THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

REPORT OF AUDIT

FOR THE YEARS ENDED

DECEMBER 31, 2019 AND 2018

BOWMAN & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
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FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

ROSTER OF OFFICIALS

Commissioners	Position
Joseph C. Scavuzzo	President
George R. Piperno	Vice President
Ronald S. Johnson	Secretary
Patrick J. Brennan	Treasurer
Edward F. Brennan	Assistant Secretary and Assistant Treasurer

Officers	
Michael A. Saraceni	Chief Operating Officer
Craig Campbell	Superintendent
Richard Spafford, PE	Engineer
Karl N. McConnell, Esquire	General Counsel

Consultants	
Remington and Vernick Engineers, Inc.	Engineer
CME Associates	Engineer
Pennoni Associates, Inc.	Engineer
T&M Associates, Inc.	Engineer
H2M Architects & Engineers	Engineer
Parker McCay	Bond Counsel
Connor Strong & Buckelew	Insurance Broker

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

PART I

FINANCIAL SECTION

REPORT OF AUDIT

FOR THE YEARS ENDED

DECEMBER 31, 2019 AND 2018

BOWMAN & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

The Commissioners of
The Merchantville-Pennsauken Water Commission
Pennsauken, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Merchantville-Pennsauken Water Commission, in the County of Camden, State of New Jersey, a component unit of the Township of Pennsauken (Commission) as of and for the years ending December 31, 2019 and 2018 and the related notes to the financial statements, which collectively comprise the Commission'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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental 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 audits 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 Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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The Commissioners of
The Merchantville-Pennsauken Water Commission

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Merchantville-Pennsauken Water Commission, in the County of Camden, State of New Jersey as of December 31, 2019 and 2018 and its changes in its 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 changes in the Commission's total OPEB liability and related ratios, schedule of the Commission's proportionate share of the net OPEB liability, schedule of the Commission's OPEB contributions, schedule of the Commission's proportionate share of the net pension liability and schedule of the Commission's pension contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements.

The accompanying supplementary schedules, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Commissioners of
The Merchantville-Pennsauken Water Commission

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2020 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the the 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 Commission’s internal control over financial reporting and compliance.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
September 10, 2020

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*

INDEPENDENT AUDITOR'S REPORT

The Commissioners of
The Merchantville-Pennsauken Water Commission
Pennsauken, 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, 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 the financial statements of the business-type activities of the Merchantville-Pennsauken Water Commission, in the County of Camden, State of New Jersey, a component unit of the Township of Pennsauken (Commission), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated September 10, 2020.

Internal Control Over Financial Reporting

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

The Commissioners of
The Merchantville-Pennsauken Water Commission

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, 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* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
September 10, 2020

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
UNAUDITED

The Merchantville-Pennsauken Water Commission was created under the provisions of Title 40 Chapter 62 of the Laws of New Jersey, as a public agency to acquire, construct, maintain, operate or improve works for the collection, treatment, or purification of water for the Borough of Merchantville and the Township of Pennsauken. The Commission also provides these services to certain areas within the Township of Cherry Hill and the City of Camden. This section of the Commission's annual financial report provides a discussion and analysis of the financial performance for the years ended December 31, 2019 and 2018. The entire annual financial report consists of five parts; Independent Auditor's Reports, management's discussion and analysis, the basic financial statements, required supplementary information and supplementary schedules.

FINANCIAL HIGHLIGHTS

- **Total Assets** - Total assets as of December 31, 2019 were $41,008,182. After adding deferred outflows of $9,814,712 and deducting liabilities of $18,410,462 and deferred inflows of $4,400,255, net position equals $28,012,177, an increase of $2,017,254 from 2018.

- **Total Operating Revenues** – Operating revenues for the year ended December 31, 2019 totaling $11,778,646 were up from $11,544,308 for the year ended December 31, 2018, an increase of $234,338. The increase was due to a shared service agreement with a municipality outside of the Commission's franchise area. The Commission did not increase water consumption rates in 2019.

- **Net Non-Operating Revenues (Expenses)** - Non-operating revenues net of non-operating expenses for the year ended December 31, 2019 totaling $1,184,169 were up $396,383 from the year ended December 31, 2018 primarily due to increases in connection fees from new development and construction and investment income.

- **Total Operating Expenses** – Operating expenses, before depreciation, for the year ended December 31, 2019 totaling $8,555,372 were 20.6% more than the $7,095,798, for the year ended December 31, 2018 primarily due to increases in the cost of health benefits, required infrastructure maintenance and Other Post-Employment Benefits Obligation (OPEB) expense related to the implementation of GASB 75.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements report information about the Commission as a whole using accounting methods similar to those used by private-sector companies. The comparative statements of net position include all of the Commission's assets and liabilities. As the Commission follows the accrual method of accounting, the current year's revenues and expenses are accounted for in the comparative statements of revenues, expenses and changes in net position regardless of when cash is received or paid.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONT'D)

Net Position – the difference between the Commission's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is a measure of the Commission's financial health or position.

The comparative statements of revenues, expenses and changes in net position provides a breakdown of the various areas of revenues and expenses encountered during the current year.

The comparative statements of cash flows provide a breakdown of the various sources of cash flow, categorized into four areas: Cash flows from operating activities, non-capital financing activities, capital and related financing activities and investing activities.

A summary of the Commission's significant accounting policies is described in the "Notes to the Financial Statements" which is included in the audit described above.

FINANCIAL ANALYSIS OF THE COMMISSION

The Commission's total net position was $28,012,177 on December 31, 2019. Total assets, deferred outflows of resources, total liabilities and total net position are detailed on the following page.

A significant portion, approximately 77%, of the Commission's net position represents its investment in capital assets (i.e. water lines, wells, treatment plants, buildings, improvements and equipment); less the related debt outstanding used to acquire those capital assets. Although the Commission's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities.

