323,191	2,717,501
Depreciation	-	-	-	-	2,927,533	2,927,533	2,810,742
Operating income (loss)	7,231,555	-	-	-	(2,927,533)	4,304,022	5,384,292
Non-operating revenues (expenses)							
Connection fees	76,031	-	-	-	-	76,031	36,977
Investment income	100,237	-	-	-	-	100,237	322,115
Bond interest	(273,711)	-	-	-	(8,816)	(282,527)	(317,282)
Bond payments	(1,359,301)	-	-	-	1,359,301	-	-
Gain on disposal of assets	5,407	-	-	-	-	5,407	27,615
	(1,451,337)	-	-	-	1,350,485	(100,852)	69,425
Net increase (decrease) before transfers	5,780,218	-	-	-	(1,577,048)	4,203,170	5,453,717
Transfers between funds	(2,487,011)	(14,931)	(1,697)	-	2,503,639	-	-
Net increase (decrease) in net position	3,293,207	(14,931)	(1,697)	-	926,591	4,203,170	5,453,717
Net position (deficit), beginning of year	(19,236,840)	1,638,860	1,015,634	150,000	39,575,327	23,142,981	17,689,264
Net position (deficit), end of year	$ (15,943,632)	$ 1,623,929	$ 1,013,937	$ 150,000	$ 40,501,917	$ 27,346,151	$ 23,142,981
Analysis of net position (deficit), end of year							
Net investment in capital assets	$ -	$ -	$ -	$ -	$ 40,501,917	$ 40,501,917	$ 39,575,327
Restricted for capital projects and debt service	-	1,623,929	1,013,937	150,000	-	2,787,866	2,804,494
Unrestricted	(15,943,632)	-	-	-	-	(15,943,632)	(19,236,840)
	$ (15,943,632)	$ 1,623,929	$ 1,013,937	$ 150,000	$ 40,501,917	$ 27,346,151	$ 23,142,981

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

SCHEDULE OF APPROPRIATIONS COMPARED BUDGET
Years Ended December 31, 2020 and 2019

	2020 Budget (Unaudited)	2020 Actual	Over/ (under) (Unaudited)	2019 Actual
Revenues				
User charges	$ 17,542,672	$ 15,626,025	$ (1,916,647)	$ 17,290,961
Rental income	2,500	2,500	-	2,500
Miscellaneous	34,835	45,455	10,620	63,530
Investment	69,700	100,237	30,537	322,115
	17,649,707	15,774,217	(1,875,490)	17,679,106
Cost of providing services				
Personnel expenses				
Salaries - regular	3,154,594	2,450,807	(703,787)	2,719,541
Salaries - overtime	190,099	119,908	(70,191)	168,094
	3,344,693	2,570,715	(773,978)	2,887,635
Employee benefits				
Health benefits	2,128,886	1,446,141	(682,745)	949,901
Pension	450,000	(275,880)	(725,880)	(85,342)
Social Security	263,267	188,722	(74,545)	208,419
Unemployment	31,063	21,779	(9,284)	22,214
Workers' compensation	290,000	147,466	(142,534)	104,119
	3,163,216	1,528,228	(1,634,988)	1,199,311
Plant				
Chemicals and gases	600,000	252,448	(347,552)	358,754
Fuel oil	18,725	13,421	(5,304)	9,473
Gasoline	55,000	22,633	(32,367)	34,770
Miscellaneous	50,000	20,081	(29,919)	31,506
	723,725	308,583	(415,142)	434,503
Utilities				
Electricity	850,000	577,578	(272,422)	653,926
Gas	15,000	10,269	(4,731)	10,246
Sewerage	2,000	1,188	(813)	1,188
Telephone	21,000	7,717	(13,283)	14,831
	888,000	596,752	(291,248)	680,191
Taxes				
Real estate	157,442	149,619	(7,823)	143,129
State water	38,500	22,036	(16,464)	26,056
	195,942	171,655	(24,287)	169,184

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

SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET (CONTINUED)
Years Ended December 31, 2020 and 2019

