

**CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE
TOWNSHIP OF CLINTON)**

COUNTY OF HUNTERDON

December 31, 2020



**CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)**

For the Years Ended December 31, 2020 and 2019

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CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A Component Unit of the Township of Clinton)
Roster of Officials
Year Ended December 31, 2020

<u>Members of the Authority</u>	<u>Title</u>
Steven Krommenhoek	Chairman
Peter Geiger	Vice Chairman
Edward Schneider	Secretary
Katrin Glode-Sethna	Treasurer
Michael Mauer	Member
Dan McTiernan	Member
<u>Administration of the Authority</u>	<u>Title</u>
Meliss Paulus	Administrator
C. Gregory Watts	General Counsel
Hatch Mott MacDonald	Engineer

See independent auditors' report.



Certified Public Accountants, PC

www.bkc-cpa.com

Independent Auditors' Report

Honorable Chairman and Members of
Clinton Township Sewerage Authority
Clinton Township, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Clinton Township Sewerage Authority (the Authority), a component unit of the Township of Clinton, as of and for the years ended December 31, 2020 and 2019, and the related Notes to the Financial Statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe 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 respective financial position of the business-type activities of the Authority, as of December 31, 2020 and 2019, and the respective changes in financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's Basic Financial Statements. The Schedule of Changes in Net Position - Restricted Accounts is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Changes in Net Position - Restricted Accounts is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the Basic Financial Statements. Such information has been subjected to the auditing procedures applied in the audit of the Basic Financial Statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Basic Financial Statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Changes in Net Position - Restricted Accounts is fairly stated, in all material respects, in relation to the Basic Financial Statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Authority's internal control over financial reporting and compliance.



BKC, CPAs, PC

July 9, 2021
Flemington, New Jersey

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Management's Discussion and Analysis
For the Year Ended December 31, 2020

Introduction

The Clinton Township Sewerage Authority (the Authority) hereby presents its Annual Financial Report prepared in accordance with Governmental Accounting Standards Board (GASB), and related standards.

Mission

The mission of the Authority is to protect the public health and the environment by providing environmentally sound and affordable sewerage treatment and disposal for the residents of Clinton Township.

Responsibility and Controls

The Authority has prepared and is responsible for the financial statements and related information included in this report. The Management feels that the cost of the system should not exceed its benefits and due diligence has been taken to maintain the cost of running the plant and the system at reasonable rates and with good accounting practices.

The Authority is made up of six appointed Members.

The Authority meets on a monthly basis at an open public meeting. Individual members also periodically meet with the Auditor and General Counsel to review and gain input and guidance on the financial practices of the Authority.

Based on its present and past practices the Authority is proud to present a stable and responsible financial accounting. Its operations are conducted within a high standard of business ethics.

Summary of Organization

The Sewerage Authorities Law of the State of New Jersey (L1946,c.138 as amended; RS 40:14A01, et seq.) declared it to be in the public interest and to be the policy of the State and its communities to foster and promote by all reasonable means the relief of waters from pollution and to reduce and ultimately abate the menace to the public health caused thereby. The Township of Clinton was granted express authority to create the Clinton Township Sewerage Authority to acquire, construct, maintain, operate or improve works for the collection, treatment and purification or disposal or sewerage.

The six members are appointed by the Governing Body of the Township of Clinton for five-year terms.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Management's Discussion and Analysis
For the Year Ended December 31, 2020

The Authority does not operate or maintain the sewer plant; that is the responsibility of the Town of Clinton. Operational and maintenance costs for both the plant and local sewer lines are funded from customers' fees and charges.

Auditors

The audit is conducted by independent auditors, BKC, CPAs, PC, and is included in this report.

Management's Discussion and Analysis (MD&A)

This section of the Clinton Township Sewerage Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ending December 31, 2020. Please read it in conjunction with the Authority's condensed financial statements (Exhibits A and B), which follow this section.

Financial Highlights

1. The Authority's total assets decreased 0.9% over the course of this year's operations. This was primarily due to depreciation expense decreasing the capital assets.
2. During the year, the Authority's operating revenues increased by 5.8%. This was due to an increase in sewer charges in the current year.
3. Operating expenses decreased by 8.2%. The largest decrease in expenses was for treatment costs which decreased \$162,675.
4. Net position increased by 0.91%. Part of this increase was a result of the decreased overall operating expenses.

Overview of Annual Financial Report

The financial statements report information about the Authority using accrual accounting methods as utilized by similar business activities in the private sector. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities. The financial statements include Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows, and Notes to the Financial Statements.

The Statements of Net Position presents the financial position of the Authority on an accrual basis. The Statements of Net Position presents information on all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position are one indicator of whether the financial position of the Authority is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position presents the results of the Authority's activities over the course of the fiscal year and information as to how the net position changed during the year.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Management's Discussion and Analysis
For the Year Ended December 31, 2020

The Statements of Cash Flows presents changes in cash and cash equivalents resulting from operational, financing and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The Notes to the Financial Statements provide disclosures and other information that is essential to a full understanding of material data provided in the statements. Supplementary information comparing the budget to actual revenues and expenses as well as changes in restricted accounts is provided.

