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

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

December 31, 2021

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

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Mercadien, P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Audited Financial Statements

Opinion

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, 2021 and 2020, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

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, 2021 and 2020, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, will always detect a material misstatement when it exists.

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Auditors' Responsibilities for the Audits of the Financial Statements (Continued)
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 audits 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 other supplementary information, as listed in table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information, except for the part marked "unaudited", has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the part marked "unaudited", the other supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated January 23, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mercadien, P.C.
Certified Public Accountants

January 23, 2023

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 ***statement 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 ***statement 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 ***statement 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.

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 $83,224,642 and exceeded liabilities and deferred inflows in the amount of $32,753,828 (i.e., net position). Total assets increased by $3,411,765. The total net position increased by $5,407,677.
- Net pension liability under Government Accounting Standard Board (GASB) Statement 68 was $5,532,565 in 2021, a decrease of $1,909,148 from 2020.
- Post-employment benefits other than pensions (OPEB) liability under GASB statement 75 was $20,123,215 in 2021, a decrease of $372,535.
- For the fiscal year 2021, the Authority pumped approximately 3,021 million gallons of water, compared to 2,765 million gallons of water in 2020.
- Operating revenues were $16,605,612 compared to $15,673,980 in 2020, increase of $931,632
- Operating expenses (excluding depreciation) were $197,496 less than last year.
- Operating income for the year was $5,311,807.
- Connection fee income was $416,371 compared to $76,031 in 2020.
- Actual investment income was $30,435, a $69,802 decrease over 2020.

The unprecedented Covid 19 pandemic affected the Authority's water demand in 2020 and pumped 15% less prior to the pandemic year 2019. As the economy continues to recover to pre-pandemic levels, the Authority also experienced increased water demand, especially from commercial customers. In 2021, the Authority pumped 3,021 million gallons of water, a 9% increase from 2020. Operating revenue increased by 6% in 2021. The two percent rate increase in the flat fee became effective in 2021, which partially contributed to the increase. Operating expenses decreased in 2021 primarily due to recording lower health expenses and pension expenses (as required under GASB Statements 68 and 75).

MANAGEMENT'S ANALYSIS OF FINANCIAL POSITION (CONTINUED)

CONDENSED COMPARATIVE STATEMENT OF NET POSITION

Explanations for material fluctuations are as follows:

Total Current Assets- Total Current Assets for 2021 totaled $22,136,099 compared to $ 20,077,705 in 2020. The increase amounted to $2,058,394 and resulted primarily from an increase in Accounts Receivable and Cash and Investment. The governor's executive order for utilities to halt shut-off and tax sale lien for nonpayment from March 2020 through March 2022 resulted in an increase in Accounts Receivable. The available fund from liquidated investments will help fund the Authority's major capital projects.

Total Restricted Assets- Total Restricted Assets totaled $2,057,831 in 2020 compared to $2,787,867 in 2019. The decrease amounted to $730,036 due to the lower debt reserve requirement.

Net Capital Assets – Net Capital Assets for 2021 totaled $50,818,791 compared to $48,735,385 in 2020. This increase of $2,083,406 resulted from an increase in capital additions and Construction in Progress, offset by accumulated depreciation of $3,048,876.

Total Current Liabilities Payable From Unrestricted Assets - Total Current Liabilities Payable from Unrestricted Assets for 2021 totaled $3,335,459 compared to $2,050,384 in 2020. The increase amounted to $1,285,074 and resulted primarily from a higher amount in liabilities owed to vendors at year-end. Higher employer pension contributions payable also added to the increase. The lower recognition of accrued payroll and taxes, unearned revenue, and prepaid user charges offset the increase

Total Current Liabilities Payable From Restricted Assets - Total Current Liabilities Payable from Restricted Assets for 2021 totaled $1,133,137 compared to $1,415,634 in 2020, a decrease of $282,497. The current principal payment in 2021 was approximately $268,800 lower than in 2020. The recognition of lower accrued interest due at year-end also contributed to the decrease.

Total Long-Term Liabilities Payable from Restricted Assets- Total Long-Term Liabilities Payable for 2021 totaled $31,864,425 compared to $35,190,013 in 2020. This significant decrease was in large part due to the reporting of the Authority's proportionate share of Net Pension Liability and OPEB liability. A decrease of $1,003,810 in Long Term Debt also contributed to the decrease. The Authority reported a Net Pension Liability of $5,532,565 in 2021 per the state's GASB 68 report, a decrease of $1,909,148 from 2021. The Authority 's OPEB liability in 2021 was $20,123,21 per the state's GASB 75 report, compared to $20,495,750 in 2020, a decrease of $372,535.

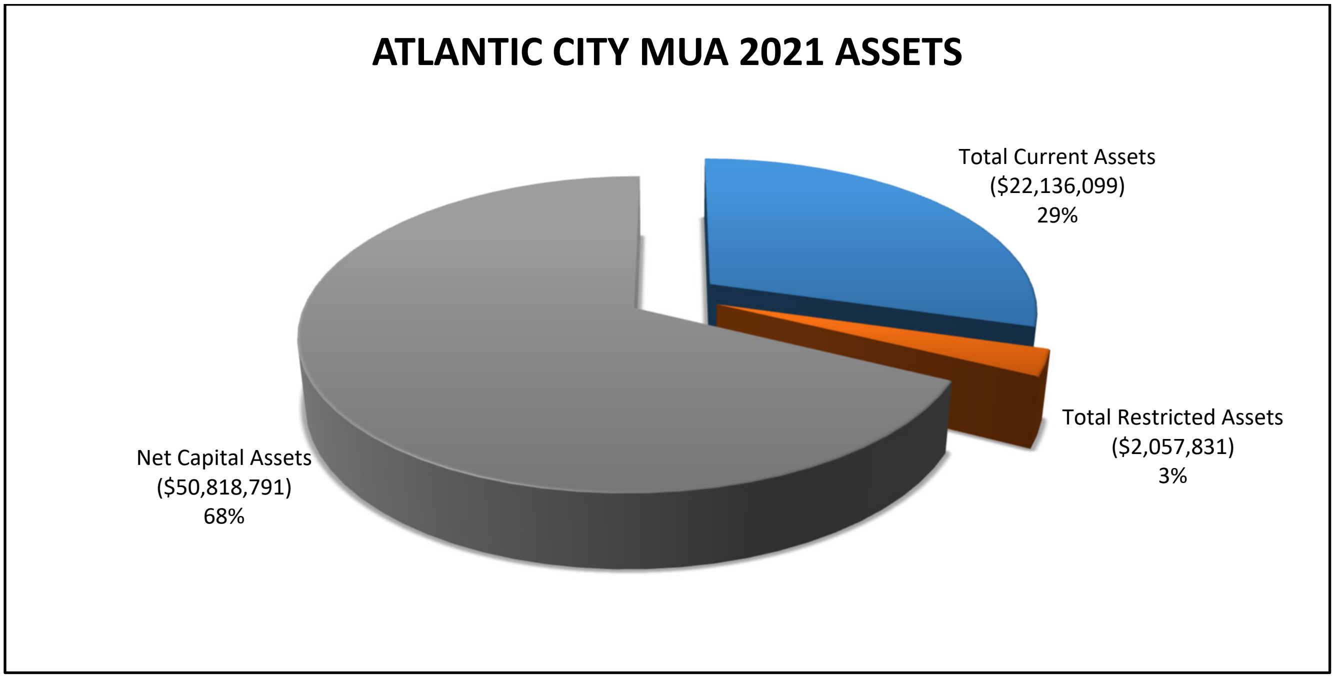
MANAGEMENT'S ANALYSIS OF FINANCIAL POSITION (CONTINUED)

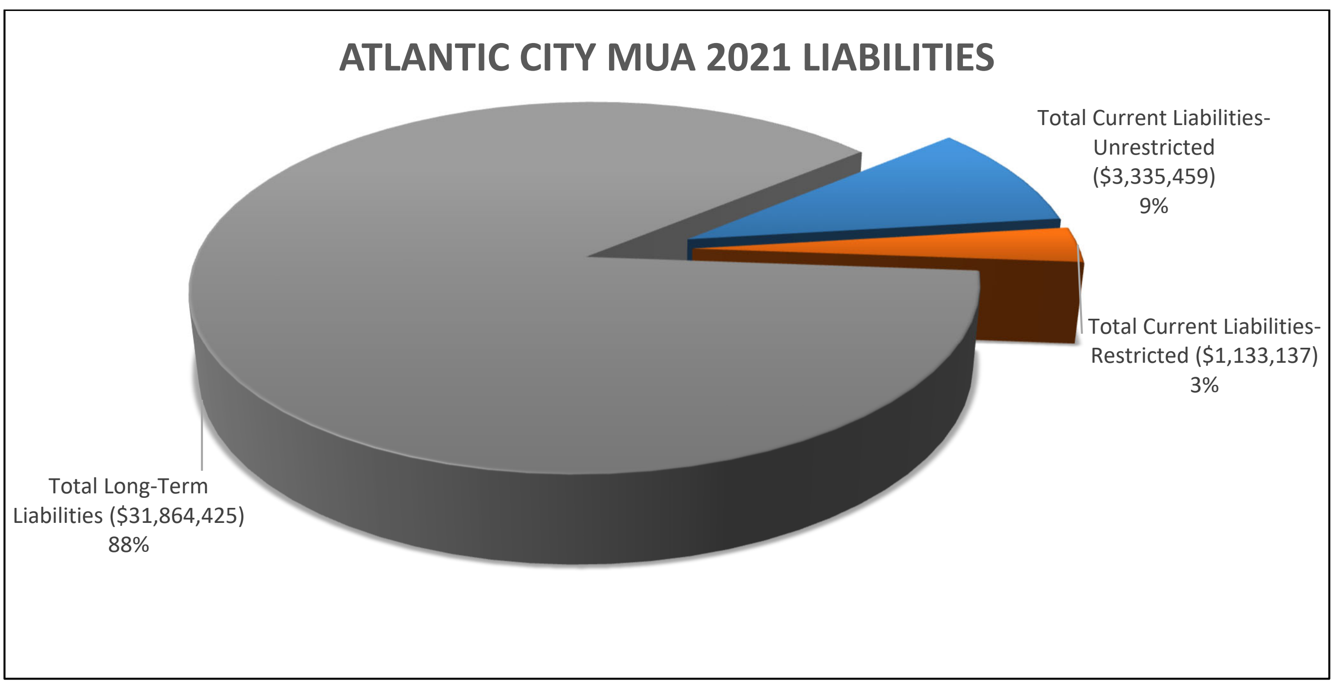
CONDENSED COMPARATIVE STATEMENT OF NET POSITION (CONTINUED)