The remaining portion of the Commission's net position is unrestricted.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL ANALYSIS OF THE COMMISSION (CONT'D)

Comparative Statements of Net Position
As of December 31, 2019, 2018 and 2017

	2019	2018	Restated 2017	Changes from 2018 to 2019 Amount	Percentage
Assets					
Current Assets	$ 15,202,376	$ 11,818,118	$ 8,949,463	$ 3,384,258	28.64%
Capital Assets	25,805,806	26,243,046	26,834,151	(437,240)	-1.67%
Total Assets	41,008,182	38,061,164	35,783,614	2,947,018	7.74%
Deferred Outflows of Resources					
Related to Pensions and OPEB	9,814,712	10,069,133	11,645,592	(254,421)	-2.53%
Liabilities					
Current Liabilities	2,042,215	1,673,653	1,714,261	368,562	22.02%
Long-Term Liabilities	16,368,247	15,868,403	34,527,122	499,844	3.15%
Total Liabilities	18,410,462	17,542,056	36,241,383	868,406	4.95%
Deferred Inflows of Resources					
Related to Pensions and OPEB	4,400,255	4,593,918	1,323,162	(193,663)	-4.22%
Net Position:					
Net Investment in Capital Assets	21,579,219	21,657,873	21,614,506	(78,654)	-0.36%
Unrestricted	6,432,958	4,337,050	(11,749,845)	2,095,908	48.33%
Total Net Position	$ 28,012,177	$ 25,994,923	$ 9,864,661	$ 2,017,254	7.76%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL ANALYSIS OF THE COMMISSION (CONT'D)

Comparative Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2019, 2018 and 2017

	2019	2018	Restated 2017	Changes from 2018 to 2019 Amount	Changes from 2018 to 2019 Percentage
Operating Revenues:					
Service Charges	$10,741,811	$10,859,347	$10,023,219	$ (117,536)	-1.08%
Other Operating Revenue	1,036,835	684,961	188,027	351,874	51.37%
Total Operating Revenues	11,778,646	11,544,308	10,211,246	234,338	2.03%
Operating Expenses:					
Administration	2,957,791	2,410,726	2,567,468	547,065	22.69%
Cost of Providing Service	5,597,581	4,685,072	4,620,884	912,509	19.48%
Depreciation	2,390,189	2,410,036	2,169,196	(19,847)	-0.82%
Total Operating Expenses	10,945,561	9,505,834	9,357,548	1,439,727	15.15%
OPEB Adjustment	-	13,304,002	(1,441,940)	(13,304,002)	-100.00%
Net Non-Operating Revenues	1,184,169	787,786	372,672	396,383	50.32%
Change in Net Position	2,017,254	16,130,262	(215,570)	(14,113,008)	-87.49%
Net Position -- Jan. 1	25,994,923	9,864,661	10,080,231	16,130,262	163.52%
Net Position -- Dec. 31	$28,012,177	$25,994,923	$ 9,864,661	$ 2,017,254	7.76%

OVERALL ANALYSIS

Overall, the Commission remains in a sound financial position in part due to its longevity (established in 1926) and the fact that its infrastructure was constructed and renewed over an extended period of time with 10 separate bond issues dated from June 1926 to December 1964. The Commission's rate structure, while competitive in comparison to area water purveyors, has traditionally been established to provide for operating costs, debt service requirements and the provision for future capital needs. This approach to setting rates in combination with a manageable debt service history leaves the Commission in a sound financial position.

In 2018, the Commission entered into an agreement with the Borough of Collingswood to provide management, operation and oversight of the Borough's water treatment stations and associated operations. The Commission has the licensed personnel, background and expertise to operate and maintain the Borough's treatment stations, associated tanks and pumps that supply Collingswood's water.

BUDGET VARIANCES

The Commissioners have historically taken a conservative approach in preparing the budget due to the uncertainty in anticipating certain expenses such as repair and maintenance requirements that can create material deviations in the cost of operations from year to year. Actual operating and non-operating expenses and debt service costs, excluding the actuarially determined accrual for long-term post-retirement benefit costs, were $8,092,106. These expenditures were $492,998 less than were budgeted. Actual total operating and non-operating revenues of $13,029,306 were $1,516,619 greater than the $11,512,687 budgeted.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

During 2019, the Commission expended $1,952,949 for capital activities.

The proposed five-year Capital Program included in the Commission's 2019 budget totals $13,267,000. This five-year plan, in addition to the Commission's normal ongoing system renewals, contains certain major projects that are contingent upon the approval of the New Jersey Department of Environmental Protection Agency (NJDEP). Major line items making up a portion of the Capital Budget are:

1. Main Replacements
2. Meter Replacements
3. Plant Improvements

CONTACTING THE COMMISSION'S MANAGEMENT

This financial report is designed to provide Merchantville and Pennsauken residents, investors, customers and creditors, with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the public funds it receives. If you have any questions about this report or need additional financial information, contact the Chief Operating Officer, Merchantville-Pennsauken Water Commission, 6751 Westfield Avenue, Pennsauken, NJ 08110 or by phone at 856-663-0043.

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 4,540,013	$ 3,137,012
Investments	7,019,712	4,873,055
Customer Accounts Receivable	2,027,765	2,252,347
Deposits, Prepaids and Other Receivables	321,442	372,534
Unbilled Revenue	1,122,000	1,070,000
Materials and Supplies Inventory	102,028	106,444
Accrued Interest Receivable	69,416	6,726
Total Current Assets	15,202,376	11,818,118
Capital Assets:		
Utility Plant and Equipment	65,793,938	63,840,989
Accumulated Depreciation and Amortization	39,988,132	37,597,943
Total Capital Assets	25,805,806	26,243,046
Total Assets	41,008,182	38,061,164
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	1,105,136	1,427,904
Related to OPEB	8,709,576	8,641,229
Total Deferred Outflows	9,814,712	10,069,133

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2019 AND 2018

	2019	2018
LIABILITIES		
Current Liabilities:		
N.J.D.E.P. Loans Payable - Due Within One Year	$ 495,575	$ 494,820
City of Camden Water Allocation - Due Within One Year	134,590	142,615
Accounts Payable	537,815	480,691
Accounts Payable Related to Pension	285,396	281,166
Customer Prepayments	78,995	76,473
Construction Contracts Payable	371,706	76,160
Accrued Wages	69,339	48,375
Accrued Interest	29,846	34,805
Pension Withholdings Payable	18,011	17,690
Escrow Deposits	20,942	20,858
Total Current Liabilities	2,042,215	1,673,653
Noncurrent Liabilities		
N.J.D.E.P. Loans Payable	3,161,616	3,673,888
City of Camden Water Allocation	63,100	197,690
Net Pension Liability	5,286,701	5,565,645
Accrued Liabilities - Related to Pension	142,698	140,583
Post Employment Benefits Obligation Other than Pension	7,714,132	6,290,597
Total Noncurrent Liabilities	16,368,247	15,868,403
Total Liabilities	18,410,462	17,542,056
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	1,949,132	1,869,848
Related to OPEB	2,451,123	2,723,470
Total Deferred Inflows	4,400,255	4,593,318
NET POSITION		
Net Investment in Capital Assets	21,579,219	21,657,873
Unrestricted	6,432,958	4,337,050
Total Net Position	$ 28,012,177	$ 25,994,923

See the accompanying Notes to Financial Statements.