The system requires constant maintenance and inspection and as the sewer lines age more repair work and replacements are required.

Revenues from new applications and connections will decrease as surplus capacity becomes less available.

Financial Analysis

The attached comparative condensed financial statements serve as the key financial data and indicators for management, monitoring and planning.

Availability of Financial Report

This report is prepared in compliance with State mandates and will be made available to residents, taxpayers and any interested person or entity upon request at the Authority's office located at 79 Beaver Avenue Suite 5, Clinton, NJ 08809.

Clinton Township Sewerage Authority

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Management's Discussion and Analysis
Condensed Financial Statements

Condensed Statement of Net Position

Exhibit A

	December 31,		Increase (Decrease)
	2020	2019	
Assets			
Current assets			
Unrestricted assets	\$ 638,920	\$ 493,496	\$ 145,424
Restricted assets	2,189,326	2,194,886	(5,560)
Capital assets, net	8,958,844	9,211,341	(252,497)
Total current assets	<u>11,787,090</u>	<u>11,899,723</u>	<u>(112,633)</u>
Deferred outflows of resources	<u>25,837</u>	<u>38,097</u>	<u>(12,260)</u>
Total assets and deferred outflows of resources	<u><u>\$ 11,812,927</u></u>	<u><u>\$ 11,937,820</u></u>	<u><u>\$ (124,893)</u></u>
Liabilities			
Current liabilities			
Unrestricted	\$ 326,230	\$ 416,343	\$ (90,113)
Restricted	1,254,182	1,242,483	11,699
Non-current liabilities	852,994	987,030	(134,036)
Total liabilities	<u>2,433,406</u>	<u>2,645,856</u>	<u>(212,450)</u>
Deferred inflows of resources	<u>67,086</u>	<u>63,331</u>	<u>3,755</u>
Net position			
Net investment in capital assets	8,144,236	8,290,662	(146,426)
Restricted	935,144	952,403	(17,259)
Unrestricted	233,055	(14,432)	247,487
Total net position	<u>9,312,435</u>	<u>9,228,633</u>	<u>83,802</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 11,812,927</u></u>	<u><u>\$ 11,937,820</u></u>	<u><u>\$ (124,893)</u></u>

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Management's Discussion and Analysis
Condensed Financial Statements (continued)

Condensed Statement of Revenues, Expenses and Changes in Net Position

Exhibit B

	For the Year Ended		Increase (Decrease)
	December 31,		
	2020	2019	
Operating revenues	\$ 1,295,361	\$ 1,224,690	\$ 70,671
Operating expenses	1,202,924	1,309,863	(106,939)
Operating income (loss)	92,437	(85,173)	177,610
Non-operating revenues (expenses)	(8,635)	16,859	(25,494)
Increase (decrease) in net position	83,802	(68,314)	152,116
Net position beginning of year	9,228,633	9,296,947	(68,314)
Net position end of year	<u>\$ 9,312,435</u>	<u>\$ 9,228,633</u>	<u>\$ 83,802</u>

Basic Financial Statements

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Statements of Net Position
December 31,

	2020	2019
Assets		
Current unrestricted assets		
Cash and cash equivalents	\$ 466,624	\$ 406,478
Accounts receivable	172,296	87,018
Total unrestricted assets	638,920	493,496
Non-current restricted assets		
Cash and cash equivalents	974,431	986,446
Funds held in escrow	1,214,895	1,208,440
Total restricted assets	2,189,326	2,194,886
Capital assets		
Capital assets being depreciated	12,949,502	12,932,219
Capital assets not being depreciated	300,000	300,000
Less: accumulated depreciation	(4,290,658)	(4,020,878)
Net capital assets	8,958,844	9,211,341
Total assets	11,787,090	11,899,723
Deferred outflows of resources	25,837	38,097
Total assets and deferred outflows of resources	\$ 11,812,927	\$ 11,937,820

See accompanying notes to the financial statements.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Statements of Net Position (continued)
December 31,

	2020	2019
Liabilities		
Current liabilities		
Accounts payable	\$ 194,869	\$ 188,009
Accrued sick pay	10,869	10,100
Current portion of loan payable	120,492	106,071
Unearned revenue	-	112,163
Total current liabilities	326,230	416,343
Current liabilities (payable from restricted assets)		
Trust funds		
Reserve for developers deposits	39,287	34,043
Accrued treatment costs	1,214,895	1,208,440
Total current liabilities (payable from restricted assets)	1,254,182	1,242,483
Non-current liabilities		
Long-term portion of loan payable	694,116	814,608
Net pension liability	158,878	172,422
Total non-current liabilities	852,994	987,030
Total liabilities	2,433,406	2,645,856
Deferred inflows of resources	67,086	63,331
Net position		
Net investment in capital assets	8,144,236	8,290,662
Restricted	935,144	952,403
Unrestricted	233,055	(14,432)
Total net position	9,312,435	9,228,633
Total liabilities, deferred inflows of resources, and net position	\$ 11,812,927	\$ 11,937,820