	December 31, 2021	December 31, 2020	December 31, 2019	$ Change 2020-2021	% Change 2020-2021
Total Current Assets	$22,136,099	$20,077,705	$17,801,030	$ 2,058,394	10.3%
Total Restricted Assets	2,057,831	2,787,867	2,807,982	(730,036)	-26.2%
Net Capital Assets	50,818,792	48,735,385	49,161,640	2,083,407	4.3%
Total Assets	75,012,721	71,600,956	69,770,652	3,411,765	4.8%
Loss on Refunding of Long-Term Debt	-	73,764	82,580	(73,764)	-100.0%
Related to Pensions	1,262,565	1,672,900	1,393,648	(410,335)	-24.5%
Related to OPEB	6,949,356	7,704,016	1,727,267	(754,660)	-9.8%
Total Deferred Outflows of Resources	8,211,921	9,450,680	3,203,495	(1,238,759)	-13.1%
Total Current Liabilities - Unrestricted	3,335,453	2,050,384	2,083,127	1,285,069	62.7%
Total Current Liabilities - Restricted	1,133,138	1,415,635	1,398,092	(282,497)	-20.0%
Total Long-Term Liabilities	31,864,425	35,190,013	30,021,624	(3,325,588)	-9.5%
Total Liabilities	36,333,016	38,656,033	33,502,843	(2,323,016)	-6.0%
Related to Pensions	4,166,692	4,495,700	4,856,546	(329,008)	-7.3%
Related to OPEB	9,971,107	10,553,753	11,471,777	(582,646)	-5.5%
Total Deferred Inflows of Resources	14,137,799	15,049,453	16,328,323	(911,654)	-6.1%
Net Investment in Capital Assets	43,797,867	40,501,917	39,575,327	3,295,950	8.1%
Restricted for Capital Projects and Debt Service	2,057,830	2,787,866	2,804,494	(730,036)	-26.2%
Unrestricted	(13,101,870)	(15,943,632)	(19,236,840)	2,841,762	-17.8%
Total Net Position	$32,753,827	$27,346,151	$23,142,981	$ 5,407,676	19.8%

MANAGEMENT'S ANALYSIS OF FINANCIAL POSITION (CONTINUED)

CONDENSED COMPARATIVE STATEMENT OF NET POSITION (CONTINUED)





MANAGEMENT'S ANALYSIS OF FINANCIAL POSITION (CONTINUED)

CONDENSED COMPARATIVE STATEMENT OF CASH FLOWS

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

	December 31, 2021	December 31, 2020
Total Operating Revenues	$16,605,612	$15,673,980
Net Cash Provided by Operating Activities	$ 6,934,352	$ 5,821,540
Net Operating Cash as a Percentage of Operating Revenue	41.76%	37.14%

2021 Net Cash Provided by Operating Activities as Compared to 2020
Net cash provided by operating activities increased by 19%. This increase resulted primarily from a decrease in vendor payments throughout 2021 due to recognizing higher accounts of the change in the outstanding amount owed to vendors at year-end than in 2020. Also contributing to this increase was the receipt of higher connection fee income and additional cash from customers. These factors were partially offset by cash paid to employees due to higher health benefits and pension costs.

MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION:

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

Total Revenues (excluding connection fees) for 2021 were $16,636,048 compared to $15,774,217 in 2020. Total revenues increased by 5%. Operating expenses for 2021 totaled $13,274,424 compared to $11,369,958 in 2020. Total operating expenses increased by 17%. Explanations of the fluctuations are as follows:

Operating Revenues - Operating Revenues for 2021 totaled $16,605,612 compared to $15,673,980 in 2020. The increase of $931,632 in revenue recognized during the year resulted primarily from the increase in commercial water usage as the economy continued to recover from the Covid-19 pandemic throughout the year. The rate increase that went into effect in 2021 and the increase in miscellaneous revenue also contributed to the increase.

Connection Fee Income - Connection Fee income for 2021 totaled $416,371 compared to $76,031 in 2020. There were few new constructions in the City in 2021.

MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION (CONTINUED)

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

Investment Income – Investment Income for 2021 totaled $30,435 compared to $100,237 in 2020. This decrease was due to the ongoing decline in interest rates following the Covid-19 pandemic.

Salaries Expense - Salaries Expenses for 2021 totaled $3,332,661 compared to $3,495,665 in 2020. The decrease amounted to $163,004, primarily resulting from a few vacant positions from resigned or retired employees during the year.

Employee Benefits - Employee Benefits for 2021 totaled $777,367 compared to $1,815,154 in 2020. The decrease in employee benefits expenses amounted to $1,037,788. This significant decrease was primarily due to less net pension and OPEB expenses reported per GASB 68 and 75 in 2021 compared to 2020.

Repairs and Maintenance - Repairs and Maintenance expenses for 2021 totaled $537,074 compared to $319,332 in 2020. Due to colder temperatures, more street opening jobs were opening to repair water main breaks. The Authority experienced an increase of $217,742 in repair and maintenance.

Miscellaneous Expenses - Miscellaneous Expenses for 2021 totaled $3,597,827 compared to $2,812,274 in 2020. The increase for the year was $785,553 and resulted from fluctuations in various accounts, including chemical and gases, gasoline, electricity, engineering fees, general insurance, other outside services, professional fees, etc. Chemical and gases increased significantly due to the purchase and replacement of Granulated Active Carbon (GAC) Filters utilized during the water treatment process. The Authority spent approximately $730,000 on GAC filters to treat PFAS chemicals. Gasoline expenses increased due to higher market prices. Electricity expenses increased as more water was pumped during the year. Water demand picked up when the economy recovered slowly from the pandemic. The Authority also paid more for other outside professional services such as engineering fees and general insurance, NJ DEP fees, and Other outside services in 2021.

Depreciation Expense - Depreciation Expense for 2021 totaled $3,048,876 compared to $2,927,533 in 2020. The depreciation expense recorded on assets placed in service and purchased during the year contributed to the increase, partially offset by a decline in expense for fully depreciated assets during the year.

Interest Expenses – Interest Expenses for 2021 totaled $374,511 compared to $282,527 in 2020. An increase in interest expense was recognized for the year due to recording bond issue costs and interest related to refinancing the 2007 Refunding Bond. Credits on 2009A and 2010A New Jersey Infrastructure Bank (NJIB) loans due to de-obligation of these NJIB loans in 2016 partially offset the increase. The Authority made the last principal and interest payment on the 2012 Refunding Bond during the year.

MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION (CONTINUED)

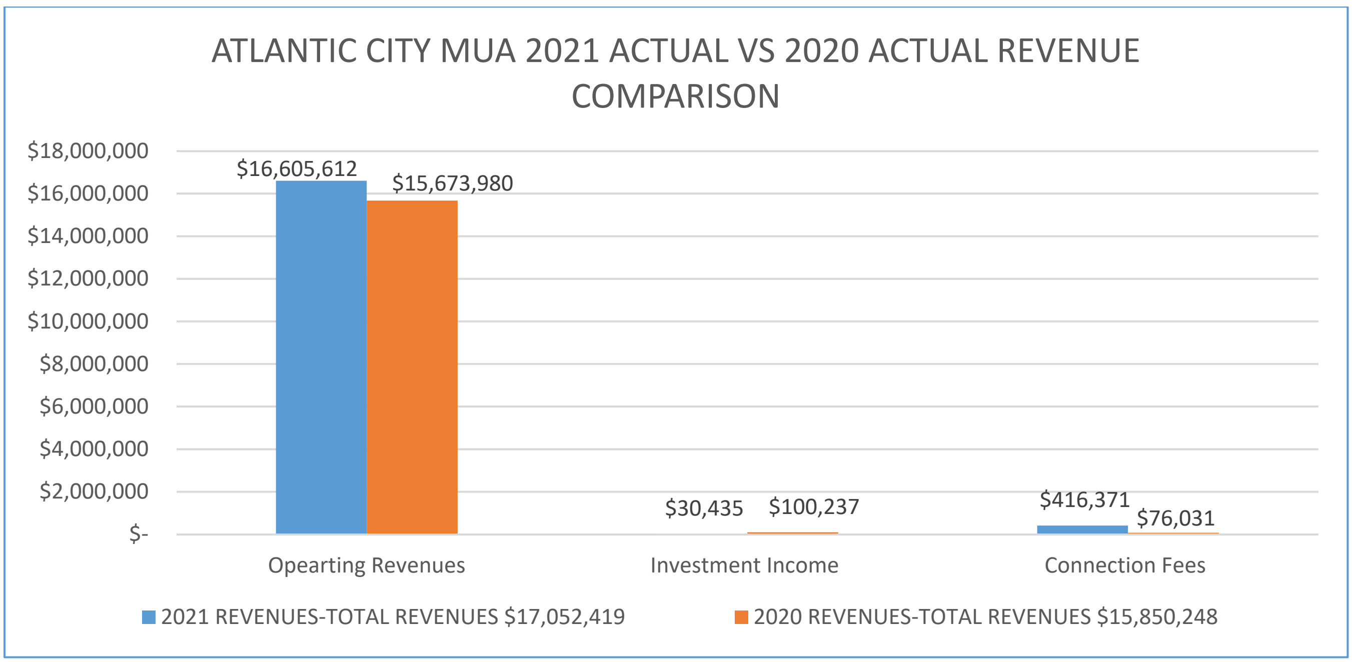
CONDENSED COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)

