

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
REPORT OF AUDIT
FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018

THIS PAGE INTENTIONALLY LEFT BLANK

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)

TABLE OF CONTENTS

<u>Page</u>		<u>Exhibits</u>
1	Independent Auditor's Report	
<u>REQUIRED SUPPLEMENTARY INFORMATION - PART I</u>		
4	Management's Discussion and Analysis	
<u>FINANCIAL STATEMENTS</u>		
12	Comparative Statement of Net Position	A
15	Comparative Statement of Revenues, Expenses and Changes in Net Position	B
16	Comparative Statement of Cash Flows	C
18	Notes to Financial Statements	
<u>REQUIRED SUPPLEMENTARY INFORMATION - PART II</u>		
52	Schedule of the Authority's Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS)	RSI-1
53	Schedule of the Authority's Contributions Public Employees' Retirement System (PERS)	RSI-2
54	Schedule of Changes in the Authority's Proportionate Share of the State OPEB Liability	RSI-3
55	Schedule of Authority's Share of Net OPEB Liability	RSI-4
56	Notes to Required Supplementary Information	
<u>SUPPLEMENTARY SCHEDULES</u>		
		<u>Schedules</u>
57	Schedule of Revenues, Expenses and Changes in Net Position	1
58	Schedule of Cash Receipts, Disbursements and Changes in Cash And Fund Investments	2
60	Schedule of Operating Revenue and Costs Funded by Operating Revenue Compared to Budget	3
63	Schedule of Capital Budget Program Funded by Financing Sources	4
64	Schedule of Revenue and Revenue Refunding Bonds	5
68	Roster of Officials	6
69	Independent Auditor's Report On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	
71	General Comments	

THIS PAGE INTENTIONALLY LEFT BLANK



WIELKOTZ & COMPANY ^{LLC}

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. WIELKOTZ, CPA, RMA, PSA
MATTHEW B. WIELKOTZ, CPA, PSA
PAUL J. CUVA, CPA, RMA, PSA
JAMES J. CERULLO, CPA, RMA, PSA
THOMAS M. FERRY, CPA, RMA, PSA

HEADQUARTERS
401 WANAQUE AVENUE
POMPTON LAKES, NEW JERSEY 07442
(973)-835-7900

NEWTON OFFICE
100B MAIN STREET
NEWTON, NEW JERSEY 07860
(973)-835-7900

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the
Secaucus Municipal Utilities Authority
1100 Koelle Boulevard
Secaucus, New Jersey 07094

Report on the Financial Statements

We have audited the accompanying statements of net position of the Secaucus Municipal Utilities Authority (A Component Unit of the Town of Secaucus) as of December 31, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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



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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Secaucus Municipal Utilities Authority as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprises the Secaucus Municipal Utilities Authority's financial statements. The schedule of revenues, expenses and changes in net position - restricted and unrestricted; schedule of cash receipts, cash disbursements and changes in cash and investments - unrestricted and restricted; schedule of operating revenue and costs funded by operating revenue compared to budget; schedule of capital budget program funded by financing services; schedule of revenue and revenue refunding bonds; and roster of officials (collectively referred to as the "Supplementary Schedules") are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

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

Very truly yours,



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

July 8, 2020

THIS PAGE INTENTIONALLY LEFT BLANK

Required Supplementary Information - Part I

THIS PAGE INTENTIONALLY LEFT BLANK

Management Discussion and Analysis

THIS PAGE INTENTIONALLY LEFT BLANK

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Secaucus Municipal Utilities Authority, we offer the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal year ended December 31, 2019 and 2018. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- The Authority's assets and deferred outflows exceeded its liabilities and deferred inflows of resources by \$(1,913,906) (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities and deferred inflows of resources by \$(1,173,442).
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$3,574,612 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt and unexpended funds related to the purchase or construction of capital assets.
 - (2) Restricted of \$103,101 are restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted of \$(5,590,619) represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total liabilities of the Authority decreased by \$414,239 to \$8,901,846 during the fiscal year.

Overview of the Financial Statements

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

Required Financial Statements

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

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

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

Notes to the Financial Statements

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

Other Information

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

Financial Analysis of the Authority

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

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net Position

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

The Authority's net position at fiscal year-end are \$(1,912,906). This is a \$739,464 decrease under last year's net position of \$(1,173,442). A summary of the Authority's statement of net position is presented in the following table:

Condensed Statement of Net Position at December 31, 2019
With Comparative Prior Year Balances

	<u>FY 2019</u>	<u>FY 2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and Non-current Assets	4,853,906	5,718,904	(864,998)	(15.13)%
Capital Assets	<u>4,575,313</u>	<u>4,515,038</u>	<u>60,275</u>	1.34%
Total Assets	<u>9,429,219</u>	<u>10,233,942</u>	<u>(804,723)</u>	(7.86)%
Deferred Outflows of Resources	<u>986,340</u>	<u>1,328,090</u>	<u>(341,750)</u>	(25.73)%
Long-term Liabilities	8,105,372	8,423,330	(317,958)	(3.77)%
Other Liabilities	<u>796,474</u>	<u>892,755</u>	<u>(96,281)</u>	(10.78)%
Total Liabilities	<u>8,901,846</u>	<u>9,316,085</u>	<u>(414,239)</u>	(4.45)%
Deferred Inflows of Resources	<u>3,426,619</u>	<u>3,419,389</u>	<u>421,196</u>	12.32%
Net Investment in Capital Assets	3,574,612	3,425,956	148,656	4.34%
Restricted	103,101	95,060	8,041	8.46%
Unrestricted	<u>(5,590,619)</u>	<u>(4,694,458)</u>	<u>(896,161)</u>	19.09%
Total Net Position	<u>(1,912,906)</u>	<u>(1,173,442)</u>	<u>(739,464)</u>	63.02%

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net Position (Continued)

The Authority's net position at the FY 2018 year end was \$(1,173,442). This is a \$154,383 decrease under restated FY 2017's net position of \$(1,019,059). A summary of the Authority's statement of net position is presented in the following table. This comparison has been restated to reflect the changes required by GASB No. 75.

Condensed Statement of Net Position at December 31, 2018
With Comparative Prior Year Balances

	<u>FY 2018</u>	<u>Restated FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and Non-current Assets	5,718,904	5,610,789	108,115	1.93%
Capital Assets	<u>4,515,038</u>	<u>4,739,640</u>	<u>(224,602)</u>	(4.74)%
Total Assets	<u>10,233,942</u>	<u>10,350,429</u>	<u>(116,487)</u>	(1.13)%
Deferred Outflows of Resources	<u>1,328,090</u>	<u>1,358,199</u>	<u>(30,109)</u>	(2.22)%
Long-term Liabilities	8,423,330	10,106,585	(1,683,255)	(16.66)%
Other Liabilities	<u>892,755</u>	<u>831,956</u>	<u>60,799</u>	7.31%
Total Liabilities	<u>9,316,085</u>	<u>10,938,541</u>	<u>(1,622,456)</u>	(14.83)%
Deferred Inflows of Resources	<u>3,419,389</u>	<u>1,789,146</u>	<u>421,196</u>	23.54%
Net Investment in Capital Assets	3,425,956	3,567,217	(141,261)	(3.96)%
Restricted	95,060	88,523	6,537	7.38%
Unrestricted	<u>(4,694,458)</u>	<u>(4,674,799)</u>	<u>(19,659)</u>	0.42%
Total Net Position	<u>(1,173,442)</u>	<u>(1,019,059)</u>	<u>(154,383)</u>	15.15%

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net Position (Continued)

**Condensed Statement of Revenues, Expenses
And Changes in Net Position for the Year Ending
December 31, 2019 with Comparative Prior Year Balances**

	<u>FY 2019</u>	<u>FY 2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	3,438,036	3,883,725	(445,689)	(11.48)%
Non-operating Revenues	<u>110,838</u>	<u>81,267</u>	<u>29,571</u>	36.39%
Total Revenues	<u>3,548,874</u>	<u>3,964,992</u>	<u>(416,118)</u>	(10.49)%
Depreciation	320,210	298,765	21,445	7.18%
Other Operating Expenses	3,952,119	3,801,977	150,142	3.95%
Other Non-operating Expense	<u>16,009</u>	<u>18,633</u>	<u>(2,624)</u>	(14.08)%
Total Expenses	<u>4,288,338</u>	<u>4,119,375</u>	<u>168,963</u>	4.10%
Change in Net Position	(739,464)	(154,383)	(585,081)	378.98%
Beginning Net Position	<u>(1,173,442)</u>	<u>(1,019,059)</u>	<u>(154,383)</u>	15.15%
Ending Net Position	<u>(1,912,906)</u>	<u>(1,173,442)</u>	<u>(739,464)</u>	63.02%

The Authority's operating revenues decreased \$445,689 to \$3,438,036 in fiscal year 2019 from \$3,883,725 in 2018. This decrease is due to a reduction in connections in the 2019 fiscal year. The Authority's non-operating revenues increased by \$29,571 in fiscal year 2019 primarily due to the collection of a \$24,280 grant in fiscal year 2019 that was not awarded in fiscal year 2018.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net Position (Continued)

A summary of the Authority's prior year statement of revenues, expenses and changes in net position is presented with comparative fiscal year figures in the following table. This comparison has been restated to reflect the changes required by GASB No. 75.