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Operating Revenues:		
Metered Sales to General Public	$ 9,489,615	$ 9,603,226
Private Fire Protection	1,157,816	1,161,741
Public Fire Protection	94,380	94,380
Late Charges	94,001	88,386
Tapping Fees	10,899	24,232
Shared Service Agreement	800,000	466,667
Miscellaneous Income	131,935	105,676
Total Operating Revenues	11,778,646	11,544,308
Operating Expenses:		
Administration:		
Salaries and Wages	972,767	907,820
Employee Benefits	1,041,812	591,017
Other Expenses	943,212	911,889
Cost of Providing Service:		
Salaries and Wages	1,672,677	1,656,884
Employee Benefits	1,791,401	1,078,679
Other Expenses	2,133,503	1,949,509
Depreciation and Amortization	2,390,189	2,410,036
Total Operating Expenses	10,945,561	9,505,834
Operating Income Before OPEB Adjustment	833,085	2,038,474
OPEB Adjustment	-	13,304,002
Total Operating Income After OPEB Adjustment	833,085	15,342,476
Non-Operating Revenues (Expenses):		
Investment Income	239,055	84,356
Interest on Debt	(66,491)	(82,625)
Tower Rentals	441,462	428,810
Connection and Developers' Fees	570,143	357,245
Total Non-Operating Revenues (Expenses)	1,184,169	787,786
Change in Net Position	2,017,254	16,130,262
Net Position, Beginning of Year	25,994,923	9,864,661
Net Position, End of Year	$ 28,012,177	$ 25,994,923

See the accompanying Notes to Financial Statements

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities:		
Receipts From Customers	$ 10,916,915	$ 10,607,949
Other Operating Receipts	1,036,835	684,961
Payments to Suppliers	(2,885,722)	(2,765,690)
Payments and Benefits to Employees	(4,323,439)	(4,603,630)
Net Cash Provided by Operating Activities	4,744,589	3,923,590
Cash Flows from Non-Capital Financing Activities		
Tower Rentals	441,462	428,810
Connection and Developers' Fees	570,227	357,254
Net Cash Flows Provided by Non-Capital Financing Activities	1,011,689	786,064
Cash Flows From Capital and Related Financing Activities:		
Additions to Capital Assets	(1,657,403)	(1,782,271)
Principal Payments on N.J.D.E.P. Loans	(511,517)	(522,696)
Principal Payments on City of Camden Water Allocation	(142,615)	(148,436)
Interest Payments on N.J.D.E.P. Loans	(66,836)	(80,332)
Interest Payments on City of Camden Water Allocation	(4,614)	(6,934)
Net Cash Used In Capital and Related Financing Activities	(2,382,985)	(2,540,669)
Cash Flows From Investing Activities:		
Purchase of Investments	(2,146,657)	(3,353,314)
Investment Income	176,365	80,361
Net Cash Used in Investing Activities	(1,970,292)	(3,272,953)
Net Increase (Decrease) in Cash and Cash Equivalents	1,403,001	(1,103,968)
Cash and Cash Equivalents, January 1	3,137,012	4,240,980
Cash and Cash Equivalents, December 31	$ 4,540,013	$ 3,137,012

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities:		
Operating Income	$ 833,085	$ 15,342,476
Adjustments to Reconcile Operating Income To		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	2,390,189	2,410,036
Changes in Assets and Liabilities:		
Customer Accounts Receivable	224,582	(277,040)
Deposits, Prepaids and Other Receivables	51,092	(362,652)
Unbilled Revenue	(52,000)	25,000
Materials and Supplies Inventory	4,416	(622)
Accounts Payable	57,124	(68,724)
Accounts Payable Related to Pension	4,230	18,835
Customer Prepayments	2,522	642
Accrued Wages	20,964	(2,606)
Pension Withholdings Payable	321	(3,972)
Deferred Inflows of Resources	254,421	1,576,459
Deferred Outflows of Resources	(193,063)	3,270,156
Net Pension Liability	(278,944)	(1,026,206)
Accrued Liabilities - Related to Pension	2,115	9,417
Post Employment Benefits Obligation	1,423,535	(16,987,609)
	$ 4,744,589	$ 3,923,590

See the accompanying Notes to Financial Statements.

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Merchantville-Pennsauken Water Commission (the Commission) have been prepared to conform with accounting principles generally accepted in the United States of America ("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 following is a summary of the more significant of these policies.

Reporting Entity

The Merchantville-Pennsauken Water Commission was established in 1926 pursuant to the provisions of Title 40, Chapter 62 of the Laws of New Jersey and is co-owned by the Borough of Merchantville and Township of Pennsauken. The Laws authorized the municipalities through the agency of a water commission to acquire, construct, maintain, operate or improve works for the collection, treatment, or purification of water.

The Commission's service area goes beyond Merchantville and Pennsauken, supplying water to areas in Cherry Hill Township and Camden City, as well.

The Commission consists of five members, with two members appointed by resolution of the Borough of Merchantville and three members by the Township of Pennsauken. The daily operations of the Commission are managed by the Chief Operating Officer.

Component Unit

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by the GASB Statement No. 39*, Determining Whether Certain Organization are Component Units*, and GASB Statement No. 61*, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit would be or is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significant influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to be the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Commission has no component units and is a component unit of the Township of Pennsauken.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Presentation

The financial statements of the Commission have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Commission is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise Funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenues -- Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. Water charges are recognized as revenue when services are provided. Connection fees are collected in advance and, accordingly, the Commission defers these revenues until the municipality issues a release for certificate of occupancy and determines that water distribution are being provided to the properties.

Non-exchange transactions, in which the Commission receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Commission must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are proved to the Commission on a reimbursement basis.

Expenses / Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Budgets and Budgetary Accounting

The Commission must adopt an annual budget in accordance with N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Commission budget at least 60 days prior to the end of the current year and to adopt the budget not later than the beginning of the Commission's year. The governing body may amend the budget at any point during the year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal and capital outlays. Depreciation expense, loan discounts, and the annual required contribution for the Commission's Other Postemployment Benefits (OPEB) Plan are not included in budget appropriations.