See accompanying notes to the financial statements.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31,

	<u>2020</u>	<u>2019</u>
Operating revenues		
Sewer charges	\$ 1,281,228	\$ 1,211,586
Late charges and fees	13,544	7,764
Interest income	589	648
Miscellaneous	-	4,692
Total operating revenues	<u>1,295,361</u>	<u>1,224,690</u>
Operating expenses		
Administrative and general	236,027	235,323
Cost of providing services	697,117	806,019
Depreciation	269,780	268,521
Total operating expenses	<u>1,202,924</u>	<u>1,309,863</u>
Operating income (loss)	<u>92,437</u>	<u>(85,173)</u>
Non-operating revenues (expenses)		
Connection fees	1,459	11,675
Interest income - unrestricted	8,902	26,744
Interest income - restricted	40	33
NJ Environmental Infrastructure Trust credits	9,839	10,132
Interest expense	(28,875)	(31,725)
Total non-operating revenues (expenses)	<u>(8,635)</u>	<u>16,859</u>
Change in net position	83,802	(68,314)
Net position, beginning	<u>9,228,633</u>	<u>9,296,947</u>
Net position, ending	<u>\$ 9,312,435</u>	<u>\$ 9,228,633</u>

See accompanying notes to the financial statements.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Statements of Cash Flows
For the Years Ended December 31,

	2020	2019
Cash flows from operating activities		
Cash received from customers	\$ 1,195,950	\$ 1,187,084
Other operating cash receipts	13,544	7,764
Cash payments to suppliers and employees	(923,044)	(1,093,245)
Interest income	589	648
Net cash provided by (used for) operating activities	287,039	102,251
Cash flow from capital and related financing activities		
Connection fees	1,459	11,675
Non-operating interest income	8,942	26,777
Proceeds from developer's deposits (net)	5,244	(3,510)
NJ Environmental Infrastructure Trust credits	9,839	10,132
Capital expenditures	(17,283)	-
Payment of debt principal	(106,071)	(107,810)
Payment of debt interest	(28,875)	(31,725)
Unearned revenue	(112,163)	(64,611)
Net cash (used for) provided by capital and related financing activities	(238,908)	(159,072)
Net increase (decrease) in cash and cash equivalents	48,131	(56,821)
Cash and cash equivalents, beginning	1,392,924	1,449,745
Cash and cash equivalents, ending	\$ 1,441,055	\$ 1,392,924
Reconciliation of balance sheet		
Unrestricted cash and cash equivalents	\$ 466,624	\$ 406,478
Restricted cash and cash equivalents	974,431	986,446
Total cash and cash equivalents	\$ 1,441,055	\$ 1,392,924

See accompanying notes to the financial statements.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Statements of Cash Flows (continued)
For the Years Ended December 31,

	2020	2019
Reconciliation of income (loss) from operations to net cash provided by (used for) operating activities		
Operating income (loss)	\$ 92,437	\$ (85,173)
Adjustments to reconcile income (loss) from operations to net cash provided by (used for) operating activities		
Depreciation	269,780	268,521
Change in assets and liabilities		
Increase (decrease) in accounts payable	6,860	(60,187)
(Increase) decrease in accounts receivable	(85,278)	(29,194)
Increase (decrease) in accrued sick pay	769	(185)
Increase (decrease) in deferred inflow of resources	3,755	1,944
(Increase) decrease in deferred outflow of resources	12,260	17,740
Increase (decrease) in net pension liability	(13,544)	(11,215)
Net cash provided by (used for) operating activities	\$ 287,039	\$ 102,251

See accompanying notes to the financial statements.

Notes to the Financial Statements

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

The financial statements of the Clinton Township Sewerage Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to Governmental Units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Authority's accounting policies are described below.

Reporting entity

The Authority (a component unit of the Township of Clinton) was created in accordance with the State Municipal Utilities Authorities Law (PL 1957, Chapter 183) by ordinance of the Township of Clinton in 1975 to construct and operate a sanitary sewer collection system in the Township of Clinton, Hunterdon County, New Jersey.

The Authority consists of six officials appointed by the Township of Clinton and is responsible for the fiscal control of the operations of the sewer system. Since the Authority issues its own financial statements, its financial activity is not included in the financial statements of the Township of Clinton.

Basis of presentation - fund accounting

The operations of the Authority are recorded in a proprietary fund type. Proprietary funds are used to account for activities that are financed and operated in a manner similar to business enterprises and the intention is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis are to be financed or recovered primarily through user charges.

Basis of accounting

The Authority's financial statements are presented on the accrual basis in accordance with accounting principles generally accepted in the United States of America which includes the Management's Discussion and Analysis as required supplementary information.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types. Under this method of accounting, revenues are recorded in the accounting period in which they are earned, and expenses are recorded as incurred.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and deferred inflow or outflow of resources associated with the operations are included on the Statements of Net Position. The net position (i.e., total assets net of total liabilities) is segregated into invested capital assets, restricted and unrestricted components.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of American requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent net assets and liabilities at the Statements of Net Position date and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, among other accounts. Actual results may differ from those estimates.