**Condensed Statement of Revenues, Expenses
And Changes in Net Position for the Year Ending
December 31, 2018 with Comparative Prior Year Balances**

	<u>FY 2018</u>	<u>Restated FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	3,883,725	5,359,887	(1,476,162)	(27.54)%
Non-operating Revenues	<u>81,267</u>	<u>226,282</u>	<u>(145,015)</u>	(64.09)%
Total Revenues	<u>3,964,992</u>	<u>5,586,169</u>	<u>(1,621,177)</u>	(29.02)%
Depreciation	298,765	348,942	(50,177)	(14.38)%
Other Operating Expenses	3,801,977	3,914,326	(112,349)	(2.87)%
Other Non-operating Expense	<u>18,633</u>	<u>30,766</u>	<u>(12,133)</u>	(39.44)%
Total Expenses	<u>4,119,375</u>	<u>4,294,034</u>	<u>(174,659)</u>	(4.07)%
Change in Net Position	(154,383)	1,292,135	(1,446,518)	(111.95)%
Beginning Net Position	(1,019,059)	3,368,509	(4,387,568)	(130.25)%
Prior Period Adjustment	_____	<u>(5,679,703)</u>	<u>5,679,703</u>	(100.00)%
Ending Net Position	<u>(1,173,442)</u>	<u>(1,019,059)</u>	<u>(154,383)</u>	15.15%

Budgetary Highlights

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

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Budgetary Highlights (Continued)

The following table provides a 2019 budget comparison:

	Budget vs. Actual FY 2019		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	<u>5,339,580</u>	<u>5,346,370</u>	<u>6,790</u>
Expenses:			
Operating	<u>5,218,500</u>	<u>3,862,162</u>	<u>1,356,338</u>
Non-Operating	<u>121,080</u>	<u>117,636</u>	<u>3,444</u>
	<u>5,339,580</u>	<u>3,979,798</u>	<u>1,359,782</u>
Income before Depreciation	<u>0</u>	<u>1,366,572</u>	<u>1,366,572</u>

	Budget vs. Actual FY 2018		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	<u>4,563,332</u>	<u>4,462,488</u>	<u>(100,844)</u>
Expenses:			
Operating	<u>4,445,751</u>	<u>3,696,249</u>	<u>749,502</u>
Non-Operating	<u>117,581</u>	<u>115,220</u>	<u>2,361</u>
	<u>4,563,332</u>	<u>3,811,469</u>	<u>751,863</u>
Income before Depreciation	<u>0</u>	<u>651,019</u>	<u>651,019</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Debt Administration

At December 31, 2019, the Authority had outstanding New Jersey Environmental Infrastructure Fund bonds of \$976,495 (gross). The debt service schedule has a final maturity in 2027. Full details of the specific bond issues outstanding are found in Note 5 to the financial statements and the supplementary schedules.

Economic Factors, Future Years' Budgets and Rates

The Commissioners and management of the Authority consider many factors when preparing each year's budget and annual charges. Two of the main factors are growth in the Authority's system and new regulations issued by the State and Federal governments.

Contacting the Authority

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Secaucus Municipal Utilities Authority, 1100 Koelle Boulevard, Secaucus, New Jersey 07094.

Financial Statements

THIS PAGE INTENTIONALLY LEFT BLANK

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31,**

EXHIBIT A
Page 1 of 3

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current Assets:		
<u>Unrestricted:</u>		
Cash and Cash equivalents	\$ 4,742,476	\$ 5,615,738
Other Receivables	<u>829</u>	<u>-</u>
Total Unrestricted Assets	<u>4,743,305</u>	<u>5,615,738</u>
<u>Restricted:</u>		
Debt Service Account:		
Cash and Cash equivalents	28,095	27,625
Renewal and Replacement Account:		
Cash and Cash equivalents	62,556	55,925
Bond Redemption and Improvement Account:		
Cash and Cash equivalents	371	365
Rebate Account		
Cash and Cash equivalents	<u>19,579</u>	<u>19,251</u>
Total Restricted Assets	<u>110,601</u>	<u>103,166</u>
Non-Current Assets:		
<u>Capital Assets:</u>		
Land	659,377	659,377
Property, Plant and Equipment	58,119,425	57,768,385
Furniture, Fixtures and Equipment	746,361	741,928
Vehicles	370,765	345,753
Less: Accumulated Depreciation	<u>(55,320,615)</u>	<u>(55,000,405)</u>
Total Capital Assets	<u>4,575,313</u>	<u>4,515,038</u>
TOTAL ASSETS	\$ <u>9,429,219</u>	\$ <u>10,233,942</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflows:		
Pension-Related Deferred Outflows	984,421	1,326,171
OPEB-Related Deferred Outflows	<u>1,919</u>	<u>1,919</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>986,340</u>	<u>1,328,090</u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31,**

EXHIBIT A
Page 2 of 3

	<u>2019</u>	<u>2018</u>
<u>LIABILITIES</u>		
Current Liabilities:		
<u>Payable from Unrestricted Assets:</u>		
Accounts Payable	\$ 363,262	\$ 441,996
Payroll Related Payables	59,138	52,446
Compensated Absences Payable	86,643	80,830
Accounts Payable - Pension	194,000	223,500
	<u>703,043</u>	<u>798,772</u>
Total Payable from Unrestricted Assets		
<u>Payable from Restricted Assets:</u>		
Accrued Interest Payable	7,500	8,106
Bonds Payable - Current Portion	85,931	85,877
	<u>93,431</u>	<u>93,983</u>
Total Payable from Restricted Assets		
Non-Current Liabilities:		
Net Pension Obligation	3,584,226	3,816,253
Bonds Payable - Long-Term Portion	890,564	976,495
Net OPEB Obligation	3,630,582	3,630,582
	<u>8,105,372</u>	<u>8,423,330</u>
Total Non-Current Liabilities		
TOTAL LIABILITIES	<u>8,901,846</u>	<u>9,316,085</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows:		
Unamortized Bond Premium, Net of Amortization	24,206	26,710
Pension-Related Deferred Inflows	1,377,503	1,367,769
OPEB-Related Deferred Inflows	2,024,910	2,024,910
	<u>3,426,619</u>	<u>3,419,389</u>
TOTAL DEFERRED INFLOWS OF RESOURCES		

The accompanying "Notes to the Financial Statements" are an integral part of this report.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31,**

EXHIBIT A
Page 3 of 3

	<u>2019</u>	<u>2018</u>
<u>NET POSITION:</u>		
Net Investment in Capital Assets	3,574,612	3,425,956
Restricted:		
Debt Service Reserve Fund	20,595	19,519
Renewal and Replacement Fund	62,556	55,925
Bond Redemption and Improvement Fund:	371	365
Rebate Fund	19,579	19,251
Unrestricted:		
Designated	1,000,000	1,000,000
Undesignated	<u>(6,590,619)</u>	<u>(5,694,458)</u>
TOTAL NET POSITION	\$ <u>(1,912,906)</u>	\$ <u>(1,173,442)</u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