The legal level of budgetary control is established at the detail shown on the Comparative Statements of Revenues, Expenses and Changes in Net Position (audit Exhibit B). All budget transfers and amendments to those accounts must be approved by resolution of the Commission as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. The Commission did not adopt an amending budget resolution during the year.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds and 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. Such is the definition of cash and cash equivalents used in the statement of cash flows. 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.

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 municipal units. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or bonds or other obligations of the school district of which the local unit is a part of or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

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 Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. 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 amount of their deposits to the governmental Units.

Additionally, the Commission has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

Materials and Supplies Inventory

Materials and Supplies Inventory consists of pipes, mains, fittings and other supplies used in the renewal and repairs to the system and for new installations. Inventories are valued at cost on a first-in, first-out basis.

Account Receivable and Uncollectible Accounts

Management establishes reserves for uncollectible accounts based on reviews of aged receivables and other factors, such as bankruptcies, associated with the account.

Note 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Capital Assets

Capital Assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Commission. Assets purchased prior to January 1, 1992 are stated at estimated cost. Assets purchased since are stated at actual cost.

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Costs incurred during construction of an asset are recorded as construction in progress. In the year that the project is completed, these costs are transferred to Capital Assets - Completed. Interest costs incurred during construction are not capitalized into the cost of the asset.

Expenditures are capitalized when they meet the following requirements:

1) Cost of $1,000 or more
2) Useful life of more than one year
3) Asset is not affected by consumption

Depreciation

The cost of assets acquired with operating funds is recovered using the straight-line method over the following estimated useful lives of the assets:

	Years
Buildings	40
Services	20
Water Treatment and Pumping Equipment	20-30
Other Infrastructure	10-20
Meters and Equipment	5-10
Transportation Equipment	5
Office and Technological Equipment	5-7

Loan Discounts

Loan discounts arising from the issuance of long-term debt (loans) are amortized over the life of the loans, in a systematic and rational method, from the issue date to maturity as a component of interest expense. Loan discounts are presented as an adjustment of the face amount on the loans.

Deferred Outflows and Deferred Inflows of Resources

The comparative statements 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 inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Commission is required to report the following as deferred outflows of resources and deferred inflows of resources: defined benefit pension plans and postemployment benefit plans.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Customer Prepayments

Customer prepayments arise when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Commission is eligible to realize the revenue.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments", the Commission has classified its net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced, by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component as the unspent proceeds.

Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." This component includes net position that may be allocated for specific purposes by the Commission.

Income Taxes

The Commission operates as defined by Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from service charges (i.e., metered sales, which include water distribution revenues) and other revenue sources. Non-operating revenues principally consist of tower rentals, connection and developers' fees and interest income earned on various interest-bearing accounts.

Operating expenses include expenses associated with the operation, maintenance and repair of the treatment and distribution systems and general administrative expenses. Non-operating expenses principally include expenses attributable to the Commission's interest on funded debt.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Impact of Recently Issued Accounting Policies

Recently Issued and Adopted Accounting Pronouncements

For the year ended December 31, 2019, the Commission early adopted Governmental Accounting Standards Board (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 adoption of this Statement has impacted the year that the Commission will adopt several of the statements listed in the recently issued accounting pronouncements below.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future years as indicated below:

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement originally would have become effective for the Commission in the year ending December 31, 2019, but as a result of GASB Statement No. 95 will become effective in the year ending December 31, 2020. Management does not expect this Statement will have an impact on the financial statements.

GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement originally would have become effective for the Commission in the year ending December 31, 2019, but as a result of GASB Statement No. 95 will become effective in the year ending December 31, 2020. Management does not expect this Statement will have an impact on the financial statements.

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases 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 provisions of the contract. This Statement originally would have become effective for the Commission in the year ending December 31, 2020, but as a result of GASB Statement No. 95 will become effective in the year ending December 31, 2022. Management has not yet determined the impact of this Statement on the financial statements.

Note 1: <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)</u>

<u>Recently Issued Accounting Pronouncements (Cont'd)</u>

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement originally would have become effective for the Commission in the year ending December 31, 2019, but as a result of GASB Statement No. 95 will become effective in the year ending December 31, 2020. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also simplifies accounting for interest cost incurred before the end of a construction period. This Statement originally would have become effective for the Commission in the year ending December 31, 2020, but as a result of GASB Statement No. 95 will become effective in the year ending December 31, 2021. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 90, *Major Equity Interests.* The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement originally would have become effective for the Commission in the year ending December 31, 2019, but as a result of GASB Statement No. 95 will become effective in the year ending December 31, 2020. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 91, *Conduit Debt Obligations.* The objectives of this Statement are to provide a single method of reporting debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. This Statement originally would have become effective for the Commission in the year ending December 31, 2021, but as a result of GASB Statement No. 95 will become effective in the year ending December 31, 2022. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 92, *Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statements are effective as follows:

1. The requirements related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
2. The requirements related to intra-entity transfers of assets and those related to the applicability of Statements Nos. 73 and 74 originally would have become effective for the Commission in the year ending December 31, 2021, but as a result of GASB Statement No. 95 will become effective in the year ending December 31, 2022.
3. The requirements related to application of Statement No. 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities originally would have become effective for the Commission in the year ending December 31, 2021, but as a result of GASB Statement No. 95 will become effective in the year ending December 31, 2022.
4. The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition originally would have become effective for the Commission in the year ending December 31, 2021, but as a result of GASB Statement No. 95 will become effective in the year ending December 31, 2022.

Management has not yet determined the impact of this Statement on the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Recently Issued Accounting Pronouncements (Cont'd)

Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. This Statement will become effective for the Commission in the year ending December 31, 2021. GASB Statement No. 95 changed the effective date for paragraphs 13 and 14 to the year ending December 31, 2022. Management does not expect this Statement will have an impact on the financial statements.

Statement 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. 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 Statement will become effective for the Commission in the year ending December 31, 2023. Management does not expect this Statement will have an impact on the financial statements.

Statement 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 Statement will become effective for the Commission in the year ending December 31, 2023. Management does not expect this Statement will have an impact on the financial statements.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with finance related legal and contractual provisions

Management of the Commission is unaware of any material violations of finance related legal and contractual provisions.