	2020 Budget (Unaudited)	2020 Actual	Over/ (under) (Unaudited)	2019 Actual
Repairs and maintenance				
Building and grounds	154,997	96,711	(58,286)	91,134
Electrical	32,500	19,123	(13,377)	29,220
Machinery and equipment	50,000	23,978	(26,022)	23,436
Miscellaneous	11,000	6,744	(4,256)	2,596
Motor vehicle	80,000	66,220	(13,780)	78,341
Plumbing	35,000	4,153	(30,847)	2,925
Street opening	430,000	87,308	(342,692)	171,044
Uniforms	22,000	6,347	(15,653)	38,755
	815,497	310,584	(504,913)	437,451
Rental				
Construction equipment	8,200	-	(8,200)	-
Other	50,000	2,859	(47,141)	13,046
	58,200	2,859	(55,341)	13,046
Outside services				
Advertising	2,500	566	(1,934)	301
Engineering fees	30,000	19,237	(10,764)	12,467
General insurance	370,000	296,373	(73,627)	275,094
Laboratory	120,000	101,344	(18,656)	85,666
New Jersey Department of Environmental Protection	55,000	31,021	(23,979)	51,796
Other	250,000	171,195	(78,805)	172,583
	827,500	619,736	(207,764)	597,907
Training, travel and education				
Employee travel	3,500	-	(3,500)	313
Training	20,000	3,598	(16,403)	18,298
	23,500	3,598	(19,903)	18,611
Dues and subscriptions				
Books and publications	2,000	-	(2,000)	-
Dues	5,000	445	(4,555)	1,318
	7,000	445	(6,555)	1,318
Office supplies				
Office	5,700	3,953	(1,747)	4,984
Miscellaneous	2,500	1,856	(644)	277
Postage	1,500	270	(1,230)	37
Printing	1,000	-	(1,000)	-
	10,700	6,079	(4,621)	5,299
Total cost of providing services	10,057,973	6,119,234	(3,938,739)	6,444,456

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

SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET (CONTINUED)
Years Ended December 31, 2020 and 2019

	2020 Budget (Unaudited)	2020 Actual	Over/ (under) (Unaudited)	2019 Actual
General and administrative				
Personnel expenses				
Salaries - regular	1,069,013	887,856	(181,158)	999,537
Salaries - overtime	2,000	220	(1,780)	753
Board salaries	42,000	36,874	(5,126)	40,341
	1,113,013	924,949	(188,064)	1,040,631
Employee benefits				
Health benefits	602,509	319,388	(283,121)	212,383
Pension	170,225	(109,308)	(279,533)	(43,198)
Social security	88,205	68,337	(19,868)	72,949
Unemployment	10,498	8,509	(1,989)	8,797
	871,437	286,926	(584,511)	250,931
Operations				
Data processing	18,000	13,128	(4,872)	13,434
Janitorial	23,500	20,151	(3,349)	15,077
Office	17,500	14,714	(2,786)	15,007
Outside services	55,000	43,754	(11,246)	16,107
Postage	25,000	22,099	(2,901)	22,738
Printing	10,000	8,583	(1,418)	7,694
Professional fees	379,800	265,077	(114,723)	404,725
Telephone	35,000	24,055	(10,945)	27,976
Training	9,000	2,092	(6,909)	4,439
Travel	1,500	10	(1,490)	10
Utilities	63,500	43,150	(20,350)	45,491
	637,800	456,812	(180,988)	572,699
Repairs and maintenance				
Building and grounds	16,700	115	(16,585)	2,510
Machinery and equipment	12,800	8,347	(4,453)	7,508
Miscellaneous	1,000	286	(714)	-
Motor vehicle	1,000	-	(1,000)	150
	31,500	8,749	(22,751)	10,168

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
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SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET (CONTINUED)
Years Ended December 31, 2020 and 2019