THIS PAGE INTENTIONALLY LEFT BLANK

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
DECEMBER 31,

EXHIBIT B

	<u>2019</u>	<u>2018</u>
Operating Revenue:		
Town of Secaucus	\$ 3,227,080	\$ 3,209,832
Sewer Connection / User Fees	<u>210,956</u>	<u>673,893</u>
Total Operating Revenue	<u>3,438,036</u>	<u>3,883,725</u>
Operating Expenses:		
Administrative and General	596,169	576,863
Cost of Providing Services	3,355,950	3,225,114
Depreciation Expense	<u>320,210</u>	<u>298,765</u>
Total Operating Expenses	<u>4,272,329</u>	<u>4,100,742</u>
Operating Income	<u>(834,293)</u>	<u>(217,017)</u>
Non-Operating Revenue (Expenses):		
Interest and Miscellaneous Income	84,054	78,763
Grant Income	24,280	-
Interest Expense	(16,009)	(18,633)
Amortization	<u>2,504</u>	<u>2,504</u>
Non-Operating Income (Loss)	<u>94,829</u>	<u>62,634</u>
Change In Net Position	(739,464)	(154,383)
Net Position - January 1	<u>(1,173,442)</u>	<u>(1,019,059)</u>
Net Position - December 31	<u><u>\$ (1,912,906)</u></u>	<u><u>\$ (1,173,442)</u></u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

THIS PAGE INTENTIONALLY LEFT BLANK

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 3,437,207	\$ 3,883,725
Cash Paid to Vendors	(2,323,507)	(2,151,432)
Cash Paid to Employees	(1,604,884)	(1,528,666)
Net Cash Provided by Operating Activities	<u>(491,184)</u>	<u>203,627</u>
Cash Flow from Investing Activities:		
Interest Received	47,177	46,351
Interest Paid on Bonds	(16,615)	(19,275)
Net Cash Provided by (used in) Investing Activities	<u>30,562</u>	<u>27,076</u>
Cash Flow from Financing Activities:		
Other Non-Operating Income	61,157	32,412
Capital Purchases and Construction	(380,485)	(74,163)
Principal Payment on Bonds and Loans	(85,877)	(80,837)
Net Cash Used in Financing Activities	<u>(405,205)</u>	<u>(122,588)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(865,827)	108,115
Cash and Cash Equivalents at Beginning of Year	<u>5,718,904</u>	<u>5,610,789</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 4,853,077</u></u>	<u><u>\$ 5,718,904</u></u>
Analysis of Balance:		
Unrestricted	\$ 4,742,476	\$ 5,615,738
Restricted	<u>110,601</u>	<u>103,166</u>
	<u><u>\$ 4,853,077</u></u>	<u><u>\$ 5,718,904</u></u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

**SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2019</u>	<u>2018</u>
OPERATING INCOME (LOSS)	\$ <u>(834,293)</u>	\$ <u>(217,017)</u>
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation Expense	320,210	298,765
Decrease (Increase) in Other Receivable	(829)	
Increase (Decrease) in Accounts Payable	(78,734)	14,611
Increase (Decrease) in Payroll Payable	6,692	(3,392)
Increase (Decrease) in Compensated Absences	5,813	4,932
Increase (Decrease) in OPEB-Related Obligations/Deferrals		(26,130)
Increase (Decrease) in Pension-Related Obligations/Deferrals	89,957	131,858
	<u>343,109</u>	<u>420,644</u>
Total Adjustments		
	<u>343,109</u>	<u>420,644</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u><u>(491,184)</u></u>	\$ <u><u>203,627</u></u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

Notes to Financial Statements

THIS PAGE INTENTIONALLY LEFT BLANK

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1. GENERAL

The Secaucus Municipal Utilities Authority ("the Authority") was created by an ordinance of the Council of the Town of Secaucus on March 14, 1978. The Authority was created as a Municipal Utilities Authority under Chapter 183 of the laws of 1957. Under the bond indenture of the Sewer Revenue Bonds, Series of 1979, certain funds and distribution of revenue were established funds were modified by the Sewer Revenue Refunding Bonds of 1984, the Series A and B Bonds of 1987, the Series C Bonds of 1988, the Series D Bonds of 1991, the Series A and B Bonds of 1994, the Series A and B Bonds of 2003 and the Series 2010 Bonds. The Authority services the Town of Secaucus. The Board of Commissioners is comprised of five members chosen by the Mayor and Council of the Town of Secaucus.

The Authority is a component unit of the Town of Secaucus under Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB No. 39.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies:

A. Basis of Presentation

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

On January 1, 2012, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which amends the net asset reporting requirement of Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows from resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The classifications of net position are defined as follows:

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

A. Basis of Presentation, (continued)

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

B. Basis of Accounting

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

C. Reporting Entity

The Authority's financial statements include the accounts of all Authority operations. The primary criterion for including activities within the Authority's reporting entity, is set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. Based on this criteria, the Authority is a legally separate organization and has no component units.

D. Risks of Loss

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.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E. Grants

Contributions, if any, received from the U.S. Department of Homeland Security, U.S. Environmental Protection Agency and N.J. Department of Environmental Protection are recorded in the period in which they are awarded.

Grants receivable, if any, represent the total grant awards less amounts collected to date. Grants, if any, not internally restricted and utilized to finance operations are identified as non-operating revenue. Grants externally restricted for non-operating purposes are recorded as contributed capital and identified as grants-in-aid.

F. Inventories of Materials and Supplies

The cost of inventories, primarily chemicals for the treatment of sewerage and sludge, are recorded as expenditures at the time individual items are purchased, since they are not material to the results of operations and financial position.

G. Unearned Revenue

Unearned revenue arise when assets are recognized before revenue recognition criteria has been satisfied.

H. Property, Plant and Equipment

Property, Plant and Equipment is stated at cost which includes direct construction costs and other expenditures related to construction. Land is stated at approximate fair market value as of the date it was donated to the Authority or at the purchase price if purchased by the Authority.

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

Depreciation is determined on a straight-line basis for all plant and equipment. Depreciation is provided over the following estimated useful lives:

Building and Improvements	20-50 Years
Sewer Mains and Interceptors	50 Years
Machinery and Equipment	10-20 Years
Furniture and Fixtures	5 Years
Vehicles	3-10 Years

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

H. Property, Plant and Equipment, (continued)

Depreciation on assets acquired with grants-in-aid and contributed capital assets is recorded as a reduction of contributed capital.

A summary of the changes in property, plant and equipment at December 31, 2019 is as follows:

	<u>Balance FY 2018</u>	<u>Net Additions</u>	<u>Disposals</u>	<u>Balance FY 2019</u>
Land	\$659,377	\$	\$	\$659,377
Property, Plant and Equipment	57,768,385	351,040		58,119,425
Furniture, Fixtures and Equipment	741,928	4,433		746,361
Vehicles	<u>345,753</u>	<u>25,012</u>	—	<u>370,765</u>
	59,515,443	380,485		59,895,928
Accumulated Depreciation	<u>(55,000,405)</u>	<u>(320,210)</u>	—	<u>(55,320,615)</u>
Property, Plant and Equipment, Net	<u>\$4,515,038</u>	<u>\$60,275</u>	<u>\$</u>	<u>\$4,575,313</u>

A summary of the changes in property, plant and equipment at December 31, 2018 is as follows:

	<u>Balance FY 2017</u>	<u>Net Additions</u>	<u>Disposals</u>	<u>Balance FY 2018</u>
Land	\$659,377	\$	\$	\$659,377
Property, Plant and Equipment	57,710,184	58,201		57,768,385
Furniture, Fixtures and Equipment	725,966	15,962		741,928
Vehicles	<u>345,753</u>		—	<u>345,753</u>
	59,441,280	74,163		59,515,443
Accumulated Depreciation	<u>(54,701,640)</u>	<u>(298,765)</u>	—	<u>(55,000,405)</u>
Property, Plant and Equipment, Net	<u>\$4,739,640</u>	<u>(\$224,602)</u>	<u>\$</u>	<u>\$4,515,038</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

I. Restricted Accounts

Construction Fund

The Trustee shall establish a Construction Fund for the payment of the costs of each Project involving construction or acquisition. Grants-in-aid of construction are required to be deposited in the Construction Fund, unless the terms of such grants-in-aid provide otherwise. Upon completion of any Project and delivery of the Authority's certificate approved by the Consulting Engineer, showing the date of such completion and certifying that all required insurance has been obtained and that all costs of such Project have been paid or stating the amounts to be reserved for the payment of unpaid costs, the Trustee is required to transfer the balance in the Construction Account and amounts not reserved for the payment of unpaid costs to the Bond Redemption and Improvement Fund.

Other Funds and Accounts

In addition to the Construction Account, the following funds and accounts will be established under the Trust Agreement:

- (1) Revenue Fund
- (2) Operating Fund
- (3) Debt Service Fund
- (4) Sinking Fund
- (5) Debt Service Reserve Fund
- (6) Renewal and Replacement Fund
- (7) Bond Redemption and Improvement Fund
- (8) Rebate Fund

The Authority will hold the Operating Fund and all other funds will be held by the Trustee.