	December 31, 2021	December 31, 2020	December 31, 2019	$ Change 2020-2021	% Change 2020-2021
Total Operating Revenues	$ 16,605,612	$ 15,673,980	$17,356,991	$ 931,632	5.9%
Operating Expenses:					
Total Salaries Expense	(3,332,661)	(3,495,665)	(3,928,266)	(163,004)	-4.7%
Total Employee Benefits	(777,367)	(1,815,154)	(1,450,242)	(1,037,787)	-57.2%
Total Repairs and Maintenance	(537,074)	(319,332)	(447,619)	217,741	68.2%
Total Other Expenses	(3,597,827)	(2,812,274)	(3,335,830)	785,553	27.9%
Depreciation	(3,048,876)	(2,927,533)	(2,810,742)	121,343	4.1%
Total Operating Expenses	(11,293,805)	(11,369,958)	(11,972,699)	(76,153)	-0.7%
Non-Operating Revenues (Expenses):					
Connection Fees	416,371	76,031	36,977	340,340	447.6%
Investment Income	30,435	100,237	322,115	(69,802)	-69.6%
Bond Interest	(374,511)	(282,527)	(317,282)	91,984	32.6%
Gain on Disposal of Assets	23,574	5,407	27,615	18,167	336.0%
Total Non-Operating Revenues (Expenses)	95,869	(100,852)	69,425	196,721	-245.3%
Changes in Net Position	5,407,676	4,203,170	5,453,717	1,204,506	28.7%
Net position, beginning of year	27,346,151	23,142,981	17,689,264	4,203,170	18.2%
Net position, end of year	$ 32,753,827	$ 27,346,151	$23,142,981	$ 5,407,676	19.8%

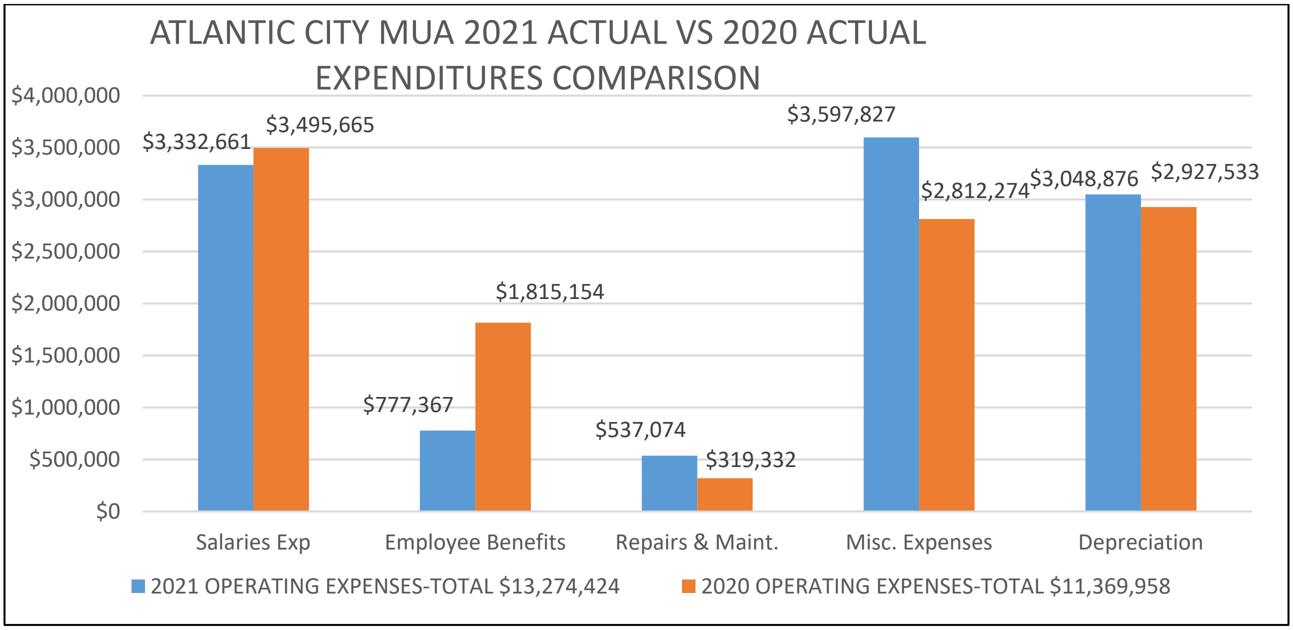
MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION (CONTINUED)

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

	December 31, 2021	%	December 31, 2020	%	December 31, 2019	%
Operating Expenses:						
Salaries Expense	$ 3,332,661	29.5%	$ 3,495,665	30.7%	$ 3,928,266	33%
Employee Benefits	777,367	6.9%	1,815,154	16.0%	1,450,242	12%
Repairs and Maintenance	537,074	4.8%	319,332	2.8%	447,619	4%
Other Expenses	3,597,827	31.9%	2,812,274	24.7%	3,335,830	28%
Depreciation	3,048,876	27.0%	2,927,533	25.7%	2,810,742	23%
Total	$11,293,805	100%	$11,369,958	100%	$11,972,699	100%



MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION (CONTINUED)



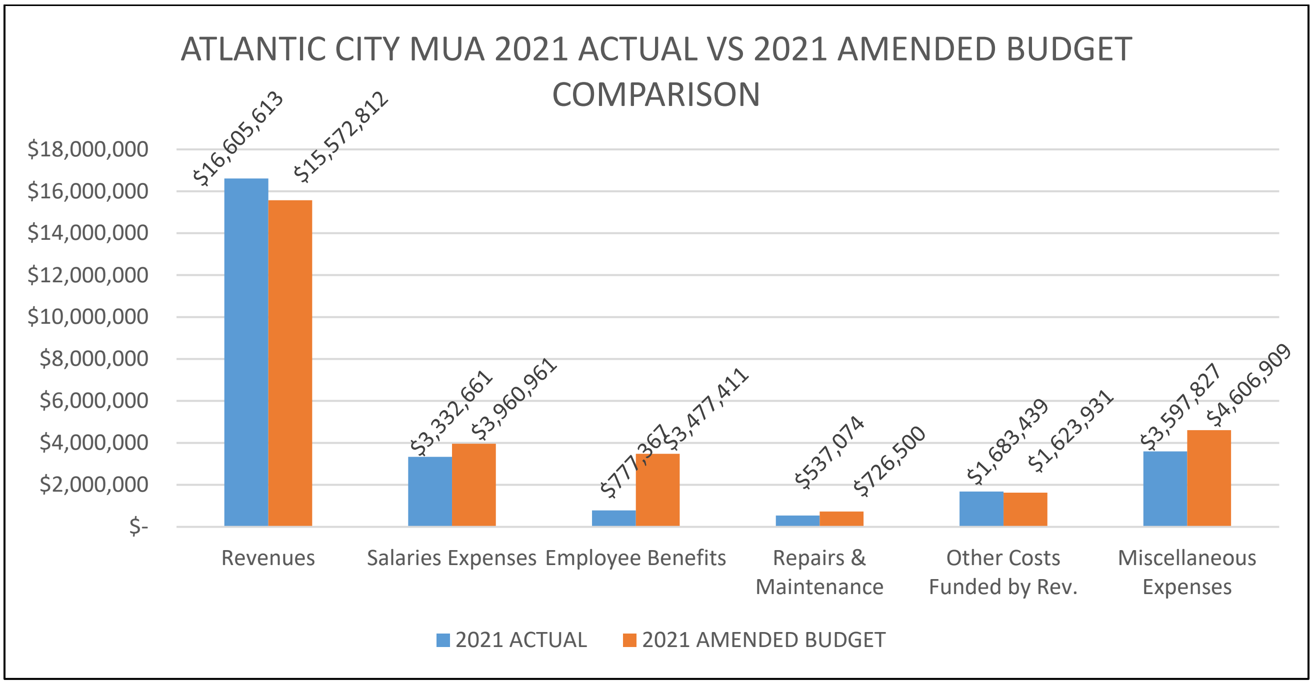
CONDENSED SCHEDULE OF APPROPRIATIONS COMPARED TO AMENDED BUDGET

Total operating revenues for 2021 amounted to $16,605,612 compared to budgeted revenues of $15,572,812. Revenues include those from all sources except connection fee revenues and investment income. Actual revenues were 6.6% higher than the anticipated budget amount, primarily from the recognition of higher user fees than anticipated. The Authority recognized higher user fees from commercial customers as businesses started to open fully after the unprecedented Covid-19 pandemic sooner than anticipated. Miscellaneous income was higher than anticipated due to the increased fees from Atlantic City Sewerage Company for meter records information exchange. The successful auction of retired or discontinued vehicles and equipment at higher-than-anticipated prices also contributed to the increase in miscellaneous income. Expenses from administration and operations for 2021 totaled $8,244,929 compared to budgeted expenses of $12,771,781. The actual expenses for 2021 were $4,526,852 less than the projected expenditures. Some of the larger fluctuations fell in the categories of Salaries, Employee Benefits, Municipal Appropriation, Utilities, Chemicals and Gases, Repairs and Maintenance, and Other Outside Services expenses. Salaries Expense was lower than the projected budget. The Authority could not replace a few positions that were left vacant due to resignation in 2021. Employee Benefits were lower than the projected budget primarily from recording a significant decrease in pension and health benefit cost, as reported 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 since the Authority paid the maximum 5% of the annual costs of operation based on the actual annual cost instead of the budgeted amount. Utilities expenses were less than budgeted due to lower-than-expected electric supplier rates. Chemical and gas expenses were lesser than the budget due to the lower use of chemicals than anticipated in the water treatment process. Repairs and Maintenance were anticipated to be higher due to unexpected winter weather. Lower professional fees such as special and bond counseling and fewer miscellaneous services contributed to lower than expected other outside services expenses.

MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION (CONTINUED)

CONDENSED SCHEDULE OF APPROPRIATIONS COMPARED TO AMENDED BUDGET (CONTINUED)

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



MANAGEMENT'S ANALYSIS OF 2021 CAPITAL ASSETS & LONG-TERM DEBT ACTIVITY

Capital Assets

Total capital assets increased by approximately $4,888,036 during 2021. Property and equipment in-service increased by $1,627,321 in 2021. The 2021 additions and the transfer of assets from construction in progress impacted the increases. The construction projects include the Water Main Replacement, the Cradle Rehabilitation, and a temporary project for PFAS Treatment.

MANAGEMENT'S ANALYSIS OF 2021 CAPITAL ASSETS & LONG-TERM DEBT ACTIVITY (CONTINUED)

Capital Assets (Continued)

	December 31, 2021	December 31, 2020	December 31, 2019
Treatment and Distribution Facilities	$ 108,467,971	$ 107,118,876	$ 104,871,746
Land and Land Improvements	1,811,009	1,811,009	1,811,009
Equipment and Vehicles	6,372,067	6,089,485	5,955,049
Office Building	3,877,030	3,877,030	3,877,030
Furniture and Fixtures	489,159	493,514	459,860
Construction in Progress	3,391,337	130,621	289,999
Total Assets	$ 124,408,573	$ 119,520,535	$ 117,264,693

Long-Term Debt

At the end of the current fiscal year, the Authority had total bonded debt outstanding of $7,001,597.

	2021	**2020**	**2019**
Revenue Bonds	$4,645,000	$5,345,000	$6,125,000
New Jersey Infrastructure Bank Loans	$2,356,597	$2,929,289	$3,508,590

OTHER SELECTED INFORMATION

Selected Data for Analysis	**2021**	**2020**	**Change Amount**	**Change %**
Employees at Year End (Excluding Board)	66	65	1	1.5%
Number of Customers at Year End	8,199	8,166	33	0.40%
Water Pumped (Millions of Gallons)	3,021	2,765	256	9.0%
Revenues per 1,000 Gallons Pumped	$5.5	$5.7	$(0.2)	(3.5%)
Expenses per 1,000 Gallons Pumped:				
Expenses Excluding Depreciation	$2.7	$3.4	$(0.4)	0%
Total Operating Expenses	$3.7	$4.1	$(0.4)	0%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors and Customer Base

Over the last two decades, the Authority's water demand has shown a steady and continual decline. This change may be attributed to two primary factors, the increasing promotion and use of water conservation practices and a decrease in customer base. .

The customer base was negatively impacted by the closing of underperforming casino hotels and the removal of abandoned and demolished housing units. Atlantic City currently has nine casino resort hotels, down from a high of twelve in 2006. The loss in 2017 of bulk purchases by New Jersey American Water also decreased water sales significantly.

In recent years, the trend had begun to reverse with the re-opening of the two shuttered casinos, Ocean Resort (former Revel) and Hard Rock (former Taj Mahal), and the opening of the Stockton University's Atlantic City campus. Atlantic City's economy was experiencing rapid growth, which reflected positively in the Authority's revenue. However, the COVID-19 public safety measures instituted during the pandemic caused businesses to shut down and severely impacted the Authority's commercial and industrial customer base. Consequently, a reduction in the Authority's 2021 water revenue is reflected in its 2021 budget, given the uncertainty as to when the pandemic would end. However, it is anticipated that the Authority's water usage will improve as the casinos and businesses in the City slowly return to pre-pandemic water consumption.

Redevelopment in Atlantic City that was on hold or delayed due to the pandemic is now moving forward and should positively impact the Authority's future revenue. More specifically, the second phase of the Stockton University Atlantic City Campus construction project has started and is scheduled to be completed in 2023. Additionally, AtlantiCare's New Medical Arts Pavilion is anticipated to open in the Fall of 2022. The groundbreaking of the new ShopRite Supermarket was done in 2021, but currently, there is no indication of the date it will be completed. Also, Showboat broke ground on its 103,000square foot year-round indoor waterpark and is anticipated to open by Memorial Day Weekend 2023. Two prospective developments, the re-opening of the Atlantic Club casino hotel and Bader Field redevelopment also provides foreseeable additional revenue to the Authority. Moreover, all nine Atlantic City casinos are investing hundreds of millions of dollars in renovation projects to diversify the entertainment offerings and amenities to attract new visitors. The Authority anticipates increased water usage for all of the aforementioned development efforts, resulting in additional revenue to the Authority in the near future.

2022 Budget

The 2022 proposed budget is fully funded, providing for the continuation of all of the Authority's major operations. The Authority expects an increase of 8.3% in total user water charges in 2022. Revenues from Business/Commercial users are expected to increase by 20% compared to the 2021 Budget. This increase will result from the increase in the annual rate of 5% in the flat rate and 2% in the excess rate. The Authority expects an increase in billable water usage by 10% compared to the 2021 Budget as businesses are opening at full capacity post-Covid-19 pandemic. The proposed total net appropriations for 2022 are anticipated to increase by 8.5% in 202 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 base rate and the excess water rate. The Authority rates are structured to ensure that projected revenues will be sufficient to cover the year's anticipated appropriations. In 2020, the Authority increased its excess rate for all customers by 2%. The flat charge for residential customers remained the same at $61.00 per quarter in 2020. In 2021 flat rate increased by 2%, while the excess rate remained the same at $3.762 per 100 cubic feet for all customers. The residential flat rate increased to $62.25 per quarter from $61.00. Effective January 1, 2022, the Authority increased its flat rate by approximately 5% and 2% in the excess rate for all customers. The residential flat rate will increase to $65.50 per quarter from $62.25 per quarter. Residential customers that will exceed the quarterly allowed allotment of 2500 cubic feet will be charged an excess rate of $3.837 per 100 cubic feet. The 2021 connection fee rate was $20.6188 per gallon per day. For 2022 the connection fee rate increased to $22.3479 per gallon per day. Any additional revenue generated from the connection fee or water usage from the new or proposed development projects will be utilized to fund the necessary capital improvements.

Legislation with Potential Impact on the Authority

The New Jersey Department of Environmental Protection (NJDEP) adopted the Per-and Polyfluoroalkyl Substance (PFAS) regulation on June 1, 2020. PFAS contamination in the Authority's water reserves arises from the Federal Aviation Administration conducting tests of fire-fighting foams at its Technical Center in Pomona. The contamination occurred over several decades, with residuals entering groundwater supplies. The Authority faced challenges to remain below the MCL levels established by the New Jersey Department of Environmental Protection (NJDEP).

After consulting with several consultants beginning in 2018, the Authority engaged an engineering consultant and developed a temporary solution and/or interim treatment techniques to mitigate or eliminate customer exposure to regulated PFAS contaminants. The Authority purchased fifty thousand pounds of Virgin Filtrasorb 400 Granular Activated Carbon (GAC) to replace existing GAC for five (5) filter beds at the treatment plant. The Authority also successfully installed three (3) pairs of Carbon Vessels at three (3) of the Authority's wells containing the highest levels of PFAS located at the FAA Technical Center. These temporary treatment techniques have been successful in achieving undetectable levels of PFAS in the Authority's water production.

Per the engineering consultant report, the Rehabilitation of the Existing Pleasantville Water Treatment Plant (PWTP) is the most efficient use of resources and the most cost-effective alternative for taxpayers for a permanent solution to maintain undetectable levels of PFAS in the water system. It is estimated that the Rehabilitation of the Existing PWTP will cost approximately 120 million dollars in capital construction costs, including an allowance of 20% engineering and project administration costs. Currently, the Authority is seeking financial assistance from the State and Federal agencies for grants and principal forgiveness loans or low-interest rate loans from New Jersey Infrastructure Bank. The Authority may also seek the assistance of the Atlantic County Improvement Authority as part of its strategy to redevelop the treatment plant.

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 interested in the Authority'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, 2021	December 31, 2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents	$ 5,392,460	$ 2,139,716
Accounts receivable, net of allowance for doubtful accounts of $91,122 and $99,924	1,862,402	1,190,827
Investments	14,437,770	16,275,879
Inventories	346,122	395,463
Prepaid expenses	96,555	75,820
Accrued interest receivable	790	-
Total Current Assets	22,136,099	20,077,705
Noncurrent Assets		
Restricted Assets		
Investments	2,057,831	2,787,867
Total Restricted Assets	2,057,831	2,787,867
Capital Assets		
Land and land improvements	1,811,009	1,811,009
Construction in progress	3,391,337	130,621
Other capital assets, net of depreciation	45,616,446	46,793,755
Total Capital Assets	50,818,792	48,735,385
Total Noncurrent Assets	52,876,623	51,523,252
Total Assets	75,012,721	71,600,956
Deferred Outflows of Resources:		
Loss on refunding of long-term debt	-	73,764
Related to pensions	1,262,565	1,672,900
Related to other post-employment benefits	6,949,356	7,704,016
Total Deferred Outflows of Resources	8,211,921	9,450,680
Total Assets and Deferred Outflows of Resources	$ 83,224,642	$ 81,051,636

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

STATEMENTS OF NET POSITION (CONTINUED)

	December 31, 2021	December 31, 2020
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities Payable from Unrestricted Assets		
Accounts payable	$ 1,761,217	$ 367,549
Employer pension contributions payable	546,936	499,213
Accrued payroll and payroll liabilities	55,817	180,677
Prepaid user charges	63,791	76,456
Unearned revenue	907,692	926,490
Total Current Liabilities Payable from Unrestricted Assets	3,335,453	2,050,384
Current Liabilities Payable from Restricted Assets		
Accrued interest payable	19,328	32,943
Current portion of long-term debt	1,113,810	1,382,692
Total Current Liabilities Payable from Restricted Assets	1,133,138	1,415,635
Noncurrent Liabilities		
Compensated absences	320,858	360,953
Long-term debt, net of current portion	5,887,787	6,891,597
Net pension liability	5,532,565	7,441,713
Net OPEB liability	20,123,215	20,495,750
Total Noncurrent Liabilities	31,864,425	35,190,013
Total Liabilities	36,333,016	38,656,033
Deferred Inflows of Resources		
Related to pensions	4,166,692	4,495,700
Related to other post-employment benefits	9,971,107	10,553,753
Total Deferred Inflows of Resources	14,137,799	15,049,453
Net Position (Deficit)		
Net investment in capital assets	43,797,867	40,501,917
Restricted for capital projects and debt service	2,057,830	2,787,866
Unrestricted (Deficit)	(13,101,870)	(15,943,632)
Total Net Position	32,753,827	27,346,151
Total Liabilities, Deferred Inflows of Resources, and Net Postion	$ 83,224,642	$ 81,051,636

See notes to financial statements.