	2020 Budget (Unaudited)	2020 Actual	Over/ (under) (Unaudited)	2019 Actual
Miscellaneous				
Administrative fees	70,000	56,043	(13,957)	60,219
Advertisement	4,000	3,677	(323)	654
Books and periodicals	3,500	531	(2,969)	1,715
Computer equipment maintenance	50,000	32,644	(17,356)	28,313
Membership dues	11,000	10,595	(405)	9,664
Miscellaneous	20,000	15,576	(4,424)	6,368
Municipal appropriation	712,301	548,746	(163,555)	709,091
Provision for (recovery of) doubtful accounts	5,000	(25,087)	(30,087)	24,531
Rentals	1,500	-	(1,500)	389
Software license fee	6,000	3,029	(2,971)	2,129
	883,301	645,755	(237,546)	843,072
Total general and administrative	3,537,051	2,323,191	(1,213,860)	2,717,501
Total cost of providing services and general and administrative expenses	13,595,024	8,442,425	(5,152,599)	9,161,957
Other costs funded by revenues				
Debt service				
Principal	1,359,301	1,359,301	-	1,325,580
Interest	279,560	273,711	(5,849)	308,466
	1,638,861	1,633,012	(5,849)	1,634,046
Total costs funded by operating revenues	$ 15,233,885	$ 10,075,437	$ (5,158,448)	$ 10,796,003

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

PERS - Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.0456340%	0.0426457%	0.0435267%	0.0508518%	0.0580285%	0.0598073%
Authority's proportionate share of net pension liability	$ 7,441,713	$ 7,684,107	$ 8,570,190	$ 11,837,496	$ 17,186,380	$ 13,425,530
Authority's covered-employee payroll	3,263,087	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	228.06%	235.73%	285.99%	383.15%	452.27%	325.31%
Total pension liability	17,936,246	17,694,323	18,469,063	22,808,255	28,709,430	25,782,657
Plan fiduciary net position	10,494,533	10,010,216	9,898,873	10,970,759	11,523,050	12,357,126
Plan fiduciary net position as a % of total pension liabi	58.51%	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 six years of data are available at this time.

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

SCHEDULE OF CONTRIBUTIONS – PERS – LAST TEN YEARS

PERS - Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 499,213	$ 414,817	$ 667,152	$ 697,390	$ 754,799	$ 797,999
Contributions in relation to the contractually required contribution	499,213	414,817	667,152	697,390	754,799	797,999
Authority's covered-employee payroll	3,263,087	3,259,697	2,996,692	3,089,543	3,800,042	4,126,964
Contributions as a % of covered-employee payroll	15.30%	12.73%	22.26%	22.57%	19.86%	19.34%

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 six years of data are available at this time.

Changes in Benefit Terms

None.

Changes in Assumptions

For 2020, the discount rate changed to 7.00% and the long-term expected rate of return remained at 7.00%. 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)(1, 7) pay limit was set at $265,000 for 2015, increasing 3.00% per annum, compounded annually.

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

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

	2020	2019	2018	2017	2016
Authority's proportion of the net OPEB liability	0.114204%	0.101045%	0.108146%	0.103892%	0.112704%
Authority's proportionate share of the net OPEB liability	$ 20,495,750	$ 13,687,628	$ 16,942,821	$ 24,476,451	$ 21,210,371
Authority's covered payroll (plan measurement period)	3,263,087	3,259,697	2,996,692	3,089,543	3,800,042
Authority's proportionate share of the net OPEB liability as a percentage of covered- employee payroll	628.11%	419.90%	565.38%	726.34%	593.72%
Plan fiduciary net position as a percentage of the total pension liability	0.91%	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 five years of data are available at this time.

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

SCHEDULE OF CONTRIBUTIONS
Year Ended December 31, 2020

	2020	2019	2018	2017	2016
Contractually required contribution	$ 1,868,907	$ 1,938,400	$ 2,219,784	$ 2,212,776	$ 2,225,116
Contribution in relation to the contractually required contribution	(1,868,907)	(1,938,400)	(2,219,784)	(2,212,776)	(2,225,116)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 3,263,087	$ 3,259,697	$ 2,996,692	$ 3,089,543	$ 3,800,042
Contributions as a percentage of the Authority's covered payroll	57.27%	59.47%	74.07%	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 five years of data are available at this time.

Changes in Benefit Terms

None.

Changes in Assumptions

The discount rate changed from 3.50% as of June 30, 2019, to 2.21% as of June 30, 2020.

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"), a component unit of the City of Atlantic City, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated March 10, 2022.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Mercadien, P.C.
Certified Public Accountants

March 10, 2022

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

SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS
Year Ended December 31, 2020

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, 2020

None reported.