Flow of funds

All Pledged Revenues with the exception of funding for ordinary operating expenses are required to be paid over to the Trustee forthwith upon receipt for deposit into:

- (1) Revenue Fund – Transfers from the Revenue Fund shall be made to all other required funds.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

I. Restricted Accounts, (continued)

- (2) Operating Fund – monthly, the amount necessary to equal the Authority's operating expenses plus a reasonable reserve (if required) therefore until the date of the next Town Payment.
- (3) Debt Service Fund – semi-annually, an amount sufficient to make the amount therein equal to interest on the next interest payment date, plus (ii) the greater of 100% of the principal amount of Bonds falling due on or before the date of the next transfer into such Fund and 50% of the principal or face amount of Bonds falling due on or before the date of the second succeeding transfer into such Fund.
- (4) Sinking Fund – semi-annually, an amount sufficient to make the amount therein equal to the greater of 100% of the redemption price of Bonds falling due on or before the date of the next transfer into such Fund and 50% of the redemption price of Bonds falling due on or before the date of the second succeeding transfer into such Fund.
- (5) Debt Service Reserve Fund – semi-annually, such amount as may be required with respect to additional issues of parity Bonds (there is no Debt Service Reserve Fund for the 2010 Bonds).
- (6) Renewal and Replacement Fund – semi-annually, up to \$15,750 per year until the amount therein equals \$200,000.
- (7) Bond Redemption and Improvement Fund – semi-annually, the balance remaining after the foregoing transfers.
- (8) Rebate Fund – at the direction of the Authority, from the Revenue Fund or the Bond Redemption and Improvement Fund, amounts subject to rebate to the United States under the Code.

Operating Fund

Monies from the Operating Fund will be applied by the Authority to pay all costs of operating, maintaining and repairing the Sewer System.

Debt Service Fund

The monies in the Debt Service Fund will be used to pay principal and interest on the Bonds. When Bonds are purchased or redeemed, the amount, if any, in the Debt Service Fund representing interest thereon will be applied to the payment of accrued interest in connection with any such redemption or purchase, and any excess, together with any amount representing principal, shall be transferred to the Bond Redemption and Improvement Fund.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

I. Restricted Accounts, (continued)

Sinking Fund

Amounts in the Sinking Fund shall be used for the purchase or redemption of the Bonds for which the Sinking Fund was established. The Trustee, at the request of the Authority, may use monies in the Bond Sinking Fund (but not within the period from October 15 through the following December 2, in any year) to purchase additional Bonds at the lowest prices reasonably obtainable; provided that the purchase price, exclusive of accrued interest, does not exceed the mandatory redemption price of such Bonds.

Debt Service Reserve Fund

If required in connection with an issue of additional parity Bonds, the Trustee shall establish a Debt Service Reserve Fund for such issue of Bonds, to make up deficiencies in the Debt Service Fund or Sinking Fund for such Bonds. No Debt Service Reserve Fund has been established for the 2010 Bonds.

Any excess in any Debt Service Reserve Fund may, at the option of the Authority, be transferred to the Revenue Fund or the Bond Redemption and Improvement Fund.

Renewal and Replacement Fund

The Renewal and Replacement Fund will be used to pay costs of extraordinary repairs, renewals and replacements to the Sewer System to the extent that, in the opinion of the Consulting Engineer, such costs cannot be paid out of the budget provision made for such costs. The amount currently required to be deposited annually is \$15,750. The Consulting Engineer may specify an increase in the amount of the Renewal and Replacement Fund for extraordinary repairs to the Sewer System.

Bond Redemption and Improvement Fund

The Trustee shall use the Bond Redemption and Improvement Fund at any time to make up deficiencies in the Debt Service Fund and the Sinking Fund and to restore any withdrawals from the Debt Service Reserve Fund or the Renewal and Replacement Fund. If there is no deficiency in any of the aforesaid Funds and no Event of Default has occurred and is continuing, the Trustee, at the request of the Authority, may apply amounts in the Bond Redemption and Improvement Fund to any lawful corporate purpose of the Authority.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

I. Restricted Accounts, (continued)

Rebate Fund

The Trustee shall establish a Rebate Fund into which it shall, upon the direction of the Authority, from time to time deposit from the Revenue Fund or the Bond Redemption and Improvement Fund such amounts as may be subject to rebate to the United States pursuant to the Code and shall use the monies therein to make such rebates when and as required.

J. Deferred Outflows and Deferred Inflows of Resources

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

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

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

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

Bond Premiums - Bond premiums arising from the issuance of long-term debt (bonds) are amortized over the life of the bonds, in a systematic and rational method, from the issue date to maturity as a component of interest expense.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

K. Operating Fund Budget

The budget amounts included in the statement of budget revenues and statement of budget expenditures were approved in accordance with the requirements of the "Local Finance Board" of the State of New Jersey, and were adopted by the Commissioners after legal advertisement and public hearing.

L. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Authority estimates the useful life of assets in determining depreciation figures. Actual results could differ from those estimates.

M. Sick and Vacation Leave

Authority employees are granted varying amounts of sick leave in accordance with the Authority's personnel policy and union agreements. Compensated absences payable was \$86,643 and \$80,830 at December 31, 2019 and 2018, respectively.

N. Net Position

Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

O. Recent Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, Leases, which is intended to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

O. Recent Accounting Pronouncements, (continued)

provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, as a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

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

In June 2018, the Government Accounting Standards Board issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. This Statement is effect for fiscal years beginning after December 15, 2019, though earlier application is encouraged. The Authority believes this Statement may impact the reporting of certain interest payments previously recorded as capital expenditures.

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

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

P. Recent Adopted Accounting Pronouncements

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

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

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

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

P. Recent Adopted Accounting Pronouncements, (continued)

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

In May 2020, the Government Accounting Standards Board issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 83, *Certain Asset Retirement Obligations*; Statement No. 84, *Fiduciary Activities*; Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; Statement No. 90, *Majority Equity Interests*; Statement No. 91, *Conduit Debt Obligations*; Statement No.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

P. Recent Adopted Accounting Pronouncements

92, *Omnibus 2020*; Statement No. 93, *Replacement of Interbank Offered Rates*; Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*; Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*; Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*; Implementation Guide No. 2019-2, *Fiduciary Activities*. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87, *Leases*; Implementation Guide No. 2019-3, *Leases*. The requirements of this Statement are effective immediately.

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

Q. Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for services. Operating expenses include the cost of operations and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses. State and federal grants for the operation of the Authority are considered operating revenues. Transactions or other events that are both unusual in nature and infrequent in occurrence are reported as extraordinary items.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3. CASH AND CASH EQUIVALENTS

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

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

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

As of December 31, 2019, the Authority's cash and cash equivalents are summarized as follows:

	Money Market/ Checking <u>Accounts</u>	<u>Total</u>
Unrestricted	\$4,742,476	\$4,742,476
Restricted	<u>110,601</u>	<u>110,601</u>
	<u>\$4,853,077</u>	<u>\$4,853,077</u>

The carrying amount of the Authority's cash and cash equivalents at December 31, 2019 was \$4,853,077 and the bank balance was \$4,887,313. This entire amount was covered by federal depository insurance and the collateral pool maintained by the banks as required by New Jersey Statutes.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3. CASH AND CASH EQUIVALENTS, (continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Authority's policy is based on New Jersey statutes requiring cash be deposited only in New Jersey based on banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in a qualified investment established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2019, \$0- of the Authority's bank balance of \$4,887,313 was exposed to custodial risk.

NOTE 4. INVESTMENTS

Investments are stated at fair value, which is determined using selected bases. The Authority classifies certificates of deposit that have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

The Authority had no investments at December 31, 2019.

Interest Rate Risk

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, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk

New Jersey Statutes 40A:5-15.1(a) limits municipal investment maturities to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America or the local unit or school districts of which the local unit is part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk

The Authority places no limit on the amount it may invest in any one issuer.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 5. LONG-TERM DEBT

The Authority has issued and has outstanding the following bonds as of December 31, 2019 and 2018.