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

STATEMENTS REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31, 2021	Years Ended December 31, 2020
Operating Revenues		
User charges	$ 16,501,109	$ 15,626,025
Rental income	2,500	2,500
Miscellaneous	102,003	45,455
Total Operating Revenues	16,605,612	15,673,980
Operating Expenses		
Cost of providing services	6,125,962	6,119,234
General and administrative	2,118,967	2,323,191
Depreciation	3,048,876	2,927,533
Total Operating Expenses	11,293,805	11,369,958
Operating Income	5,311,807	4,304,022
Non-Operating Revenues (Expenses), Net		
Connection fee	416,371	76,031
Investment income	30,435	100,237
Bond interest	(374,511)	(282,527)
Gain on disposal of assets	23,574	5,407
Total Non-Operating Revenues (Expenses), Net	95,869	(100,852)
Changes in net position	5,407,676	4,203,170
Net position, beginning of year	27,346,151	23,142,981
Net position, end of year	$ 32,753,827	$ 27,346,151

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

STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipt from customers	$ 15,798,078	$ 15,270,829
Receipt from others	104,503	47,955
Payments to employees and related benefits	(5,860,864)	(5,667,723)
Payments to suppliers and vendors for goods and services	(3,107,365)	(3,829,521)
Net cash from operating activities	6,934,352	5,821,540
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(5,064,562)	(2,504,903)
Receipts from sale of capital assets	25,560	9,033
Receipts from NJIB	3,488	3,488
Connection fees	416,371	76,031
Interest paid on debt	(277,562)	(279,559)
Principal paid on debt	(1,382,692)	(1,359,301)
Net cash from capital and related financing activities	(6,279,397)	(4,055,212)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	29,645	162,133
Transferred to investments	2,568,144	(1,812,779)
Net cash from investing activities	2,597,789	(1,650,646)
Net change in cash and cash equivalents	3,252,744	115,681
Cash and cash equivalents, beginning of year	2,139,716	2,024,034
Cash and cash equivalents, end of year	$ 5,392,459	$ 2,139,716
Reconciliation of operating income to net cash from operating activities		
Operating income	$ 5,311,807	$ 4,304,022
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	3,048,876	2,927,533
Allowance for (recovery of) doubtful accounts	(8,802)	(25,087)
GASB 68 adjustment	(1,827,821)	(821,673)
GASB 75 adjustment	(200,521)	(86,651)
Changes in assets and liabilities		
Accounts receivable	(662,773)	(352,862)
Inventories	49,341	2,116
Prepaid expenses	(20,735)	(17,650)
Accounts payable	1,441,397	(247,569)
Accrued payroll and payroll liabilities	(124,860)	131,254
Unearned income	(18,798)	(9,484)
Prepaid user charges	(12,665)	32,238
Compensated absences	(40,095)	(14,647)
Net cash from operating activities	$ 6,934,352	$ 5,821,540

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 N.J.S.A. 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 $1,240,006.

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 $667,824.

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 statements of cash flows, the Authority considers all highly liquid investments with a maturity of ninety 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, 2021 and 2020, 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, 2021 and 2020, the Authority's bank balances were insured or exposed to credit risk as follows:

	December 31, 2021	December 31, 2020
Insured by FDIC	$ 500,000	$ 500,000
Collateralized in the Authority's name under GUDPA	6,058,145	2,033,020
NJCMF	3,002,258	3,001,030
Total	$ 9,560,403	$ 5,534,050

D. ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

	December 31, 2021	December 31, 2020
Municipal liens	$ 95,918	$ 105,183
Approximate uncollectible %	95%	95%
Total Allowance	$ 91,122	$ 99,924

E. INVESTMENTS

As of December 31, 20211 and 2020, the Authority had the following investments and maturities:

Investment	Maturity Date	Interest Rate	Moody's IS&P Credit Rating	2021 Fair Value	2020 Fair Value
Federated treasury obligations	N/A	N/A	N/A	$ 13,493,344	$ 16,062,715
NJ Cash Management Fund	N/A	N/A	N/A	3,002,258	3,001,030
				$ 16,495,601	$ 19,063,745

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 the 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 $346,122 and $395,463 as of December 31, 2021 and 2020, respectively.

G. RESTRICTED ASSETS

Restricted investments consist of the following:

	December 31, 2021	December 31, 2020
Debt service fund	$ 1,240,006	$ 1,623,929
Debt service reserve fund	667,824	1,013,938
Bond redemption and improvement fund	150,000	150,000
	$ 2,057,831	$ 2,787,867

H. CAPITAL ASSETS

Capital asset balances and activities for the year ended December 31, 20211, were as follows:

	Balance, January 1, 2021	Additions	Reclass/ Reductions	Balance, December 31, 2021
Capital assets not being depreciated				
Land and land improvements	$ 1,811,009	$ -	$ -	$ 1,811,009
Construction in progress	130,621	3,260,716	-	3,391,337
Capital assets not being depreciated	1,941,630	3,260,716	-	5,202,346
Capital assets being depreciated				
Treatment and distribution facilities	107,118,876	1,349,095	-	108,467,971
Equipment and vehicles	6,089,485	640,170	357,588	6,372,067
Office building	3,877,030	-	-	3,877,030
Furniture and fixtures	493,514	-	4,356	489,158
Capital assets being depreciated	117,578,905	1,989,265	361,944	119,206,227
Accumulated depreciation	(70,785,150)	(2,804,631)	-	(73,589,781)
Capital assets, net of depreciation	46,793,755	(815,366)	361,944	45,616,446
Total capital assets, net	$ 48,735,385	$ 2,445,350	$ 361,944	$ 50,818,792

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

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 2021 and 2020 were $73,764 and $8,816, respectively. The balance as of December 31, 2021 and 2020, was $0 and $73,764, respectively. 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.

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, 2021 and 2020, was $450,000 and $550,000, 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, 2021 and 2020, was $909,400 and $1,134,904, 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, 2021 and 2020, was $225,000 and $265,000, 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 ("NJDEP") 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, 2021 and 2020, was $158,323 and $252,526, 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, 2021 and 2020, was $70,000 and $115,000, 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, 2021 and 2020, was $331,731 and $373,197, 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, 2021 and 2020, was $212,143 and $238,661, 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, 2021 and 2020, was $0 and $340,000, 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, 2021 and 2020, was $0 and $5,005,000, respectively. In the event of default, outstanding amounts become immediately due.

- The Authority issued $4,645,000 of Water System Revenue Refunding Bonds, Series 2021, in August 2021, payable in annual installments through June 1, 2029. This transaction refunded the callable portion of the Authority's outstanding Series 2007 Bonds. Interest is paid semiannually at a rate of 2.150%. The balance as of December 31, 2021 and 2020, was $4,645,000 and $0, 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
2022	$ 1,113,810	$ 126,197	$ 1,240,006
2023	1,092,500	106,682	1,199,181
2024	1,016,703	87,014	1,103,717
2025	1,036,647	67,510	1,104,156
2026	703,984	47,856	751,841
2027-2031	2,037,953	59,663	2,097,617
	$ 7,001,597	$ 494,920	$ 7,496,519

	Balance December 31, 2020	Increase/ Adjustment	Decrease/ Adjustment	Balance December 31, 2021	Due Within One Year
Revenue bonds	$ 4,535,000	$ 4,645,000	$ 4,535,000	$ 4,645,000	$ 538,000
NJIB	2,356,597	-	1,113,810	1,242,787	575,810
Totals	$ 6,891,597	$ 4,645,000	$ 5,648,810	$ 5,887,787	$ 1,113,810

	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
Totals	$ 8,274,289	$ -	$ 1,382,692	$ 6,891,597	$ 1,382,693

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 sixty 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, 2021 and 2020.

L. NET POSITION

Net position consists of the following:

	December 31, 2021	December 31, 2020
Net investment in capital assets		
Capital assets	$ 50,818,792	$ 48,735,385
Loss on refunding of long-term debt	-	73,764
Debt	(7,001,597)	(8,274,289)
Accrued interest	(19,328)	(32,943)
	43,797,867	40,501,917
Restricted for capital projects and debt service		
Restricted investments	2,057,830	2,787,866
Unrestricted net positions (deficit)	(13,101,870)	(15,943,632)
Total net position	$ 32,753,827	$ 27,346,151

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 their 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, 2020 through June 30, 2021. 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, 2021 and 2020, 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, 2021 and 2020.

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, 2021 and 2020, the Authority's contractually required contribution to the PERS plan was $273,468 and $499,213, respectively.

Components of Net Pension Liability

At December 31, 2021 and 2020, the Authority's proportionate share of the PERS net pension liability was $5,532,565 and $7,441,713, respectively. The December 31, 2021 and 2020, net pension liability was determined by an actuarial valuation as of July 1, 2020 and July 1, 2019, which was rolled forward to June 30, 2021 and June 30, 2020, respectively. The Authority's December 31, 2021, proportion measured as of June 30, 2021, was 0.0467021111%, which was an increase of 0.0010681059 from its proportion measured as of June 30, 2020, of 0.0456340052%.