Note 3: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits might not be recovered. Although the Commission does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). 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 Commission in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Commission relative to the happening of a future condition. As of December 31, 2019, the Commission's bank balances on deposit totaled $4,541,167, of which $20,942 represented monies held in escrow. Of the total bank balances on deposit as of December 31, 2019, $250,000 was insured by the FDIC. The remaining balance was protected by GUDPA. As of December 31, 2018, the Commission's bank balances on deposit totaled $3,098,070, of which $20,858 represented monies held in escrow. Of the total bank balances on deposit as of December 31, 2018, $270,858 was insured by the FDIC. The remaining balance was protected by GUDPA.

Note 4: INVESTMENTS

New Jersey authorities are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey authorities. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or other obligations of the local unit or units within which the Authority is located, bonds or other obligations approved by the Division of Investment in the Department of Treasury for investment by authorities, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. The Authority has no investment policy that would further limit its investment choices.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Commission, and are held by either the counterparty or the counterparty's trust department or agent but not in the Commission's name. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority has no investment policy to limit its exposure to custodial credit risk. All of the Commission's $7,019,712 as of December 31, 2019 and $4,873,055 as of December 31, 2018 investments in certificates of deposit are in the name of the Commission.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, The Commission 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.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. As stated in Note 1, investments are purchased in accordance with N.J.S.A. 40A:5-15.1. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Commission has no investment policy that would further limit its exposure to credit risk.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Commission's investment policy places no limit on the amount that the Commission may invest in any one issuer. All of the Commission's investments consist of certificates of deposit with maturities of more than two months at the time of purchase.

Note 4: INVESTMENTS (CONT'D)

As of December 31, 2019, the Commission had fourteen certificates of deposit valued at $7,019,712 ranging from 2.0% to 2.90% and maturing between January 5, 2020 and November 6, 2020. Of the total value of certificates of deposit as of December 31, 2019, the entire balance was protected by GUDPA. As of December 31, 2018, the Commission had twelve certificates of deposit valued at $4,873,055 at 2.0% to 2.5% and maturing between January 11, 2019 and November 6, 2019. Of the total value of certificates of deposit as of December 31, 2018, $250,000 was insured by the FDIC. The remaining balance was protected by GUDPA.

Fair Value Measurements of Investments

The Commission categorizes its fair value disclosures within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of December 31, 2019 and 2018, the Commissions investments consisted of level 1 investments in certificates of deposit.

Note 5: CUSTOMER ACCOUNTS RECEIVABLE

Customers of the Commission include residential and commercial accounts within the municipalities of Merchantville and Pennsauken and areas of Cherry Hill and Camden. In addition to the sale of water, the Commission bills commercial and municipal customers fixed fees for fire services and hydrants.

As of December 31, 2019 and 2018, the number of the Commission's accounts was as follows:

	2019	2018
Residential, Apartments, and Commercial Water Services	14,681	14,612
Senior Citizen Accounts	323	338
Fire Services	351	353
Fire Hydrants	239	242

Concentration of credit risk associated with customer accounts receivable is limited due to the large number of small customer balances and the Commission's policy of discontinuing service when warranted and filing utility liens when necessary.

Aged accounts receivable at December 31, 2019 and 2018 are as follows:

	2019	2018
Current (less than 30 days)	$ 1,813,086	$ 2,067,740
30 to 59 days	99,481	87,175
60 to 89 days	103,579	34,135
90 to 179 days	43,917	45,443
Over 180 days	39,459	61,974
	2,099,522	2,296,467
Accrued Interest on Delinquent Balances	58,243	85,880
	2,157,765	2,382,347
Less: Reserve for Uncollectible Accounts	130,000	130,000
	$ 2,027,765	$ 2,252,347

Note 6: CAPITAL ASSETS

During the year ended December 31, 2019, the following changes in capital assets occurred:

	Balance Jan. 1, 2019	Additions	Deletions	Balance Dec. 31, 2019
Capital Assets not being Depreciated:				
Land and Land Rights	$ 300,857			$ 300,857
City of Camden Water Allocation Rights	2,557,608			2,557,608
Total Capital Assets not being Depreciated	2,858,465	$ -	$ -	2,858,465
Capital Assets being Depreciated:				
Intangible Plant	32,181			32,181
Source of Supply	4,211,187	699,638		4,910,825
Pumping Plant	2,267,185			2,267,185
Water Treatment Plant	4,254,624			4,254,624
Transmission and Distribution Plant	45,290,325	1,106,717		46,397,042
General Plant	4,719,892	146,594		4,866,486
Capitalized Interest	207,130			207,130
Total Capital Assets being Depreciated	60,982,524	1,952,949	-	62,935,473
Total Capital Assets	63,840,989	1,952,949	-	65,793,938
Less: Accumulated Depreciation	37,597,943	2,390,189	-	39,988,132
Capital Assets, Net	$ 26,243,046	$ (437,240)	$ -	$ 25,805,806

Note 6: CAPITAL ASSETS (CONT'D)

During the year ended December 31, 2018, the following changes in capital assets occurred:

	Balance Jan. 1, 2018	Additions	Deletions	Balance Dec. 31, 2018
Capital Assets not being Depreciated:				
Land and Land Rights	$ 300,857			$ 300,857
City of Camden Water Allocation Rights	2,557,608			2,557,608
Total Capital Assets not being Depreciated	2,858,465	$ -	$ -	2,858,465
Capital Assets being Depreciated:				
Intangible Plant	32,181			32,181
Source of Supply	3,961,187	250,000		4,211,187
Pumping Plant	2,267,185			2,267,185
Water Treatment Plant	4,254,624			4,254,624
Transmission and Distribution Plant	43,993,385	1,296,940		45,290,325
General Plant	4,462,586	299,736	42,430	4,719,892
Capitalized Interest	207,130			207,130
Total Capital Assets being Depreciated	59,178,278	1,846,676	42,430	60,982,524
Total Capital Assets	62,036,743	1,846,676	42,430	63,840,989
Less: Accumulated Depreciation	35,202,592	2,410,036	14,685	37,597,943
Capital Assets, Net	$ 26,834,151	$ (563,360)	$ 27,745	$ 26,243,046

Note 7: LONG-TERM LIABILITIES

During the year ended December 31, 2019, the following changes in long-term obligations occurred:

	Balance Jan. 1, 2019	Additions	Reductions	Balance Dec. 31, 2019	Due Within One Year
Loans Payable:					
N.J.D.E.P. Loans Payable	$ 4,168,708	$ -	$ (511,517)	$ 3,657,191	$ 495,575
Other Liabilities:					
Net Pension Liability	5,565,645	131,431	(410,375)	5,286,701	
Net OPEB Obligation	6,290,597			6,290,597	
Other Liabilities - Related to Pension	140,583	142,698	(140,583)	142,698	
City of Camden Water Alloc.	340,305		(142,615)	197,690	134,590
Total Other Liabilities	12,337,130	274,129	(693,573)	11,917,686	134,590
Total Long-Term Liabilities	$ 16,505,838	$ 274,129	$ (1,205,090)	$ 15,574,877	$ 630,165

During the year ended December 31, 2018, the following changes in long-term obligations occurred:

	Balance Jan. 1, 2018 Restated	Additions	Reductions	Balance Dec. 31, 2018	Due Within One Year
Loans Payable:					
N.J.D.E.P. Loans Payable	$ 4,691,404	$ -	$ (522,696)	$ 4,168,708	$ 494,820
Other Liabilities:					
Net Pension Liability	6,591,851	168,659	(1,194,865)	5,565,645	
Net OPEB Obligation (Restated)	23,278,206	1,186,977	(18,174,586)	6,290,597	
Other Liabilities - Related to Pension	131,166	140,583	(131,166)	140,583	
City of Camden Water Alloc.	488,741		(148,436)	340,305	142,615
Total Other Liabilities	30,489,964	1,496,219	(19,649,053)	12,337,130	142,615
Total Long-Term Liabilities	$ 35,181,368	$ 1,496,219	$ (20,171,749)	$ 16,505,838	$ 637,435

Note 8: N.J.D.E.P. LOANS PAYABLE

New Jersey Environmental Infrastructure Trust Loans

2001 Series - On October 17, 2001, the Commission settled on the issuance of $4,000,000 in loans consisting of a $2,000,000 New Jersey Environmental Infrastructure Trust "Trust Loan" and a $2,000,000 New Jersey Environmental Infrastructure Trust "Fund Loan". The Trust Loan bears rates of interest ranging from 4.00% to 5.50%. The Fund Loan is non-interest bearing. The loans are due in semi-annual installments on February 1 and August 1.

2003 Series - On November 5, 2003, the Commission settled on the issuance of $731,801 in loans consisting of a $375,000 New Jersey Environmental Infrastructure Trust "Trust Loan" and a $356,801 New Jersey Environmental Infrastructure Trust "Fund Loan". The Trust Loan bears rates of interest ranging from 3.00% to 5.00%. The Fund Loan is non-interest bearing. The loans are due in semi-annual installments on February 1 and August 1.

2007 Series - On November 8, 2007, the Commission settled on the issuance of $1,285,507 in loans consisting of a $650,000 New Jersey Environmental Infrastructure Trust "Trust Loan" and a $635,507 New Jersey Environmental Infrastructure Trust "Fund Loan". The Trust Loan bears rates of interest ranging from 3.40% to 5.00%. The Fund Loan is non-interest bearing. The loans are due in semi-annual installments on February 1 and August 1.

2010 Series - On December 2, 2010, the Commission settled on the issuance of $1,285,507 in loans consisting of a $560,000 New Jersey Environmental Infrastructure Trust "Trust Loan" and a $579,000 New Jersey Environmental Infrastructure Trust "Fund Loan". The Trust Loan bears rates of interest at 5.00%. The Fund Loan is non-interest bearing. The loans are due in semi-annual installments on February 1 and August 1.

2014A Series – On May 8, 2014, the Commission settled on the issuance of $2,571,000 in loans consisting of a $642,754 New Jersey Environmental Infrastructure Trust "Trust Loan" and a $1,928,250 New Jersey Environmental Infrastructure Trust "Fund Loan". The Trust Loan bears rates of interest at 5.00%. The Fund Loan is non-interest bearing. The loans are due in semi-annual installments on February 1 and August 1.

The "Trust Loan" portion of the borrowings is administered by The New Jersey Environmental Infrastructure Trust with TD Bank acting as Trustee. The "Fund Loan" portion is administered by the State of New Jersey.

As the Commission completes its projects, vouchers are submitted to the New Jersey Department of Environmental Protection. Requisitions are funded 50% from "Trust Loan" proceeds available in the Commission's construction account and 50% from "Fund Loan" proceeds.

Upon final completion of the Commission's projects as certified by the Commission's engineer, any monies remaining in the construction accounts will be immediately applied as credits against the remaining scheduled debt service payments until such remaining balance is exhausted. Any unspent monies from the non-interest bearing "Fund Loan" portion of borrowings will be applied to offset the scheduled debt service payments from the back end of the schedule, reducing debt service payments from the end of the schedule until such remaining balance is exhausted.

On July 20, 2006, the 2001 and 2003 series loans were certified complete. At that time $13,260 and $96,832 of the unexpended proceeds from the 2001 and 2003 series, respectively, were applied to the outstanding balance of the "Fund Loan", reducing original balance due from the end of the original payment schedule. On August 11, 2010, the 2007 series was certified complete and $12,525 was applied to the outstanding balance of the "Fund Loan". In addition, reciprocal amounts from the "Trust Loan", plus earnings credits were recorded as other assets Due from New Jersey Environmental Infrastructure Trust to be applied to immediately due debt service obligations on the "Trust Loan". As of December 31, 2019 and and 2018, there were no amounts "Due from New Jersey Environmental Infrastructure Trust" available for application against "Trust Loan" debt service for the 2003 and 2007 series and available in the 2012 construction account.

Note 8: N.J.D.E.P. LOANS PAYABLE (CONT'D)

New Jersey Environmental Infrastructure Trust Loans (Cont'd)

On September 26, 2007, the New Jersey Environmental Infrastructure Trust issued Series 2007A Refunding Bonds to refund the outstanding balance of the 2001 Series Loans. On August 18, 2010, the Trust issued Series 2010A Refunding Bonds to refund the outstanding balance of the 2001 and 2003 Series Loans. The impact to the Commission was the recording of a net discount of $44,010 and $36,289, respectively on the issuances which is being amortized over the repayment period of the loans.