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Redeemed</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
Series 2010 NJ Environmental Infrastructure Trust and Fund Bonds	\$833,997	\$69,909	\$764,088
Series 2013 NJ Environmental Infrastructure Trust and Fund Bonds	<u>228,375</u>	<u>15,968</u>	<u>212,407</u>
Net Carrying Amount of Debt	<u>\$1,062,372</u>	<u>\$85,877</u>	<u>\$976,495</u>
Current Portion	85,877		85,931
Long-Term Portion	<u>976,495</u>		<u>890,564</u>
	<u>\$1,062,372</u>		<u>\$976,495</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$85,931	\$18,000	\$103,931
2021	85,996	16,184	102,180
2022	91,072	15,058	106,130
2023	91,159	13,371	104,530
2024	91,256	11,675	102,931
2025	91,360	9,970	101,330
2026-2030	408,838	22,605	431,443
2031-2032	<u>30,883</u>	<u>529</u>	<u>31,412</u>
	<u>\$976,495</u>	<u>\$107,392</u>	<u>\$1,083,887</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 5. LONG-TERM DEBT, (continued)

Series 2010 NJ Environmental Infrastructure Trust Bonds

On March 10, 2010, the Authority issued \$1,356,541 Series 2010 Subordinate Bonds through the New Jersey Environmental Infrastructure Trust Program. These bonds are being used for improvements to the treatment facilities.

Principal and interest due on outstanding 2010 bonds to maturity is as follows:

<u>Year</u>	<u>NJEIT SERIES 2010</u>			
	<u>Trust Portion</u>		<u>Fund Portion</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Debt Service</u>
2020	\$35,000	\$16,375	\$34,909	\$86,284
2021	35,000	14,625	34,909	84,534
2022	40,000	13,576	34,908	88,484
2023	40,000	11,975	34,909	86,884
2024	40,000	10,375	34,909	85,284
2025	40,000	8,775	34,909	83,684
2026	45,000	7,176	34,908	87,084
2027	45,000	5,600	34,909	85,509
2028	45,000	3,800	34,909	83,709
2029	<u>50,000</u>	<u>2,000</u>	<u>34,909</u>	<u>86,909</u>
	<u>\$415,000</u>	<u>\$94,277</u>	<u>\$349,088</u>	<u>\$858,365</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 5. LONG-TERM DEBT, (continued)

Series 2013 NJ Environmental Infrastructure Trust Bonds

On May 30, 2013, the Authority issued \$318,752 Series 2013 Subordinate Bonds through the New Jersey Environmental Infrastructure Trust Program.

Principal and interest due on outstanding 2013 bonds to maturity is as follows:

<u>Year</u>	<u>NJEIT SERIES 2013</u>			
	<u>Trust Portion</u>		<u>Fund Portion</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Debt Service</u>
2020	\$3,950	\$1,625	\$12,072	\$17,647
2021	4,015	1,559	12,072	17,646
2022	4,092	1,483	12,072	17,647
2023	4,178	1,396	12,072	17,646
2024	4,275	1,300	12,072	17,647
2025	4,379	1,195	12,072	17,646
2026	4,490	1,084	12,072	17,646
2027	4,622	953	12,072	17,647
2028	4,761	814	12,072	17,647
2029	4,907	667	12,072	17,646
2030	5,062	512	12,072	17,646
2031	5,224	350	12,072	17,646
2032	<u>4,425</u>	<u>178</u>	<u>9,163</u>	<u>13,766</u>
	<u>\$58,380</u>	<u>\$13,116</u>	<u>\$154,027</u>	<u>\$225,523</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 6. PENSION PLANS

Description of Plans:

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

Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

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

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

Service retirement benefits of 1/55th 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 to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 6. PENSION PLANS, (continued)

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

Benefits Provided, (continued)

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

Defined Contribution Retirement Program

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

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

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

Contribution Requirements

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

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 6. PENSION PLANS, (continued)

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

Contribution Requirements, (continued)

required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS. In the PERS, the employer contribution includes funding for post-retirement medical premiums.

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

<u>Three Year Trend Information for PERS</u>		
<u>Year</u>	<u>Annual</u>	<u>Percentage</u>
<u>Funding</u>	<u>Pension</u>	<u>of APC</u>
	<u>Cost (APC)</u>	<u>Contributed</u>
12/31/19	\$193,490	100%
12/31/18	174,810	100%
12/31/17	164,946	100%

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

Public Employees Retirement System (PERS)

At December 31, 2019 and 2018, the Authority reported a liability of \$3,584,226 and \$3,816,253 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority has not updated the net pension obligation, pension-related deferred outflow, accounts payable – pension or pension-related deferred inflow accounts to a measurement date acceptable under current accounting standards for the year ended December 31, 2019. Government Accounting Standards Board Statement No. 68 requires a state or local government employer to recognize a net pension liability measured as of a date no earlier than the end of its prior fiscal year. The amount by which this departure would affect the deferred outflows of resources, liabilities, deferred inflows of resources and net position has not been determined. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2019, the Authority's proportion was 0.0198919419 percent, which was an increase of 0.0005097690 percent from its proportion measured as of June 30, 2018.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 6. PENSION PLAN, (continued)

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

Public Employees Retirement System (PERS), (continued)

For the year ended December 31, 2019, the Authority recognized pension expense of \$283,447. At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>2019</u>	<u>2018</u>
Deferred Outflows of Resources:		
Changes of assumptions	\$357,898	\$628,855
Net difference between projected and actual earnings on pension plan investments	64,332	72,777
Changes in proportion and differences between Authority contributions and proportionate share of contributions	368,191	401,039
Authority contributions subsequent to the measurement date	<u>194,000</u>	<u>223,500</u>
Total	<u>\$984,421</u>	<u>\$1,326,171</u>
	<u>2019</u>	<u>2018</u>
Deferred Inflows of Resources:		
Changes of assumptions	\$1,244,074	\$1,220,235
Net difference between projected and actual earnings on pension plan investments	56,578	55,475
Changes in proportion and differences between Authority contributions and proportionate share of contributions	29,489	44,696
Other deferred pension adjustments	<u>47,362</u>	<u>47,363</u>
Total	<u>\$1,377,503</u>	<u>\$1,367,769</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 6. PENSION PLAN, (continued)

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

Public Employees Retirement System (PERS), (continued)

The \$194,000 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date (i.e. for the fiscal year ending December 31, 2019, the plan measurement date is June 30, 2019) will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>2019</u>	<u>2018</u>
Year ended December 31:		
2019	\$	\$26,487
2020	(103,496)	(36,671)
2021	(335,739)	(262,963)
2022	(299,796)	(277,940)
2023	(140,770)	(72,990)
2024	(14,454)	

Changes in Proportion

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

Additional Information

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

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
Collective deferred outflows of resources	\$3,149,522,616	\$4,684,852,302
Collective deferred inflows of resources	7,645,087,574	7,646,736,226
Collective net pension liability	18,018,482,972	19,689,501,539
Authority's Proportion	0.0198919419%	0.0193821700%

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 6. PENSION PLAN, (continued)

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

Public Employees Retirement System (PERS), (continued)

Actuarial Assumptions

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

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

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

Mortality Rates

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

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 6. PENSION PLAN, (continued)

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

Public Employees Retirement System (PERS), (continued)

Long-Term Rate of Return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 6. PENSION PLAN, (continued)

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

Public Employees Retirement System (PERS), (continued)

Discount Rate

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

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

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

June 30, 2019			
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>5.28%</u>	<u>6.28%</u>	<u>7.28%</u>
Authority's proportionate share of the pension liability	<u>\$4,558,956</u>	<u>\$3,609,161</u>	<u>\$2,808,823</u>
June 30, 2018			
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>5.28%</u>	<u>6.28%</u>	<u>7.28%</u>
Authority's proportionate share of the pension liability	<u>\$4,798,498</u>	<u>\$3,816,253</u>	<u>\$2,992,212</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 6. PENSION PLAN, (continued)

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

Public Employees Retirement System (PERS), (continued)
Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS).

NOTE 7. OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 6, the Authority provides post employment health care benefits in accordance with the provisions of Ch. 88, P.L. 1974 as amended by Chapter 436, P.L. 1981, at its cost. On May 13, 2010, the Authority adopted the provisions of N.J.S.A. 52:14-17.38 and adhered to the rules and regulations promulgated by the State Health Benefits Commission to implement the provisions of that law. This resolution affects employees as shown in Chapter 48, P.L. 1999. It is effective on the 1st day of July, 2010.