Budget and budgetary accounting

At least 60 days prior to the Authority's year-end (December 31), the Authority must file its operating budget with the Director of the State of New Jersey Division of Local Government Services for approval. Within 45 days after receipt of the Authority's budget, the Director shall either approve or notify the Authority of the reasons for non-approval of the budget and to state the conditions upon which the approval will be granted. After approval, the Authority will formally adopt the budget. The budget is prepared based on the accounting principles and practices as prescribed by the Division of Local Government Services.

Income taxes

The Authority is a component unit of the Township of Clinton and is not required to file tax returns. Accordingly, no provision for income taxes has been made in the financial statements.

Restricted assets

The Authority has restricted the below summarized accounts which may only be utilized for the purposes indicated:

<u>Account</u>	<u>Use for which Restricted</u>
Reserve for Developer's Deposits	Funds required by the Authority to assure payment of performance
Reserve for Accrued Treatment Costs	Funds held in escrow by the attorney relating to accrued treatment costs.
Reserve for State Unemployment	Required employee and employer contribution to State Unemployment Insurance Fund - Reimbursement Method
Reserve for Construction	Construction and/or reconstruction of assets including the construction of the Annandale collection system project.
Reserve for Renewals and Replacements	Renewals and replacements funded by budget appropriations

Net position

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. In the government-wide financial statements, net position is classified into the following three components:

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)
Net position (continued)

- *Net investment in Capital Assets* - This component represents capital assets, less accumulated depreciation and net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.
- *Restricted* - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- *Unrestricted* - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

Deferred outflows/inflows of resources

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Authority has one item that qualifies for reporting in this category, deferred amount on pension activity. In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category, deferred amount on pension activity.

Capital assets

Capital assets are recorded as expenditures at the time of purchase and the related assets are capitalized at cost, which includes direct construction costs and other expenditures related to construction. Depreciation on assets acquired with grants-in-aid is recorded as a reduction of contributed capital. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Pump stations	30 - 75 years
Sewer mains	50 - 75 years
Maintenance equipment	5 - 25 years
Vehicles	5 - 10 years
Office equipment/furniture	5 - 10 years

Compensated absences

Compensated absences are granted to employees for sick leave. Upon retirement, employees shall be paid for the unused leave. The Authority has allowed unused sick time to be accumulated to a maximum of 120 days per employee. Up to one half of accumulated sick days may be paid upon disability or retirement or compensating time-off may be taken.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 2 - Deposits, cash equivalents, and investments

Cash and cash equivalents include petty cash, change funds, cash and certificates of deposit in banks. As of December 31, 2020 and 2019, the Authority had no investments.

New Jersey Governmental Units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey Governmental Units. In addition, other state statutes permit investments in obligations issued by local authorities and other state agencies. The State of New Jersey does not place any limit on the amount that the Authority may invest with any one issuer.

New Jersey Governmental Units are limited as to the types of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey Governmental Units.

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 saving banks the deposits of which are federally insured.

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. The Authority does not have a policy for custodial credit risk. New Jersey statutes require cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds, employee salary withholdings, or funds that may pass to the Authority relative to the happening of a future condition.

As of December 31, 2020 and 2019, the Authority's bank balances were exposed to custodial credit risk as follows:

	2020	2019
Deposits Insured by the FDIC	\$ 287,228	\$ 282,724
Deposits Insured by GUDPA	1,171,129	1,115,637
Total bank balances	\$ 1,458,357	\$ 1,398,361

The Authority's carrying (Statements of Net Position) amounts were \$1,441,055 and \$1,392,924 for December 31, 2020 and 2019, respectively.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 3 - Authority revenues

Sewer charges and reserve capacity fees are charged on a rate as approved annually by the governing body. Bills are payable in quarterly installments and delinquent accounts may be included as part of the Township of Clinton's annual tax sale.

Connection fees

The Authority receives payments for connection fees when new users connect to the sewer system. The Authority does not supply the user with supplies or services to make the physical connection and is therefore considered a non-exchange transaction. The Authority recognizes the revenue in the period that the user connects to the system.

Note 4 - Pension plans

Public employees' retirement systems (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 PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annual-reports.shtml.

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

The following represents the membership Tiers for PERS:

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

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

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 4 - Pension plans (continued)

Public employees' retirement systems (PERS) (continued)

Allocation methodology and reconciliation to financial statements

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented in the Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2019 and June 30, 2020. Employer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the Schedule of Pension Amounts by Employer may result in immaterial differences. Contributions from employers are recognized when due, based on statutory requirements.