Combined adjusted repayment of the five loans as of December 31, 2019 is due as follows:

Year	Total	Principal	Interest
2020	$ 564,933	$ 495,575	$ 69,358
2021	568,165	510,362	57,803
2022	321,154	275,905	45,249
2023	318,520	278,826	39,694
2024	303,458	269,189	34,269
2025	296,651	267,907	28,744
2026	290,545	266,626	23,919
2027	284,078	264,984	19,094
2028	218,439	204,520	13,919
2029	215,239	204,520	10,719
2030	217,040	209,521	7,519
2031	142,116	138,047	4,069
2032	115,917	113,048	2,869
2033	99,508	98,045	1,463
	$ 3,955,760	3,597,075	$ 358,685
Unamortized Discount		60,116	
		$ 3,657,191	

As described in Note 1, the Borough of Merchantville and the Township of Pennsauken created the Merchantville-Pennsauken Water Commission. Those municipalities act as guarantors of all Commission bonds and loans and include their proportionate share of Commission debt as liabilities on their respective annual debt statements. The computed municipalities' proportionate share of debt is in accordance with their respective ownership of the Commission as follows:

Borough of Merchantville	11.58%
Township of Pennsauken	88.42%
	100.00%

Note 9: CITY OF CAMDEN WATER ALLOCATION LOAN PAYABLE

As more fully described in note 16, on May 19, 2006, the Commission entered into an agreement with the City of Camden for the purchase of water allocation rights for $2,522,512. The initial payment of $500,000 was payable in installments totaling $250,000 in 2006, $125,000 in 2007 and $125,000 in 2008.

The remaining balance is due in equal quarterly payments through May, 2021, with bi-annual adjustments adding three percent (3%) interest per annum at the end of the first two years and thereafter to each such period to the unpaid balance due. This adjustment shall be added to the principal and payments recalculated including the interest amount. The interest rate used shall be adjusted to add the percentage increase equal to the increases or decreases made in the prime rate in the intervening period but in no case shall the overall rate be less than 3% or greater than 7%.

Should the Commission be denied the use or access to the allocation of water, for any reason unrelated to the actions of either party, then a proportional reduction will be made to the initial agreed upon payments, not yet paid and no further payments will be required.

The estimated maturities on the loan as of December 31, 2019 are as follows:

Year	Total	Principal	Interest
2020	$ 136,917	$ 134,590	$ 2,327
2021	63,480	63,100	380
	$ 200,397	$ 197,690	$ 2,707

Note 10: RETIREMENT SYSTEMS

A substantial number of the Commission's employees participate in the Public Employees' Retirement System ("PERS"), a defined benefit pension plan, which is administered by the New Jersey Division of Pensions and Benefits ("the Division"). In addition, Commission employees may participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
http://www.state.nj.us/treasury/pensions/financial-reports.shtml

Note 10: RETIREMENT SYSTEMS (CONT'D)

General Information about the Pension Plans

Plan Descriptions

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Commission, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et.seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for a certain enrollment tier but who earn salary of at least $5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for certain enrollment tiers, but who earn salary of at least $5,000.00 annually.

Vesting and Benefit Provisions

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The 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 the PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
4	Members who were eligible to enroll on or after May 21, 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 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.

Note 10: RETIREMENT SYSTEMS (CONT'D)

General Information about the Pension Plans (Cont'd)

Vesting and Benefit Provisions (Cont'd)

Defined Contribution Retirement Program - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Contributions

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the member contribution rate was 7.50% in State fiscal year 2019. The rate for members who are eligible for the Prosecutors Part of PERS (P.L. 2001, C. 366) was 10.0% in State fiscal year 2019. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The Commission's contractually required contribution rate for the years ended December 31, 2019 and 2018 was 13.16% and 13.44% of the annual Commission covered payroll. These amounts were actuarially determined as the amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2019, the Commission's contractually required contribution to the pension plan for the year ended December 31, 2019 is $285,396, and is payable April 1, 2020. Employee contributions to the plan during the year ended December 31, 2019 were $131,431.

Based on the PERS measurement date of June 30, 2018, the Commission's contractually required contribution to the pension plan for the year ended December 31, 2018 was $281,166, which was paid by by April 1, 2019. Employee contributions to the plan during the year ended December 31, 2018 were $156,467.

Defined Contribution Retirement Program - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Commission's contribution amounts for each pay period, 3% of the employees' base salary, are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the years ended December 31, 2019 and 2018, there were no employees participating in DCRP.

Note 10: RETIREMENT SYSTEMS (CONT'D)

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

Public Employees' Retirement System - At December 31, 2019 and 2018, the Commission's proportionate share of the PERS net pension liability was $5,286,701 and $5,565,645, respectively.

The net pension liability reported at December 31, 2019 was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2019. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2019 measurement date, the Commission's proportion was 0.0293404344%, which was an increase of 0.0010733665% from its proportion measured as of June 30, 2018.

The net pension liability reported at December 31, 2018 was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2018 measurement date, the Commission's proportion was 0.0282670679%, which was a decrease of 0.0000503895% from its proportion measured as of June 30, 2017.

For the years ended December 31, 2019 and 2018, the Commission recognized pension expense of $412,597 and $430,990, respectively. These amounts were based on the plan's June 30, 2019 and 2018 measurement dates, respectively.

Note 10: RETIREMENT SYSTEMS (CONT'D)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019 and 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	December 31, 2019		December 31, 2018	
	Measurement Date June 30, 2019		Measurement Date June 30, 2018	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between Expected and Actual Experience	$ 94,889	$ 23,354	$ 106,138	$ 28,698
Changes of Assumptions	527,897	1,834,997	917,126	1,779,597
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	83,453	-	52,206
Changes in Proportion and Differences between Commission Contributions and Proportionate Share of Contributions	339,652	7,328	264,057	9,347
Commission Contributions Subsequent to the Measurement Date	142,698	-	140,583	-
	$ 1,105,136	$ 1,949,132	$ 1,427,904	$ 1,869,848

The deferred outflows of resources related to pensions totaling $142,698 and $140,583 will be included as a reduction of the net pension liability in the years ended December 31, 2020 and 2019, respectively. This amount is based on an estimated April 1, 2021 and April 1, 2020 contractually required contribution, prorated from the pension plans measurement date of June 30, 2019 and June 30, 2018 to the Commission's year end of December 31, 2019 and 2018.