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

General Information about the OPEB Plan

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

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 7. OTHER POST EMPLOYMENT BENEFITS, (continued)

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

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

Total OPEB Liability

A valuation of the Authority's postemployment retirement plan was performed as of June 30, 2019 by an actuary hired by the State of New Jersey, Division of Pensions. Their valuation report erroneously omitted the Secaucus Municipal Utilities Authority from its calculation. The State acknowledged this omission but informed the Authority that a new valuation would not be completed for the period ending June 30, 2019. The Authority has determined that the estimated impact on net position would be immaterial and has elected to use the figures from the June 30, 2018 valuation for the 2019 fiscal year.

At December 31, 2019 and 2018, the Authority reported a liability of \$3,630,582 and \$3,630,582 for its proportionate share of the non-special funding net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net OPEB liability was based on a projection of the Authority's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers in the plan. At June 30, 2018 the Authority's proportion was 0.023174 percent.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 7. OTHER POST EMPLOYMENT BENEFITS, (continued)

For the years ended December 31, 2019 and 2018, the Authority recognized medical expense of \$83,886 and \$83,886, respectively. At December 31, 2019 and 2018, deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2019</u>	<u>2018</u>
Deferred Outflows of Resources:		
Net difference between projected and actual earnings on pension plan investments	<u>\$1,919</u>	<u>\$1,919</u>
Total	<u>\$1,919</u>	<u>\$1,919</u>
Deferred Inflows of Resources:		
Changes of assumptions	\$920,945	\$920,945
Net difference between projected and actual earnings on pension plan investments	737,138	737,138
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	<u>366,827</u>	<u>366,827</u>
Total	<u>\$2,024,910</u>	<u>\$2,024,910</u>

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

	<u>2019</u>	<u>2018</u>
Year ended June 30:		
2019	\$	\$(243,186)
2020	(243,186)	(243,186)
2021	(243,388)	(243,388)
2022	(243,716)	(243,716)
2023	(439,503)	(439,503)

Changes in Proportion

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

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 7. OTHER POST EMPLOYMENT BENEFITS, (continued)

Actual Assumptions and Other Inputs

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

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

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

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

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 7. OTHER POST EMPLOYMENT BENEFITS, (continued)

Health Care Trend Assumptions

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

Discount Rate

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

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

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

June 30, 2019			
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>2.87%</u>	<u>3.87%</u>	<u>4.87%</u>
Authority's proportionate share of			
Net OPEB liability	\$4,259,633	\$3,630,582	\$3,128,113
June 30, 2018			
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>2.87%</u>	<u>3.87%</u>	<u>4.87%</u>
Authority's proportionate share of			
Net OPEB liability	\$4,259,633	\$3,630,582	\$3,128,113

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 7. OTHER POST EMPLOYMENT BENEFITS, (continued)

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

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

	June 30, 2019		
	1% <u>Decrease</u>	Healthcare Cost <u>Trend Rate</u>	1% <u>Increase</u>
Authority's proportionate share of Net OPEB liability	\$3,028,488	\$3,630,582	\$4,409,782
	June 30, 2018		
	1% <u>Decrease</u>	Healthcare Cost <u>Trend Rate</u>	1% <u>Increase</u>
Authority's proportionate share of Net OPEB liability	\$3,028,488	\$3,630,582	\$4,409,782

NOTE 8. COMMITMENTS AND CONTINGENT LIABILITIES

The Authority's attorneys have informed management of no commitments or contingent liabilities.

NOTE 9. RISK MANAGEMENT

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

Property and Liability Insurance

The Authority is currently a member of the New Jersey Utility Authorities Joint Insurance Fund, a public entity risk pool currently composed of 46 member authorities. The Fund provides members with Property, Liability and Worker's Compensation Insurance. The Authority continues to carry Public Officials Liability and Public Employee Dishonesty insurance through outside policies.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 10. DEFERRED COMPENSATION PLAN

Employees of the Secaucus Municipal Utilities Authority may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Government). The deferred compensation plan is available to all employees of the Authority. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The deferred compensation plan is administered by an unrelated financial institution. The employees' contributions to the Plan and all income attributable to those amounts have been transferred to the exclusive benefit of the participating employees and their beneficiaries.

NOTE 11. JOINT SERVICE AGREEMENT

The Authority entered into an Inter-local Agreement with the Town of Secaucus. The shared services included plumbing, carpentry and painting. In 2019, the shared services also included purchasing.

NOTE 12. SUBSEQUENT EVENTS

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

The Secaucus Municipal Utilities Authority has evaluated subsequent events through July 8, 2020, the date which the financial statements were available to be issued and no other items were noted for disclosure.

NOTE 13. UNRESTRICTED NET POSITION

The Authority maintains funds that, although may be spent for any lawful purpose by the Authority, have been designated by the Board as follows:

	<u>2019</u>	<u>2018</u>
Capital Improvements	<u>\$1,000,000</u>	<u>\$1,000,000</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13. UNRESTRICTED NET POSITION, (continued)

At December 31, 2019 and 2018, the Authority reported a total amount of \$1,000,000 of Unrestricted Net Position - Designated for the purposes described above.

The remaining, undesignated portion of the Authority's net position was comprised of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
OPEB Related	\$(5,653,573)	\$(5,653,573)
Pension Related	(3,977,308)	(3,857,851)
Available for Use in Future Budgets	<u>3,040,262</u>	<u>3,816,966</u>
	<u>(\$6,590,619)</u>	<u>(\$5,694,458)</u>

Required Supplementary Information - Part II

THIS PAGE INTENTIONALLY LEFT BLANK

SCHEDULE RSI-1

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS)
Last Six Fiscal Years

	Measurement Date Ending June 30,				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's Proportion of the Net Pension Liability	0.0198919419%	0.0193821700%	0.0179545791%	0.0178116326%	0.0175601274%
Authority's Proportionate Share of the Net Pension Liability	\$3,584,226	\$3,816,253	\$4,179,539	\$5,275,295	\$3,941,897
Authority's Covered-Employee Payroll	\$1,496,043	\$1,404,365	\$1,362,338	\$1,234,514	\$1,227,489
Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	239.58%	271.74%	306.79%	427.32%	321.14%
					250.18%

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

SCHEDULE RSI-2

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
Required Supplementary Information
Schedule of the Authority's Contributions
Public Employees' Retirement System (PERS)
Last Six Fiscal Years

	Fiscal Year Ended December 31,					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$193,490	\$174,810	\$164,946	\$150,970	\$131,460	\$128,034
Contributions in Relation to the Contractually Required Contribution	(193,490)	(174,810)	(164,946)	(150,970)	(131,460)	(128,034)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered-Employee Payroll	\$1,496,043	\$1,404,365	\$1,362,338	\$1,234,514	\$1,227,489	\$1,193,374
Contributions as a Percentage of Authority's Covered-Employee Payroll	12.93%	12.45%	12.11%	12.23%	10.71%	10.73%

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

SCHEDULE RSI-3

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
Required Supplementary Information
Schedule of Changes in the Authority's Proportionate
Share of the State OPEB Liability
Last Three Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability:			
Service Cost	\$207,694	\$207,694	\$253,655
Interest	177,068	177,068	154,506
Difference between Expected and Actual Experience	(840,378)	(840,378)	
Changes of Assumptions	(536,302)	(536,302)	(616,633)
Benefit Payments	(97,707)	(97,707)	(99,479)
Contributions - Members	12,511	12,511	12,768
Change in Allocation	<u>1,077,114</u>	<u>(134,913)</u>	<u>(317,303)</u>
Net Change in Total OPEB Liability	0	(1,212,027)	(612,486)
 Total OPEB Liability - Beginning	 <u>3,703,461</u>	 <u>4,915,488</u>	 <u>5,527,974</u>
 Total OPEB Liability - Ending	 <u><u>\$3,703,461</u></u>	 <u><u>\$3,703,461</u></u>	 <u><u>\$4,915,488</u></u>
 Plan Fiduciary Net Position:			
Contributions - Employer	97,608	97,608	90,978
Contributions - Non-Employer Contribution Entities	12,409	12,409	12,644
Contributions - Members	12,511	12,511	12,768
Net Investment Income	538	538	188
Benefit Payments	(97,707)	(97,707)	(99,479)
Administrative Expense	(1,900)	(1,900)	(2,119)
Change in Allocation	<u>(23,459)</u>	<u>(1,394)</u>	<u>(2,182)</u>
Net Change in Plan Fiduciary Net Position	0	22,065	12,798
 Plan Fiduciary Net Position - Beginning	 <u>72,879</u>	 <u>50,814</u>	 <u>38,016</u>
 Plan Fiduciary Net Position - Ending	 <u>72,879</u>	 <u>72,879</u>	 <u>50,814</u>
 Authority's Net OPEB Liability	 <u><u>\$3,630,582</u></u>	 <u><u>\$3,630,582</u></u>	 <u><u>\$4,864,674</u></u>