Although the Division administers one cost-sharing, multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the disclosure of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the state and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the Schedule of Employer Allocations are applied to amounts presented in the Schedules of Pension Amounts by Employer. The allocation percentages for each group as of June 30, 2020, are based on the ratio of each employer's contributions to total employer contributions of the group for the State fiscal year ended June 30, 2020.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the state. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for non-contributory group insurance benefits is based on actual claims paid. For State fiscal year 2020, the State's pension contribution was less than the actuarial determined amount.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 4 - Pension plans (continued)
Public employees' retirement systems (PERS) (continued)
Contributions (continued)

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, PL 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The Actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

The contribution rate was 7.50% of base salary effective July 1, 2019.

Two-year trend information for PERS

Year Funded	Annual Contribution	
	Authority	Employee
2020	\$ 9,308	\$ 5,650
2019	9,277	5,287

Collective net pension liability and actuarial information

The components of the Authority's allocable share of the net pension liability for PERS as of December 31, 2020 and 2019 are as follows:

	2020	2019
Net pension liability	\$ 158,878	\$ 172,422
Proportionate share	0.0009666689%	0.0009503064%

Plan fiduciary net position as a percentage of the total pension liability	58.32%	56.27%
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Actuarial assumptions

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

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases (based on years of service)	
Through 2026	2.00% - 6.00%
Thereafter	3.00% - 7.00%
Investment rate of return	7.00%

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 4 - Pension plans (continued)
Public employees' retirement systems (PERS) (continued)
Collective net pension liability and actuarial information (continued)
Actuarial assumptions (continued)

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

The actuarial assumptions used in the July 1, 2019 valuation was 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.

Long-term expected rate of return

In accordance with state statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the Board of Trustees, and the Actuaries. 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, 2020 are summarized in the following table:

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 4 - Pension plans (continued)
Public employees' retirement systems (PERS) (continued)
Collective net pension liability and actuarial information (continued)
Long-term expected rate of return (continued)

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
U.S. equity	27.00%	7.71%
Non-U.S. developed markets equity	13.50%	8.57%
Emerging markets equity	5.50%	10.23%
Private equity	13.00%	11.42%
Real assets	3.00%	9.73%
Real estate	8.00%	9.56%
High yield	2.00%	5.95%
Private credit	8.00%	7.59%
Investment grade credit	8.00%	2.67%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk management strategies	3.00%	3.40%

Discount rate

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

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 4 - Pension plans (continued)

Public employees' retirement systems (PERS) (continued)

Collective net pension liability and actuarial information (continued)

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the Authority's proportionate share of the collective net pension liability of as of December 31, 2020 and 2019 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<u>Authority's proportionate share of the net pension liability</u>	2020
At current discount rate (7.00%)	\$ 158,878
At a 1% lower rate (6.00%)	200,001
At a 1% higher rate (8.00%)	123,984

<u>Authority's proportionate share of the net pension liability</u>	2019
At current discount rate (6.28%)	\$ 172,422
At a 1% lower rate (5.28%)	217,797
At a 1% higher rate (7.28%)	134,187

Collective deferred outflows of resources and deferred inflows of resources

At December 31, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,893	\$ 562	\$ 3,095	\$ 762
Changes of assumptions	5,154	66,524	17,217	59,847
Net difference between projected and actual earnings on pension plan investments	5,431	-	-	2,722
Changes in proportion and differences between Authority contributions and proportionate share of contributions	12,359	-	17,785	-
Total	\$ 25,837	\$ 67,086	\$ 38,097	\$ 63,331

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 4 - Pension plans (continued)

Public employees' retirement systems (PERS) (continued)

Collective net pension liability and actuarial information (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended December 31, 2020 and 2019:

<u>December 31, 2020</u>	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 3,095	\$ (202)	\$ 2,893
Changes of assumptions	17,217	(12,063)	5,154
Differences between projected and actual investment earnings on pension plan investments	-	5,431	5,431
Deferred inflows of resources			
Differences between expected and actual experience	(762)	200	(562)
Changes of assumptions	(59,847)	(6,677)	(66,524)
Differences between projected and actual investment earnings on pension plan investments	(2,722)	2,722	-
Net changes in deferred outflows (inflows) of resources	<u>\$ (43,019)</u>	<u>\$ (10,589)</u>	<u>\$ (53,608)</u>
<u>December 31, 2019</u>	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 3,502	\$ (407)	\$ 3,095
Changes of assumptions	30,260	(13,043)	17,217
Deferred inflows of resources			
Differences between expected and actual experience	(947)	185	(762)
Changes of assumptions	(58,717)	(1,130)	(59,847)
Differences between projected and actual investment earnings on pension plan investments	(1,723)	(999)	(2,722)
Net changes in deferred outflows (inflows) of resources	<u>\$ (27,625)</u>	<u>\$ (15,394)</u>	<u>\$ (43,019)</u>

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 4 - Pension plans (continued)

Public employees' retirement systems (PERS) (continued)

Collective net pension liability and actuarial information (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