At December 31, 2021 and 2020, the Authority's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2021 and June 30, 2020, measurement dates was $(1,233,161) and $(281,485), respectively. At December 31, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	December 31, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 87,256	$ 39,607
Changes in assumptions	28,814	1,969,629
Net difference between projected and actual investment earnings on pension plan investments	-	1,457,423
Changes in proportion	599,559	700,033
Authority contributions subsequent to the measurement date	546,936	-
	$ 1,262,565	$ 4,166,692

	December 31, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 135,501	$ 26,317
Changes in assumptions	241,418	3,115,916
Net difference between projected and actual investment earnings on pension plan investments	254,364	-
Changes in proportion	542,404	1,353,467
Authority contributions subsequent to the measurement date	499,213	-
	$ 1,672,900	$ 4,495,700

M. PENSION PLAN (CONTINUED)

Components of Net Pension Liability (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	$ (1,305,444)
2022	(932,084)
2023	(635,523)
2024	(477,724)
2025	186
	$ (3,350,590)

Actuarial Assumptions

The collective total pension liability for the June 30, 2021 and June 30, 2020, measurement date was determined by an actuarial valuation as of July 1, 2020 and July 1, 2019, which was rolled forward to June 30, 2021 and June 30, 2020, respectively. This actuarial valuation used the following actuarial assumptions:

	2021	2020
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-2021.

The actuarial assumptions used in the July 1, 2020, 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, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

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, 2021 and 2020), 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, 2021 and 2020, are summarized in the following tables:

	2021	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equity	27.00%	8.09%
Non-U.S. developed markets equity	13.50%	8.71%
Emerging markets equity	5.50%	10.96%
Private equity	13.00%	11.30%
Real assets	3.00%	7.40%
Real estate	8.00%	9.15%
High yield	2.00%	3.75%
Private credit	8.00%	7.60%
Investment grade credit	8.00%	1.68%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk mitigation strategies	3.00%	3.35%
	100.00%	

	2020	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	27.00%	7.71%
Cash equivalents	13.50%	8.57%
U.S. Treasuries	5.50%	10.23%
Investment grade credit	13.00%	11.42%
High yield	3.00%	9.73%
Private credit	8.00%	9.56%
Real assets	2.00%	5.95%
Real estate	8.00%	7.59%
U.S. equity	8.00%	2.67%
Non-U.S. developed markets equity	4.00%	0.50%
Emerging markets equity	5.00%	1.94%
Private equity	3.00%	3.40%
	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, 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be based on 100% 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, 2021 and 2020, 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, 2021		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of net pension liability	$ 7,614,547	$ 5,532,565	$ 3,874,736

	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

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)

Plan Description (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 post-retirement 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 years ended December 31, 2021 and 2020, were $1,875,411 and $1,868,907, respectively.

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

Net OPEB Liability

At December 31, 2021, the Authority reported a liability of $20,123,215 for its proportionate share of the net pension liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021. For the June 30, 2021, measurement date, the Authority's proportionate share of the OPEB Plan liability was 0.111797%.

At December 31, 2020, the Authority reported a liability of $20,495,750 for its proportionate share of the net OPEB 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 0.14204%.

The change in net OPEB liability for the year ended December 31, 2021, was $372,535. The difference between expected and actual experience decreased the net OPEB liability by $393,383 due to changes in the census, claims and premiums experience. Valuation assumption changes decreased the net OPEB liability by $1,000,923. This was due to the decrease in the assumed discount rate from 2.21% as of June 30, 2020, to 2.16% as of June 30, 2021, 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, 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.

	June 30, 2021	June 30, 2020
Total OPEB liability	$ 20,179,418	$ 20,684,029
Plan Fiduciary Net Position	56,202	188,279
Net OPEB Liability	$ 20,123,215	$ 20,495,750
Plan Fiduciary Net Position as a % of total OPEB liability	0.28%	0.91%

Actuarial Assumptions and Other Inputs

Actuarial assumptions used in the July 1, 2020, valuation were based on the results of the PERS experience studies prepared for July 1, 2014 to June 30, 2018. One-hundred percent of active members are considered to participate in the OPEB 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:

	2021 & 2020
Inflation:	2.50%
Salary increases*	
PERS	
Through 2026	2.00 - 6.00%
Thereafter	3.00 - 7.00%

* Salary increases are based on years of service within the respective plan in PERS.

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-2021.

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 OPEB Plan Year 2021 and OPEB Plan Year 2020 are reflected. The assumed post-65 medical trend rate 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, 2021 and 2020, was 2.16% and 2.21%, respectively. 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, 2021:

At June 30, 2021		
At 1% Decrease (1.16%)	At Current Discount Rate (2.16%)	At 1% Increase (3.16%)
$ 23,681,165	$ 20,123,215	$ 17,303,464

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, 2020:

At June 30, 2020		
At 1% Decrease (1.21%)	At Current Discount Rate (2.21%)	At 1% Increase (3.21%)
$ 24,418,586	$ 20,495,750	$ 17,727,788

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 trend rates as of December 31, 2021:

At June 30, 2021		
At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
$ 16,789,539	$ 20,123,215	$ 24,473,250

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 trend rates as of December 31, 2020:

At June 30, 2020		
At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
$ 17,148,533	$ 20,495,750	$ 25,313,809

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB
For the year ended December 31, 2021, the Authority recognized OPEB expense of ($200,521). At December 31, 2021, 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
Difference between expected and actual experience in the total OPEB liability	$ 451,541	$ 4,210,074
Changes in Assumptions	2,894,785	3,557,015
Net difference between projected and actual earnings on OPEB plan investment	9,622	-
Changes in proportion	2,679,066	2,204,018
Employee health benefits contributions made subsequent to the measurement date	914,342	-
Total	$ 6,949,356	$ 9,971,107

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience in the total OPEB liability	$ 539,842	$ 3,816,691
Changes in Assumptions	3,065,519	4,557,938
Net difference between projected and actual earnings on OPEB plan investment	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

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

Years Ending December 31,	OPEB
2022	$ (3,088,921)
2023	(220,574)
2024	(221,546)
2025	(802,541)
2026	(260,341)
Thereafter	182,782
	$ (4,411,141)

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 2021 or 2020.

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 2021 compared to 2020.

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

New Jersey has chosen to more stringently regulate a class of chemicals known as per- and polyfluoroalkyl substances (PFAS) that have been linked to certain illnesses, to levels significantly lower than currently regulated by the federal government's Environmental Protection Agency (EPA). This is most likely attributed to the growing national focus on risks to public health from chemicals in drinking water brought on largely by the Flint Michigan water crisis.

The New Jersey Department of Environmental Protection ("NJDEP") recently adopted a plan to set a "maximum contaminant level" (MCL) for perfluorononanoic acid (PFNA), used in consumer products such as nonstick cookware, flame-retardant foams, and fabrics. Traces of these substances persist in many New Jersey water systems, including the primary source of Atlantic City's drinking water. ACMUA has taken aggressive steps to remove these substances to achieve compliance with the new NJDEP Regulations.

In the early 1980's Atlantic City's groundwater sources were threatened by contamination migrating from an adjacent superfund classified cleanup site commonly known as Price's Pit. The decision at that time to relocate production wells to the FAA Technical Center was made by ACMUA staff with NJDEP approval.

In August 2018, an engineering study by TRC Environmental Corp. concluded that some PFAS chemicals had settled into groundwater and soil at the FAA Technical Center. Their study noted years of fire testing performed as early as the 1950s by various military units. The migration of these substances in Atlantic City's water supply source raises a significant challenge for the ACMUA to adjust to meet the new NJDEP standard. Atlantic City water samples revealed that while PFNA is not detected, two other PFAS chemicals, perfluorooctanesulfonic acid (PFOS) AND perfluorooctanoic acid (PFOA), were above proposed limits, and significant treatment changes must be made to achieve compliance.

PFAS is a group of manmade chemicals that includes a smaller group called PFCs. PFAS repels water and oil and is resistant to heat and chemical reactions. PFAS are used in the production of some non-stick cookware, dental floss, microwave popcorn bag lining, and stain-proof coating, in "leak-proof" coatings, on food packaging materials, and in fire-fighting foams, and in other uses. PFAS can enter drinking water through industrial release to water, air, or soil; discharges from sewage treatment plants; land application of contaminated sludge; and use of fire-fighting foam.

The Atlantic City Municipal Utilities Authority ("Authority") embarked on a mission to develop a ***temporary*** solution and/or interim treatment techniques for mitigating or eliminating customer exposure to regulated PFAS contaminants:

- The Authority gathered a group of engineers, Authority staff, and selected Board members to derive a solution for combating PFAS.

- The first plan of action was to exchange the existing Granular Activated Carbon (GAC) for the filter beds at the treatment plant in Pleasantville, NJ. The Authority conducted an emergency purchase of 50,000 pounds of ***Virgin Filtrasorb*** 400 GAC for five (5) filter beds.

T. POLLUTION REMEDIATION OBLIGATION (CONTINUED)

- The Authority had to apply to the New Jersey Department of Environmental Protection ("NJDEP") for a temporary treatment permit to receive approval to move forward with plans to design, propose and install a pair of GAC vessels and media at three (3) well discharges to remove PFC's from the raw water before it reaches the existing treatment plant and to provide the necessary treatment process for distribution.

- One of the next steps was to isolate the surface water from the raw water intake or transmission process. The Authority closed the intake gate at the lower reservoir (Doughty Pond Dam) and concentrated on using the groundwater supply as our main source of raw water for the water treatment process.

- Next, the Authority engineers devised a design plan to install three (3) pairs of Carbon Vessels at three (3) of the Authority's wells containing the highest levels of PFAS located at the FAA Technical Center.

- Installation of the vessels has been successful, and they are in full operation as of December 2021.