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

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
Schedules of Required Supplementary Information
Schedule of Authority's Share of Net OPEB Liability
*Last Three Fiscal Years**

	2019	2018	2017
Authority's proportion of the net OPEB liability (asset)	0.0231740000%	0.0231740000%	0.0238280000%
Authority's proportionate share of the net OPEB liability (asset)	\$ 3,630,582	\$ 3,630,582	\$ 4,864,674
Authority's covered payroll	\$ 1,496,043	\$ 1,404,365	\$ 1,362,338
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	242.68%	258.52%	357.08%

* GASB requires that ten years of information be presented. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
Notes to Required Supplementary Information
For the Year ended December 31, 2019

Public Employees' Retirement System (PERS)

Changes in Benefit Terms - None

Changes in Assumptions - The discount rate changed from 5.66% as of June 30, 2018 to 6.28% as of June 30, 2019, in accordance with Paragraph 44 of GASB Statement No. 67.

Other Post-employment Benefits (OPEB)

Changes in Benefit Terms - None

Changes in Assumptions - Assumptions used in calculating the OPEB liability are presented in Note 7.

THIS PAGE INTENTIONALLY LEFT BLANK

Supplementary Schedules

THIS PAGE INTENTIONALLY LEFT BLANK

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)

SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

	Net Investment in Capital Assets	Debt Service Reserve Fund	Restricted	Bond Redemption and Improvement Fund	Rebate Fund	Designated: Capital Improvements	Unrestricted	Total
			Renewal and Replacement Fund				Undesignated	
Operating Revenue:								
Town of Secaucus								3,227,080
Sewer Connection / User Fees								210,956
Total Operating Revenue	-	-	-	-	-	-	3,438,036	3,438,036
Operating Expense:								
Administrative and General								596,169
Cost of Providing Services								3,355,950
Depreciation	320,210							320,210
Total Operating Expense	320,210	-	-	-	-	-	3,952,119	4,272,329
Operating Income	(320,210)	-	-	-	-	-	(514,083)	(834,293)
Non-Operating Revenue (Expense):								
Interest and Miscellaneous Income				6	328			84,054
Grant Income		(16,009)						24,280
Interest Expense	2,504							(16,009)
Amortization								2,504
	2,504	(16,009)	-	6	328	-	108,000	94,829
Net Income (Loss) Before Transfers	(317,706)	(16,009)	-	6	328	-	(406,083)	(739,464)
Transfers:								
Budget Appropriation			15,750				(15,750)	-
Debt Service Payments	85,877						(85,877)	-
Capital Expenditures	380,485	17,085	(9,119)				(380,485)	-
Transfers							(7,966)	-
Increase/(Decrease) in Net Position	148,656	1,076	6,631	6	328	-	(896,161)	(739,464)
Net Position - Jan. 1, 2019	3,425,956	19,519	55,925	365	19,251	1,000,000	(5,694,458)	(1,173,442)
Net Position - December 31, 2019	3,574,612	20,595	62,556	371	19,579	1,000,000	(6,590,619)	(1,912,906)

THIS PAGE INTENTIONALLY LEFT BLANK

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
 (A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
 SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
 CHANGES IN CASH AND INVESTMENTS
 UNRESTRICTED AND RESTRICTED ACCOUNTS
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Operating Accounts	Debt Service Accounts	Renewal and Replacement Accounts	Bond Redemption and Improvement Account
Cash, Cash Equivalents and Investments -				
January 1, 2019	5,349,988	27,625	321,675	365
Cash Receipts:				
Town of Secaucus	3,254,772			
Sewer Connection / User Fees	195,787		15,169	
Interest and Miscellaneous Income	102,068	470	5,462	6
Transfers	14,000			
Total Cash Receipts	<u>3,566,627</u>	<u>470</u>	<u>20,631</u>	<u>6</u>
Cash and Investments Available	<u>8,916,615</u>	<u>28,095</u>	<u>342,306</u>	<u>371</u>
Cash Disbursements:				
Bond Principal Payments	85,877			
Interest Payments	16,615			
Operations	3,956,912			
Capital and Other Expenses	380,485			
Transfers			14,000	
Total Cash Disbursements	<u>4,439,889</u>	<u>-</u>	<u>14,000</u>	
Cash, Cash Equivalents and Investments -				
December 31, 2019	<u>4,476,726</u>	<u>28,095</u>	<u>328,306</u>	<u>371</u>
Analysis of Balance:				
Cash and Cash Equivalents	4,476,726	28,095	328,306	371
Investments	-	-	-	-
	<u>4,476,726</u>	<u>28,095</u>	<u>328,306</u>	<u>371</u>
Unrestricted	4,476,726	-	265,750	-
Restricted	-	28,095	62,556	371
	<u>4,476,726</u>	<u>28,095</u>	<u>328,306</u>	<u>371</u>

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED AND RESTRICTED ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Rebate Account	Total
Cash, Cash Equivalents and Investments - January 1, 2019	19,251	5,718,904
Cash Receipts:		
Town of Secaucus		3,254,772
Sewer Connection / User Fees		210,956
Interest and Miscellaneous Income	328	108,334
Transfers		14,000
Total Cash Receipts	328	3,588,062
Cash and Investments Available	19,579	9,306,966
Cash Disbursements:		
Bond Principal Payments		85,877
Interest Payments		16,615
Operations		3,956,912
Capital and Other Expenses		380,485
Transfers		14,000
Total Cash Disbursements	-	4,453,889
Cash, Cash Equivalents and Investments - December 31, 2019	19,579	4,853,077
Analysis of Balance:		
Cash and Cash Equivalents	19,579	4,853,077
Investments	-	-
	19,579	4,853,077
Unrestricted	-	4,742,476
Restricted	19,579	110,601
	19,579	4,853,077

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED
BY OPERATING REVENUE COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2019

	FY 2019 Adopted Budget	FY 2019 Budget as Amended	Paid or Charged	Excess / (Deficit)	Prior Year Actual
Revenues:					
Town of Secaucus	3,227,080	3,227,080	3,227,080	-	3,209,832
Connection and User Fees	300,000	300,000	210,956	(89,044)	673,893
Interest Income	2,500	2,500	47,177	44,677	46,351
Other Income	10,000	10,000	36,877	26,877	32,412
Grant Income	-	-	24,280	24,280	-
Net Position Appropriated	1,800,000	1,800,000	1,800,000	-	500,000
Total Operating Revenues	5,339,580	5,339,580	5,346,370	6,790	4,462,488
Expenses:					
Operating Appropriations:					
Administration:					
Salaries and Wages	261,727	261,727	269,645	(7,918)	257,856
Fringe Benefits	125,000	125,000	156,600	(31,600)	112,882
Telephone	11,000	11,000	6,396	4,604	6,265
Trustee Fees	6,000	6,000	3,357	2,643	4,020
NJEIT Fees	6,000	6,000	-	6,000	-
Legal Fees	100,000	100,000	52,078	47,922	86,555
Accounting and Auditing	43,000	43,000	42,500	500	36,250
Office, Stationary, Postage and Miscellaneous	55,000	55,000	45,158	9,842	44,783
Seminars, Conventions and Travel	20,000	20,000	6,042	13,958	11,178
Sub-total Administrative	627,727	627,727	581,776	45,951	559,789

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED
BY OPERATING REVENUE COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2019