Deferred outflows of resources and deferred inflows of resources related to pensions (excluding employer specific amounts, deferrals from the Municipality's contributions subsequent to the measurement date, and deferrals from change on proportion) will occur in future periods for the year ending December 31, 2020 and 2019 are as follows:

	2020		2019
2021	\$ (19,936)	2020	\$ (4,979)
2022	(18,176)	2021	(16,151)
2023	(10,387)	2022	(14,422)
2024	(4,200)	2023	(6,772)
2025	(909)	2024	(695)
Total	\$ (53,608)	Total	\$ (43,019)

Pension expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the Authority for the year ended December 31, 2020 and 2019 are as follows:

	2020	2019
Service cost	\$ 7,505	\$ 6,640
Interest on total pension liability	24,454	19,683
Benefit changes	(168)	-
Member contributions	(5,335)	(4,574)
Administrative expense	128	121
Expected investment return net of investment expense	(14,395)	(12,213)
Pension expense related to specific liabilities of individual employers	(67)	(57)
Recognition of deferred inflows/outflows of resources		
Amortization of expected versus actual experience	1,724	1,482
Amortization of assumption changes or inputs	(12,700)	(4,529)
Amortization of projected versus actual investment earnings on pension plan investments	2,650	1,441
Pension expense	\$ 3,796	\$ 7,994

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 5 - Capital assets

A summary of changes in capital assets and accumulated depreciation is as follows:

<u>December 31, 2020</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Sewer distribution system				
Contributed	\$ 6,683,053	\$ -	\$ -	\$ 6,683,053
Constructed	5,882,115	-	-	5,882,115
Maintenance equipment	272,485	17,283	-	289,768
Vehicles	41,562	-	-	41,562
Office equipment/furniture	53,004	-	-	53,004
Sewer capacity purchased	300,000	-	-	300,000
Total capital assets	13,232,219	17,283	-	13,249,502
Accumulated depreciation	(4,020,878)	(269,780)	-	(4,290,658)
Capital assets, net	<u>\$ 9,211,341</u>	<u>\$ (252,497)</u>	<u>\$ -</u>	<u>\$ 8,958,844</u>
<u>December 31, 2019</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Sewer distribution system				
Contributed	\$ 6,683,053	\$ -	\$ -	\$ 6,683,053
Constructed	5,882,115	-	-	5,882,115
Maintenance equipment	272,485	-	-	272,485
Vehicles	41,562	-	-	41,562
Office equipment/furniture	53,004	-	-	53,004
Sewer capacity purchased	300,000	-	-	300,000
Total capital assets	13,232,219	-	-	13,232,219
Accumulated depreciation	(3,752,357)	(268,521)	-	(4,020,878)
Capital assets, net	<u>\$ 9,479,862</u>	<u>\$ (268,521)</u>	<u>\$ -</u>	<u>\$ 9,211,341</u>

Note 6 - Long-term liabilities

Long-term liability activity for the year ended December 31, 2020 and 2019 is as follows:

<u>December 31, 2020</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reduction</u>	<u>Ending Balance</u>	<u>Due Within 1 Year</u>
Net pension liability	\$ 172,422	\$ -	\$ 13,544	\$ 158,878	\$ -
NJ Environmental Infrastructure Trust					
2004 interest free loan	56,233	-	12,589	43,644	15,336
2006 loan	95,000	-	15,000	80,000	20,000
2010 interest free loan	299,446	-	38,482	260,964	40,156
2011 loan	470,000	-	40,000	430,000	45,000
Total	<u>\$ 1,093,101</u>	<u>\$ -</u>	<u>\$ 119,615</u>	<u>\$ 973,486</u>	<u>\$ 120,492</u>

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 6 - Long-term liabilities (continued)

<u>December 31, 2019</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reduction</u>	<u>Ending Balance</u>	<u>Due Within 1 Year</u>
Net pension liability	\$ 183,637	\$ -	\$ 11,215	\$ 172,422	\$ -
NJ Environmental Infrastructure Trust					
2004 interest free loan	69,306	-	12,589	56,233	12,589
2006 loan	110,000	-	15,000	95,000	15,000
2010 interest free loan	339,183	-	38,482	299,446	38,482
2011 loan	510,000	-	40,000	470,000	40,000
Total	<u>\$ 1,212,126</u>	<u>\$ -</u>	<u>\$ 117,286</u>	<u>\$ 1,093,101</u>	<u>\$ 106,071</u>

The annual requirements to amortize long-term debt are listed as follows:

<u>Year ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 120,492	\$ 25,925	\$ 146,417
2021	118,366	22,450	140,816
2022	123,804	18,975	142,779
2023	108,542	15,375	123,917
2024	95,036	12,000	107,036
2025 - 2028	248,368	18,750	267,118
	<u>\$ 814,608</u>	<u>\$ 113,475</u>	<u>\$ 928,083</u>

Outstanding loan balances due to the NJ Environmental Infrastructure Trust are comprised of the following as of December 31,:

	<u>2020</u>	<u>2019</u>
\$265,000 loan due in annual installments of \$10,000 to \$20,000 beginning August 1, 2006 through August 1, 2024, interest from 3.00% to 4.375%.	\$ 80,000	\$ 95,000
\$255,057 interest free loan due in annual installments of \$6,519.36 to \$15,335.84 beginning August 1, 2005 through August 1, 2023.	43,644	56,233
\$795,000 loan due in annual installments of \$25,000 to \$65,000 beginning August 1, 2011 through August 1, 2028, interest from 5.00% to 5.25%.	430,000	470,000
\$697,714 interest free loan due in annual installments of \$38,482 to \$41,381 beginning February 1, 2010 through August 1, 2027.	260,964	299,446
	<u>\$ 814,608</u>	<u>\$ 920,679</u>

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 7 - Compensated absences
 Upon retirement, if present employees were eligible for this benefit at December 31, 2020 and 2019, the compensated absences liability to the Authority would be approximately \$10,869 and \$10,100, respectively.

Note 8 - Risk management
 The 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 - Risks of losses from worker’s compensation, property, automobile, and public official’s liability are covered by insurance with New Jersey Utilities Authorities Joint Insurance Fund, plus separate policies for employee bonds and official’s liability. Significant losses are covered by commercial insurance and there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current or the three prior years.

New Jersey Unemployment Compensation Insurance - The Authority has elected to fund its NJ Unemployment Compensation Insurance under the Benefit Reimbursement Method. Under this plan, the Authority is required to reimburse the NJ Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Authority is billed quarterly for amounts due to the State. The following is a summary of Authority contributions, and interest earnings, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Authority’s Unemployment Trust Fund:

Fiscal Year	Authority Deposits	Interest Earnings	Employee Deposits	Amount Reimbursed	Ending Balance
2020	\$ -	\$ 24	\$ -	\$ -	\$ 6,153
2019	-	37	-	-	6,129
2018	-	32	-	-	6,092

Note 9 - Litigation
 The Authority is presently in litigation with other plaintiffs against the municipality which treats sanitary sewerage emanating from respective sewer service areas alleging improper charging of treatment costs by the municipality.

As of December 31, 2020 and 2019, the Authority has withheld \$1,214,895 and \$1,208,440, respectively, from the municipality for sanitary sewer treatment costs which are in dispute. These monies are being held in escrow until the litigation is settled.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 10 - Risks and uncertainties

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (The “COVID-19 outbreak”) and the risks to the international community as a virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Authority’s financial condition, liquidity, and future results of operations.

Note 9 - Subsequent events

The Authority’s management has evaluated subsequent events through July 9, 2021, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

Supplementary Information

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employees Retirement System
Last Eight Years
Unaudited

	Year Ending December 31,							
	2020	2019	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability	0.0009742680%	0.0009569187%	0.0009326600%	0.0009166734%	0.0008721437%	0.0007973417%	0.0007085277%	0.0006862827%
Authority's proportion of the net pension liability	\$ 158,878	\$ 172,422	\$ 183,637	\$ 213,387	\$ 258,304	\$ 178,987	\$ 132,656	\$ 131,162
Authority's covered employee payroll	80,333	70,500	68,000	65,500	63,500	60,000	55,000	49,000
Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll	197.77%	244.57%	270.05%	325.78%	406.78%	298.31%	241.19%	267.68%
Plan fiduciary net position as a percentage of the total pension liability	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

See independent auditors' report.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Schedule of the Authority's Contributions to the
Public Employees Retirement System
Last Eight Years
Unaudited

	Year Ending December 31,							
	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 10,658	\$ 9,308	\$ 9,277	\$ 8,492	\$ 7,748	\$ 6,855	\$ 5,841	\$ 5,171
Contributions in relation to the contractually required contribution	10,658	9,308	9,277	8,492	7,748	6,855	5,841	5,085
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86</u>
Authority's covered employee payroll	\$ 80,333	\$ 70,500	\$ 68,000	\$ 65,500	\$ 63,500	\$ 60,000	\$ 55,000	\$ 49,000
Contributions as a percentage of covered employee payroll	13.27%	13.20%	13.64%	12.96%	12.20%	11.43%	10.62%	10.55%

See independent auditors' report.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Required Supplementary Information
(Unaudited)
December 31, 2020

Note 1 - Changes in benefit term assumptions - pension

There were no changes in benefit terms.