- Due to a coordinated combined effort on tackling the Authority's PFAS-regulated maximum contaminant levels, the Authority successfully achieved ***undetectable*** levels of PFAS in the Authority's water production.

Per- and poly-fluoroalkyl substances (PFAS) are toxic, not easily biodegradable, persistent in the environment, and pose a significant risk to human health and safety. The chemical is associated with a variety of illnesses, including cancer, and is considered particularly dangerous to pregnant women and young children. The Authority has joined 100 other organizations across the country in suing chemical company DuPont, manufacturing firm 3M, and others they allege are responsible for clean-ups associated with groundwater contamination near airports and industrial sites, including the William J. Hughes Technical Center site in Egg Harbor Township. The litigation alleges that PFAS migrated from the facility, owned by the FAA, into the Authority's wells on the site and into the on-site reservoirs. The U.S. House of Representatives recently approved the PFAS Action Act, which designates PFOA and PFAS as hazardous substances and then requires the cleanup of contaminated sites, which would be especially important for cleaning up Federal sites. This Bill gives the EPA two years to set drinking water standards for PFAS.

The NJDEP has proposed new regulations for PFAS. The agency calls for a maximum contaminant level of perfluorooctanoic acid (PFOA) at thirteen parts per trillion and perfluorooctanesulfonic acid (PFOS) at 14 parts per million. Both are in the PFAS family. Prior to the temporary fix, the ACMUA water supply's PFAS levels were at 37 parts per trillion.

Nearly 2,800 US communities are impacted by this issue.

T. POLLUTION REMEDIATION OBLIGATION (CONTINUED)

As of December 31, 2022, the total life-to-date actual costs incurred/spent was $2,803,969.99 to temporarily reduce the level of PFAS in the water system to non-detectible levels. The next phase will involve the Authority seeking the assistance of the County and both State and Federal legislative representatives to provide financial assistance to provide a permanent solution to maintain undetectable levels of PFAS in the water system. This entails the construction of a new carbon plus membrane treatment plant to pull the remaining contaminants out. The Authority is looking for all potential funding sources, including federal and state grants and New Jersey Infrastructure Bank, as follows:

1. Infrastructure Investment and Jobs Act – The Act include $10 Billion for PFAS contamination remediation. Of the ten billion dollars, $5 billion is dedicated to helping small and disadvantaged communities address PFAS in drinking water. Another $4 billion is for helping drinking water utilities remove PFAS from drinking water supplies, as well as connecting well owners to local water systems. The remaining $1 billion would help wastewater utilities address PFAS in wastewater discharges.

2. American Rescue Plan Act funding – the State of New Jersey has been allocated $6.4 B in funding that can be spent on defined capital projects, including water supply.

3. Federal Earmark- The Authority has taken steps to contact Congressional and Senate representatives in an effort to have federal funds allocated towards this project and is currently awaiting a response.

4. New Jersey Infrastructure Bank – The New Jersey Infrastructure Bank (NJIB) will work with the NJDEP and the ACMUA to process an application from the Authority to finance the project through the provision of a low-interest rate loan. However, the NJIB has a stringent credit policy that requires the applicant to have an investment-grade bond rating. The ACMUA does not currently have any credit rating as it re-financed its outstanding publicly held debt in 2021. The Authority is developing a strategy to improve its chances of entering the NJIB program by getting a credit rating or credit assessment from Moody's Investors Service and Standard & Poor's. There was a concern that the Authority could not achieve the necessary rating to satisfy the NJIB's credit policy because the rating agencies will consider the City's financial condition, even though the ACMUA independently has historically maintained a strong financial position. However, the Authority is able to achieve an investment grading rating from one of the rating agency and working on getting from the other agency.

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.

T. POLLUTION REMEDIATION OBLIGATION (CONTINUED)

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.

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 expected recoveries are not yet realized or realizable, the estimated recovery should reduce the amount of 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 site's contamination. The Authority’s estimate for not yet realized recoveries that should offset the Authority’s estimated environmental liability is $40 million. These $40 million estimated recoveries were based on the initial engineering report conducted by a geoscience engineering consultant engaged by the Authority in 2019. The Authority was looking to conduct further analysis for the best long-term solution for ratepayers to remove PFAS.

In 2022, the Authority engaged an engineering consultant for Operation and Maintenance Planning Analysis for Critical Optimization Services. Per the engineering consultant's recommendation, the Rehabilitation of the Existing Pleasantville Water Treatment Plant (PWTP) is the most cost-effective solution for ratepayers that will address the long-term solution for Authority’s critical infrastructure, including PFAS contamination. The cost is projected to be at least 120 million dollars. Therefore the Authority’s estimate for not yet realized recoveries to offset the Authority’s estimated environmental liability will be greater than $40 million, but the new estimate number is currently not reasonably estimated as the lawsuit is currently docketed in the multidistrict litigation, which is pending in Federal Court in Charleston, South Carolina.

As of December 31, 2021 and 2020, the total PRO before any recoveries equaled $40,044,154 and $39,395,819, 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 2021, accrued for as part of PRO) of $658,664. 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 majority of the expected total outlays of $40 million, therefore, as of December 31, 2021, the PRO net of liability is $0.

The current PRO is based on an analysis performed in 2019.

T. POLLUTION REMEDIATION OBLIGATION (CONTINUED)

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.

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 cost 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 but recovered in 2021 close to pre-pandemic levels. 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 ended December 31, 2022. The Authority has not determined the effect of Statement No. 87 on the financial statements.

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

The GASB has issued Statement No. 91, *"Conduit Debt Obligations."* This Statement is required to be adopted by the Authority for the year ended 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 ended 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.

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 ended 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.

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
Year Ended December 31, 2021, with Summarized Totals for 2020

	Year Ended December 31, 2021						
	General Fund	Debt Service Fund	Debt Service Reserve Fund	Bond Redemption and Improvement Fund	Net Investment in Capital Assets	2021 Total	2020 Summarized Total
Operating Revenues							
User charged	$ 16,501,109	$ -	$ -	$ -	$ -	$ 16,501,109	$ 15,626,025
Rental income	2,500	-	-	-	-	2,500	2,500
Miscellaneous	102,003	-	-	-	-	102,003	45,455
Total Revenues	16,605,612	-	-	-	-	16,605,612	15,673,980
Operating Expenses							
Cost of providing services	6,125,962	-	-	-	-	6,125,962	6,119,234
General and administrative	2,118,967	-	-	-	-	2,118,967	2,323,191
Depreciation	-	-	-	-	3,048,876	3,048,876	2,927,533
Operating income (loss)	8,360,683	-	-	-	(3,048,876)	5,311,807	4,304,022
Non-operating revenues (expenses)							
Connection fees	416,371	-	-	-	-	416,371	76,031
Investment income	30,435	-	-	-	-	30,435	100,237
Bond interest	(300,747)	-	-	-	(73,764)	(374,511)	(282,527)
Bond payments	(1,382,692)	-	-	-	1,382,692	-	-
Gain on disposal of assets	23,574	-	-	-	-	23,574	5,407
	(1,213,059)	-	-	-	1,308,928	95,869	(100,852)
Net increase (decrease) before transfers	7,147,624	-	-	-	(1,739,948)	5,407,676	4,203,170
Transfers between funds	(4,305,863)	(383,923)	(346,113)	-	5,035,899	-	-
Net increase (decrease) in net position	2,841,761	(383,923)	(346,113)	-	3,295,951	5,407,676	4,203,170
Net position (deficit), beginning of year	(15,943,632)	1,623,929	1,013,937	150,000	40,501,917	27,346,151	23,142,981
Net position (deficit), end of year	$ (13,101,870)	$ 1,240,006	$ 667,824	$ 150,000	$ 43,797,867	$ 32,753,827	$ 27,346,151
Analysis of net position (deficit), end of year							
Net investment in capital assets	$ -	$ -	$ -	$ -	$ 43,797,867	$ 43,797,867	$ 40,501,917
Restricted for capital projects and debt service	-	1,240,006	667,824	150,000	-	2,057,830	2,787,866
Unrestricted	(13,101,870)	-	-	-	-	(13,101,870)	(15,943,632)
	$ (13,101,870)	$ 1,240,006	$ 667,824	$ 150,000	$ 43,797,867	$ 32,753,827	$ 27,346,151

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

SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET
Years Ended December 31, 2021 and 2020

	2021 Budget (Unaudited)	2021 Actual	Over/ (under) (Unaudited)	2020 Actual
Revenues				
User charges	$ 15,535,011	$ 16,501,109	$ 966,098	$ 15,626,025
Rental income	2,500	2,500	-	2,500
Miscellaneous	35,301	102,003	66,702	45,455
Investment	25,000	30,435	5,435	100,237
	15,597,812	16,636,048	1,038,236	15,774,217
Cost of providing services				
Personnel expenses				
Salaries - regular	2,622,947	2,166,196	(456,751)	2,450,807
Salaries - overtime	178,053	146,090	(31,963)	119,908
	2,801,000	2,312,286	(488,714)	2,570,715
Employee benefits				
Health benefits	1,899,479	1,359,708	(539,771)	1,446,141
Pension	460,000	(934,527)	(1,394,527)	(275,880)
Social Security	249,676	174,589	(75,087)	188,722
Unemployment	29,325	21,118	(8,207)	21,779
Workers' compensation	140,000	116,855	(23,145)	147,466
	2,778,480	737,742	(2,040,737)	1,528,228
Plant				
Chemicals and gases	1,040,000	936,427	(103,573)	252,448
Fuel oil	18,725	7,613	(11,112)	13,421
Gasoline	55,000	39,310	(15,690)	22,633
Miscellaneous	45,000	15,066	(29,934)	20,081
	1,158,725	998,416	(160,309)	308,583
Utilities				
Electricity	700,000	597,886	(102,114)	577,578
Gas	15,000	11,120	(3,880)	10,269
Sewerage	2,000	1,188	(813)	1,188
Telephone	21,000	7,490	(13,510)	7,717
	738,000	617,684	(120,316)	596,752
Taxes				
Real estate	150,000	149,161	(839)	149,619
State water	38,500	23,552	(14,948)	22,036
	188,500	172,713	(15,787)	171,655