	FY 2019 Adopted Budget	FY 2019 Budget as Amended	Paid or Charged	Excess / (Deficit)	Prior Year Actual
Expenses (continued):					
Operating Appropriations (continued):					
Cost of Providing Services:					
Salaries and Wages	1,363,273	1,363,273	1,335,239	28,034	1,270,810
Fringe Benefits	650,000	650,000	594,152	55,848	591,449
Electricity and Gas	270,000	270,000	235,205	34,795	226,357
Water	20,000	20,000	27,096	(7,096)	19,426
Treatment Chemicals	85,000	85,000	61,642	23,358	75,814
Supplies and Equipment	85,000	85,000	76,947	8,053	71,670
Engineering	175,000	175,000	87,311	87,689	162,370
Repairs and Maintenance	180,000	180,000	210,708	(30,708)	183,114
Sludge Disposal and Garbage Disposal	315,000	315,000	253,276	61,724	266,099
Testing Fees	35,000	35,000	18,525	16,475	12,854
Insurance	130,000	130,000	109,209	20,791	116,316
Laboratory Expenses	30,000	30,000	28,262	1,738	22,911
Permits	50,000	50,000	35,674	14,326	42,169
Uniforms	27,500	27,500	22,761	4,739	24,481
Sanitary Sewer Repairs	425,000	425,000	184,379	240,621	50,620
Insurance Claims	750,000	750,000	-	750,000	-
Sub-total Cost of Providing Services	4,590,773	4,590,773	3,280,386	1,310,387	3,136,460
Sub-total Operating	5,218,500	5,218,500	3,862,162	1,356,338	3,696,249

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED
BY OPERATING REVENUE COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2019

	FY 2019 Adopted Budget	FY 2019 Budget as Amended	Paid or Charged	Excess / (Deficit)	Prior Year Actual
Other Costs Funded by Operating Revenues:					
Debt Service:					
Bond Principal	85,877	85,877	85,877	-	80,837
Interest Expense	19,453	19,453	16,009	3,444	18,633
Reserves:					
Renewal and Replacement	15,750	15,750	15,750	-	15,750
Sub-total Other Costs	121,080	121,080	117,636	3,444	115,220
Total Costs Funded by Operating Revenues	5,339,580	5,339,580	3,979,798	1,359,782	3,811,469
Add: Excess / (Deficit)	-	-	1,366,572	1,366,572	651,019
	<u>5,339,580</u>	<u>5,339,580</u>	<u>5,346,370</u>	<u>(6,790)</u>	<u>4,462,488</u>
Excess of Revenues Over Expenses:			1,366,572		651,019
Reconciliation of Budgetary Basis to GAAP:					
Net Position Appropriated			(1,800,000)		(500,000)
Depreciation Expense			(320,210)		(298,765)
Amortization			2,504		2,504
Net Pension Adjustment			(89,957)		(131,858)
Net OPEB Adjustment			-		26,130
Reserves			15,750		15,750
Bond Principal			85,877		80,837
Total Adjustments			<u>(2,106,036)</u>		<u>(805,402)</u>
Change in Net Position			<u>(739,464)</u>		<u>(154,383)</u>

THIS PAGE INTENTIONALLY LEFT BLANK

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
SCHEDULE OF CAPITAL BUDGET PROGRAM
FUNDED BY FINANCING SOURCES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>FY 2019 Adopted Budget</u>	<u>FY 2019 Budget as Amended</u>	<u>Paid or Charged</u>	<u>Excess / (Deficit)</u>
Financing Sources:				
Unrestricted Net Position	<u>1,250,000</u>	<u>1,250,000</u>	<u>380,485</u>	<u>869,515</u>
	<u>1,250,000</u>	<u>1,250,000</u>	<u>380,485</u>	<u>869,515</u>
Capital Outlays:				
Misc. Improvements/Upgrades	<u>1,250,000</u>	<u>1,250,000</u>	<u>380,485</u>	<u>869,515</u>
Total Capital Outlays	<u>1,250,000</u>	<u>1,250,000</u>	<u>380,485</u>	<u>869,515</u>
Total Costs Funded by Capital Revenue	<u>1,250,000</u>	<u>1,250,000</u>	<u>380,485</u>	<u>869,515</u>
Add: Excess	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>1,250,000</u></u>	<u><u>1,250,000</u></u>	<u><u>380,485</u></u>	<u><u>869,515</u></u>

THIS PAGE INTENTIONALLY LEFT BLANK

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Jan. 1, 2019	Issued	2019 Redeemed	Balance Dec. 31, 2019
			Date	Amount				
NJET Bonds (Series 2010A) Trust Portion	3/10/2010	5.00%	2020	35,000.00				
		3.00%	2021	35,000.00				
		4.00%	2022	40,000.00				
		4.00%	2023	40,000.00				
		4.00%	2024	40,000.00				
		4.00%	2025	40,000.00				
		3.50%	2026	45,000.00				
		4.00%	2027	45,000.00				
		4.00%	2028	45,000.00				
		4.00%	2029	50,000.00				
					450,000		35,000	415,000

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Jan. 1, 2019	Issued	2019 Redeemed	Balance Dec. 31, 2019
			Date	Amount				
NJ/EIT Bonds (Series 2010A) Fund Portion	3/10/2010	n/a	2019	34,908.85				
		n/a	2020	34,908.85				
		n/a	2021	34,908.85				
		n/a	2022	34,908.85				
		n/a	2023	34,908.85				
		n/a	2024	34,908.85				
		n/a	2025	34,908.85				
		n/a	2026	34,908.85				
		n/a	2027	34,908.85				
		n/a	2028	34,908.85				
					383,997		34,909	349,088

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Jan. 1, 2019	Issued	2019 Redeemed	Balance Dec. 31, 2019
			Date	Amount				
NJ/EIT Bonds (Series 2013) Trust Portion	5/30/2013	1.66%	2020	3,950.00				
		1.90%	2021	4,015.00				
		2.12%	2022	4,092.00				
		2.31%	2023	4,178.00				
		2.44%	2024	4,275.00				
		2.54%	2025	4,379.00				
		2.92%	2026	4,490.00				
		3.01%	2027	4,622.00				
		3.08%	2028	4,761.00				
		3.15%	2029	4,907.00				
		3.21%	2030	5,062.00				
		3.27%	2031	5,224.00				
		3.32%	2032	4,425.00				
					62,276		3,896	58,380

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SECAUCUS)
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Jan. 1, 2019	Issued	2019 Redeemed	Balance Dec. 31, 2019
			Date	Amount				
NJ/EIT Bonds (Series 2013) Fund Portion	5/30/2013	n/a	2020	12,072.04				
		n/a	2021	12,072.04				
		n/a	2022	12,072.04				
		n/a	2023	12,072.04				
		n/a	2024	12,072.04				
		n/a	2025	12,072.04				
		n/a	2026	12,072.04				
		n/a	2027	12,072.04				
		n/a	2028	12,072.04				
		n/a	2029	12,072.04				
		n/a	2030	12,072.04				
		n/a	2031	12,072.04				
		n/a	2032	9,162.25				
				166,099			12,072	154,027
Current Portion Noncurrent Portion				1,062,372			85,877	976,495
				85,877				85,931
				976,495				890,564
				1,062,372				976,495

ROSTER OF OFFICIALS

The following officials were in office at December 31, 2019:

<u>Name</u>	<u>Office</u>
Fred Vogel	Chairperson
Jorge Cardenas	Vice Chairperson
George Schoenrock	Secretary
Raymond Spellmeyer	Commissioner
Dominic Manderano	Commissioner
Brian Bigler	Executive Director
Beckmeyer Engineering	Consulting Engineers
Cleary, Giacobbe, Alfieri, Jacobs, LLC	General Counsel

THIS PAGE INTENTIONALLY LEFT BLANK



WIELKOTZ & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. WIELKOTZ, CPA, RMA, PSA
MATTHEW B. WIELKOTZ, CPA, PSA
PAUL J. CUVA, CPA, RMA, PSA
JAMES J. CERULLO, CPA, RMA, PSA
THOMAS M. FERRY, CPA, RMA, PSA

HEADQUARTERS
401 WANAQUE AVENUE
POMPTON LAKES, NEW JERSEY 07442
(973)-835-7900

NEWTON OFFICE
100B MAIN STREET
NEWTON, NEW JERSEY 07860
(973)-835-7900

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

Honorable Chairman and Members of the
Secaucus Municipal Utilities Authority
1100 Koelle Boulevard
Secaucus, New Jersey 07094

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Secaucus Municipal Utilities Authority, as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated July 8, 2020.

Internal Control Over Financial Reporting

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

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



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

Compliance and Other Matters

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

Purpose of this Report

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



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

July 8, 2020

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)

GENERAL COMMENTS

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

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

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. "When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the sum of \$40,000, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids and bidding therefore, except that the governing body may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations."

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

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

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

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

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

SECAUCUS MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Town of Secaucus)

Problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

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

We wish to thank Secaucus Municipal Utilities Authority for their cooperation during the performance of our audit.

Respectfully submitted,



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