Note 2 - Changes in assumptions - pension

The discount rate used to measure the total pension liability was 7.00% as of the June 30, 2020 plan measurement date and 6.28% as of the June 30, 2019 plan measurement date. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.00% and municipal bond rates of 2.21% and 3.50% for the respective plan measurement dates of June 30, 2020 and June 30, 2019.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Schedule of Changes in Net Position - Restricted Accounts
For the Year Ended December 31, 2020

	Trust Funds		Net Position			Total
	Developer's Deposits	Accrued Treatment Costs	State Unemployment Insurance	Renewals & Replacements	Total Net Position	
Balance at beginning of year	\$ 34,043	\$ 1,208,440	\$ 6,129	\$ 946,274	\$ 952,403	\$ 2,194,886
Additions						
Interest income	16	-	24	-	24	40
Deposits received	10,221	6,455	-	-	-	16,676
Total additions	10,237	6,455	24	-	24	16,716
Deductions						
Capital projects and current year expenditures	-	-	-	17,283	17,283	17,283
Developer's fees	4,993	-	-	-	-	4,993
Total deductions	4,993	-	-	17,283	17,283	22,276
Balance at end of year	\$ 39,287	\$ 1,214,895	\$ 6,153	\$ 928,991	\$ 935,144	\$ 2,189,326

See independent auditors' report.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Schedule of Budgetary Comparison Information
For the Years Ended

	December 31, 2020		December 31, 2019	
	Unaudited Budget	Actual	Unaudited Budget	Actual
Revenues				
Net position appropriated	\$ 33,096	\$ 33,096	\$ 91,835	\$ 91,835
Operating revenues				
User charges and fees	1,290,000	1,281,228	1,193,000	1,211,586
Late charges and fees	5,000	13,544	5,000	7,764
Interest income	15,000	9,491	15,000	27,392
Connection fees	-	1,459	-	11,675
NJEIT (NJIB) credit	-	9,839	-	10,132
Miscellaneous	-	-	-	4,692
Total operating revenues	1,310,000	1,315,561	1,213,000	1,273,241
Total revenues	\$ 1,343,096	\$ 1,348,657	\$ 1,304,835	\$ 1,365,076
Expenses				
Administrative and general				
Salaries and wages	\$ 112,000	\$ 95,050	\$ 110,400	\$ 98,080
Public Employee's Retirement System	11,300	9,308	9,550	9,277
Pension net liability - GASB 68	-	2,471	-	8,469
Payroll taxes	8,600	1,659	8,500	10,408
Unemployment compensation	100	-	100	-
Health insurance	8,500	15,067	8,500	7,860
Dental insurance	550	510	550	484
Legal fees	30,000	43,496	30,000	23,238
Engineering fees	17,500	10,664	25,000	9,715
Auditing and accounting fees	22,500	20,712	22,000	21,180
Insurance	11,000	6,371	12,000	14,168
Office supplies and expenses	2,500	2,133	1,500	2,314
Postage	3,000	2,495	2,500	2,761
Computer expenses	2,000	3,086	3,500	4,168
Director's fees	6,100	6,100	6,100	6,100
Telephone	4,000	4,315	5,000	4,281
Rent	9,000	9,000	9,000	9,000

See independent auditors' report.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Schedule of Budgetary Comparison Information (continued)
For the Years Ended

	December 31, 2020		December 31, 2019	
	Unaudited Budget	Actual	Unaudited Budget	Actual
Expenses (continued)				
Administrative and general (continued)				
Education	\$ 1,000	\$ -	\$ 1,500	\$ -
Advertising	500	255	500	364
Debt service administrative fee	3,200	3,180	3,200	3,180
Miscellaneous - contingency	1,000	155	1,000	276
Total administrative and general	254,350	236,027	260,400	235,323
Cost of providing services				
Capacity reserve - Deer Meadow	2,100	3,069	2,100	1,023
Repairs and maintenance supplies	15,000	47,827	15,000	4,325
Electric	40,000	28,868	30,000	31,433
Water service	1,100	1,322	1,000	1,027
Treatment cost	675,000	394,192	550,000	556,867
Calibration	7,000	4,774	7,500	6,363
Maintenance labor - operator	158,000	177,444	159,000	148,630
Maintenance labor - contracted	51,000	37,415	51,000	53,138
Travel	2,500	-	2,500	1,393
NJ on-call	2,100	2,206	1,800	1,820
Total cost of providing services	953,800	697,117	819,900	806,019
Reserves and capital outlay				
Renewals and replacements reserve	-	-	85,000	85,000
Debt service				
Principal	106,071	106,071	107,810	107,810
Interest	28,875	28,875	31,725	31,725
Total debt service	134,946	134,946	139,535	139,535
Total expenses	\$ 1,343,096	\$ 1,068,090	\$ 1,304,835	\$ 1,265,877

See independent auditors' report.



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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Honorable Chairman and Members of the
Clinton Township Sewerage Authority
Clinton Township, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the Clinton Township Sewerage Authority's (the Authority) (a component unit of the Township of Clinton) Basic Financial Statements, and have issued our report thereon dated July 9, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. 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 Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, and the Department of Community Affairs, State of New Jersey.

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.


BKC, CPAs, PC

July 9, 2021
Flemington, New Jersey

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Schedule of Findings and Responses

General Comments and Recommendations

No findings, questioned costs, or recommendations have been developed as a result of this audit.

Status of Prior Year's Audit Findings/Recommendations

There were no prior year findings.

We would be pleased to confer on questions that might arise with respect to any matters in this report.

We wish to express our appreciation for the assistance and courtesies rendered by the Authority officials and employees during the course of the examination.



BKC, CPAs, PC

See independent auditors' report.