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, 2021 and 2020

	2021 Budget (Unaudited)	2021 Actual	Over/ (under) (Unaudited)	2020 Actual
Repairs and maintenance				
Building and grounds	128,000	112,974	(15,026)	96,711
Electrical	30,000	12,820	(17,180)	19,123
Machinery and equipment	50,000	26,288	(23,712)	23,978
Miscellaneous	10,000	1,134	(8,866)	6,744
Motor vehicle	80,000	45,665	(34,335)	66,220
Plumbing	25,000	5,898	(19,102)	4,153
Street opening	350,000	306,489	(43,511)	87,308
Uniforms	20,000	9,308	(10,692)	6,347
	693,000	520,577	(172,423)	310,584
Rental				
Construction equipment	8,200	-	(8,200)	-
Other	50,000	2,110	(47,890)	2,859
	58,200	2,110	(56,090)	2,859
Outside services				
Advertising	2,500	2,113	(387)	566
Engineering fees	128,000	34,811	(93,189)	19,237
General insurance	325,000	313,252	(11,748)	296,373
Laboratory	120,000	78,853	(41,147)	101,344
New Jersey Department of Environmental Protection	85,000	58,441	(26,559)	31,021
Other	310,000	258,353	(51,647)	171,195
	970,500	745,822	(224,678)	619,736
Training, travel and education				
Employee travel	1,000	20	(980)	-
Training	23,000	13,269	(9,731)	3,598
	24,000	13,289	(10,711)	3,598
Dues and subscriptions				
Books and publications	2,000	-	(2,000)	-
Dues	5,000	850	(4,150)	445
	7,000	850	(6,150)	445
Office supplies				
Office	5,700	1,370	(4,330)	3,953
Miscellaneous	7,500	3,068	(4,432)	1,856
Postage	1,500	35	(1,465)	270
Printing	1,000	-	(1,000)	-
	15,700	4,473	(11,227)	6,079
Total cost of providing services	9,433,105	6,125,962	(3,307,142)	6,119,234

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, 2021 and 2020

	2021 Budget (Unaudited)	2021 Actual	Over/ (under) (Unaudited)	2020 Actual
General and administrative				
Personnel expenses				
Salaries - regular	1,115,961	986,629	(129,332)	887,856
Salaries - overtime	2,000	67	(1,933)	220
Board salaries	42,000	33,679	(8,321)	36,874
	1,159,961	1,020,375	(139,586)	924,949
Employee benefits				
Health benefits	400,000	293,275	(106,725)	319,388
Pension	200,000	(335,827)	(535,827)	(109,308)
Social security	88,737	74,277	(14,460)	68,337
Unemployment	10,194	7,900	(2,294)	8,509
	698,931	39,625	(659,306)	286,926
Operations				
Data processing	18,000	14,692	(3,308)	13,128
Janitorial	18,500	13,122	(5,378)	20,151
Office	17,500	15,566	(1,934)	14,714
Outside services	24,500	20,918	(3,582)	43,754
Postage	25,000	21,303	(3,697)	22,099
Printing	10,000	3,929	(6,071)	8,583
Professional fees	375,000	216,405	(158,595)	265,077
Telephone	35,000	28,343	(6,657)	24,055
Training	9,000	8,696	(305)	2,092
Travel	1,500	-	(1,500)	10
Utilities	63,500	46,177	(17,323)	43,150
	597,500	389,149	(208,351)	456,812
Repairs and maintenance				
Building and grounds	16,000	8,534	(7,466)	115
Machinery and equipment	15,500	7,926	(7,574)	8,347
Miscellaneous	1,000	38	(962)	286
Motor vehicle	1,000	-	(1,000)	-
	33,500	16,497	(17,003)	8,749

SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET (CONTINUED)
Years Ended December 31, 2021 and 2020

	2021 Budget (Unaudited)	2021 Actual	Over/ (under) (Unaudited)	2020 Actual
Miscellaneous				
Administrative fees	70,000	54,091	(15,909)	56,043
Advertisement	4,000	3,639	(361)	3,677
Books and periodicals	3,500	2,379	(1,121)	531
Computer equipment maintenance	50,000	38,929	(11,071)	32,644
Membership dues	10,000	9,751	(249)	10,595
Miscellaneous	20,000	(2,095)	(22,095)	15,576
Municipal appropriation	673,784	548,862	(124,922)	548,746
Provision for (recovery of) doubtful accounts	5,000	(8,802)	(13,802)	(25,087)
Rentals	1,500	-	(1,500)	-
Software license fee	11,000	6,568	(4,432)	3,029
	848,784	653,321	(195,463)	645,755
Total general and administrative	3,338,676	2,118,967	(1,219,709)	2,323,191
Total cost of providing services and general and administrative expenses	12,771,781	8,244,929	(4,526,851)	8,442,425
Other costs funded by revenues				
Debt service				
Principal	1,382,692	1,382,692	-	1,359,301
Interest	241,239	263,946	22,707	273,711
	1,623,931	1,646,638	22,707	1,633,012
Total costs funded by operating revenues	$ 14,395,712	$ 9,891,566	$ (4,504,144)	$ 10,075,437

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability	0.0467021%	0.0456340%	0.0426457%	0.0435267%	0.0508518%	0.0580285%	0.0598073%	0.0579093%	0.0557929%
Authority's proportionate share of net pension liability	$ 5,532,565	$ 7,441,713	$ 7,684,107	$ 8,570,190	$ 11,837,496	$ 17,186,380	$ 13,425,530	$10,842,207	$ 10,663,129
Authority's covered-employee payroll	2,916,095	3,263,087	3,259,697	2,996,692	3,089,543	3,800,042	4,126,964	4,353,885	4,495,237
Authority's proportionate share of net pension liability as a % of payroll	189.73%	228.06%	235.73%	285.99%	383.15%	452.27%	325.31%	249.02%	237.21%
Total pension liability	18,848,770	17,936,246	17,694,323	18,469,063	22,808,255	28,709,430	25,782,657	22,626,019	20,795,289
Plan fiduciary net position	13,316,205	10,494,533	10,010,216	9,898,873	10,970,759	11,523,050	12,357,126	11,783,812	10,132,160
Plan fiduciary net position as a % of total pension liability	70.65%	58.51%	56.57%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

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 nine years of data are available at this time.

Notes to the Required Supplementary Information
- There were no benefit changes.
- The discount rate changed from the measurement date of June 30, 2014, of 5.39% to 4.90% as of the measurement date of June 30, 2015.
- The discount rate changed from the measurement date of June 30, 2015, of 4.90% to 3.98% as of the measurement date of June 30, 2016.
- The discount rate changed from the measurement date of June 30, 2016, of 3.98% to 5.00% as of the measurement date of June 30, 2017.
- The discount rate changed from the measurement date of June 30, 2017, of 5.00% to 5.66% as of the measurement date of June 30, 2018.
- The discount rate changed from the measurement date of June 30, 2018, of 5.66% to 6.28% as of the measurement date of June 30, 2019.
- The discount rate changed from the measurement date of June 30, 2019, of 6.28% to 7.00% as of the measurement date of June 30, 2020.
- The discount rate of 7.00% as of the measurement date of June 30, 2021, was unchanged from the June 30, 2020 measurement date.

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								
	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 546,936	$ 499,213	$ 414,817	$ 432,950	$ 471,088	$ 515,517	$ 514,182	$ 477,396	$ 420,388
Contributions in relation to the contractually required contribution	546,936	499,213	414,817	432,950	471,088	515,517	514,182	477,396	420,388
Authority's covered-employee payroll	2,916,095	3,263,087	3,259,697	2,996,692	3,089,543	3,800,042	4,126,964	4,353,885	4,495,237
Contributions as a % of covered-employee payroll	18.76%	15.30%	12.73%	14.45%	15.25%	13.57%	12.46%	10.96%	9.35%

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 nine years of data are available at this time.

Changes in Benefit Terms

None.

Changes in Assumptions

For 2021, the discount rate and long-term rate of return remained 7.00%. 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

Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016
Authority's proportion of the net OPEB liability	0.111797%	0.114204%	0.101045%	0.108146%	0.103892%	0.112704%
Authority's proportionate share of net OPEB liability	$ 20,123,215	$ 20,495,750	$ 13,687,628	$ 16,942,821	$ 21,210,371	$ 24,476,451
Authority's covered payroll (plan measurement period)	3,298,982	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	609.98%	628.11%	419.90%	565.38%	792.24%	558.16%
Plan fiduciary net position as a percentage of the total OPEB liability	0.28%	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 Net OPEB 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
Year Ended December 31, 2021

	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 1,875,411	$ 1,868,907	$ 1,938,400	$ 2,219,784	$ 2,212,776	$ 2,225,116
Contribution in relation to the contractually required contribution	(1,875,411)	(1,868,907)	(1,938,400)	(2,219,784)	(2,212,776)	(2,225,116)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 3,298,982	$ 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	56.85%	57.27%	59.47%	74.07%	71.62%	58.56%

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

The discount rate changed from 2.21% as of June 30, 2020, to 2.16% as of June 30, 2021.
The discount rate changed from 3.50% as of June 30, 2019, to 2.21% as of June 30, 2020.
The discount rate changed from 3.87% as of June 30, 2018, to 3.50% as of June 30, 2019.
The discount rate changed from 3.58% as of June 30, 2017, to 3.87% as of June 30, 2018.
The discount rate changed from 2.85% as of June 30, 2016, to 3.58% as of June 30, 2017.

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, 2021, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated January 23, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the basic 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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

January 23, 2023

SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS
Year Ended December 31, 2021

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, 2021

None reported.