Note 10: RETIREMENT SYSTEMS (CONT'D)

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)

The Commission will amortize of the other deferred outflow of resources and deferred inflows of resources related to pensions over the following number of years:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	-	5.63
June 30, 2019	5.21	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2016	5.00	-
June 30, 2017	-	5.00
June 30, 2018	-	5.00
June 30, 2019	-	5.00
Changes in Proportion and Differences between Commission Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21

Note 10: RETIREMENT SYSTEMS (CONT'D)

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)

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

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Actuarial Assumptions

The net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuations as of July 1, 2018 and 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement dates of June 30, 2019 and 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	Measurement Date June 30, 2019	Measurement Date June 30, 2018
Inflation Rate:		
Price	2.75%	2.25%
Wage	3.25%	2.25%
Salary Increases:		
Through 2026	2.00% - 6.00% Based on Years of Service	1.65% - 4.15% Based on Age
Thereafter	3.00% - 7.00% Based on Years of Service	1.65% - 4.15% Based on Age
Investment Rate of Return	7.00%	7.00%
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2014 - June 30, 2018	July 1, 2011 - June 30, 2014

Note 10: RETIREMENT SYSTEMS (CONT'D)

Actuarial Assumptions (Cont'd)

For the June 30, 2019 measurement date, pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

For the June 30, 2018 measurement date, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent modified 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019 and 2018) 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 rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 and 2018 are summarized in the table below.

Note 10: RETIREMENT SYSTEMS (CONT'D)

Actuarial Assumptions (Cont'd)

	Measurement Date June 30, 2019		Measurement Date June 30, 2018	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	3.00%	4.67%	5.00%	5.51%
Cash Equivalents	5.00%	2.00%	5.50%	1.00%
U.S. Treasuries	5.00%	2.68%	3.00%	1.87%
Investment Grade Credit	10.00%	4.25%	10.00%	3.78%
High Yield	2.00%	5.37%	2.50%	6.82%
Private Credit	6.00%	7.92%		
Global Diversified Credit			5.00%	7.10%
Credit Oriented Hedge Funds			1.00%	6.60%
Debt Related Private Equity			2.00%	10.63%
Debt Related Real Estate			1.00%	6.61%
Real Assets	2.50%	9.31%	2.50%	11.83%
Real Estate	7.50%	8.33%	6.25%	9.23%
U.S. Equity	28.00%	8.26%	30.00%	8.19%
Non-U.S. Developed Markets Equity	12.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.37%	6.50%	11.64%
Buyouts/Venture Capital			8.25%	13.08%
Private Equity	12.00%	10.85%		
	100.00%		100.00%	

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2019 was 6.28%. The respective single blended discount rates were 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 rates assumed that contributions from Plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be 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 liabilities.

Note 10: RETIREMENT SYSTEMS (CONT'D)

Actuarial Assumptions (Cont'd)

Discount Rate (Cont'd) - The discount rate used to measure the total pension liability at June 30, 2018 was 5.66%. The respective 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 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% 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 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

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

The following presents the Commission's proportionate share of the net pension liability at December 31, 2019, calculated using a discount rate of 6.28%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
Commission's Proportionate Share of the Net Pension Liability	$ 6,677,963	$ 5,286,701	$ 4,114,366

The following presents the Commission's proportionate share of the net pension liability at December 31, 2018, calculated using a discount rate of 5.66%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Commission's Proportionate Share of the Net Pension Liability	$ 6,998,157	$ 5,565,645	$ 4,363,859

Note 10: RETIREMENT SYSTEMS (CONT'D)

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the PERS and additions to/deductions from PERS' respective fiduciary net position have been determined on the same basis as they are reported by PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at https://www.state.nj.us/treasury/pensions/financial-reports.shtml.

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Commission provides benefits to employees and their spouses which are in addition to those received through the State Pension Fund who have retired, and have 25 years (35 years for employees hired on or after May 1, 2008) of service with the Commission. The Commission provides medical, dental, vision and prescription coverage. These benefits are provided to all eligible retirees and their spouses at no cost to the retiree.

As of December 31, 2019, there were 31 retirees and/or beneficiaries who qualified for and are receiving post-employment benefits and 40 active employees who are eligible but still actively employed. Certain Employees are required to contribute to the plan pursuant to Chapter 78 and Commission policy, based on their date of hire. Those employees will be required to contribute a minimum of 1.5% of the retirement benefit towards their premium costs "post retirement".

Net OPEB Liability

The Commission's total OPEB liability of $7,714,132 as of December 31, 2019 and $6,290,597 as of December 31, 2018 was measured as of December 31, 2019 and 2018. The liabilities were determined by an actuarial valuation as of December 31, 2018 with the use of updated procedures to roll forward from the actuarial valuation date to the measurement date as of December 31, 2019.

Actuarial Assumptions and Other Inputs - The following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	N/A
Discount Rate	2.49%
Healthcare Cost Trend Rates	
Pre-Medicare	7.00%
Post-Medicare	5.00%
Retirees' Share of Benefit-Related Costs	Pursuant to Chapter 78

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index which consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years as of December 31, 2019.

Mortality rates were based on RP-2000 combined mortality table for males and females as appropriate.

Termination rates were based on a 70% termination rate was used for employees under the age of 20, 16% for employees under the age of 40 and 0% for employees 50 years and older.

Mortality rates and termination rates were based on standard tables either issued by the SOA or developed for the applicable grade of employee. The actuary has used his/her professional judgement in applying these assumptions to this plan.

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

Changes in the Total OPEB Liability

The following table shows the changes in the total OPEB liability for the years ended December 31, 2019 and 2018, respectively:

	December 31, 2019		December 31, 2018	
Balance at Beginning of Year		$ 6,290,597		$ 23,278,206
Changes for the Year:				
Service Cost	289,676		289,676	
Interest Cost	243,915		897,301	
Benefit Payments	(241,388)		(241,388)	
Actuarial Assumption Changes	1,131,332		(594,565)	
Changes of Benefit Terms			(14,937,381)	
Actuarial Demographic Gains / (Losses)			(2,401,252)	
Net Changes		1,423,535		(16,987,609)
Balance at End of Year		$ 7,714,132		$ 6,290,597

For 2018, the Commission changed their benefits to a High Deductible Plan. The Discount Rate changed at December 31 over the following years, 3.16% 2017, 3.64% 2018 and 2.49% 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated for using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	December 31, 2019		
	1.00% Decrease (1.49%)	Current Discount Rate (2.49%)	1.00% Increase (3.49%)
Total OPEB Liability	$6,521,477.97	$7,714,132.00	$9,242,934.57

	December 31, 2018		
	1.00% Decrease (2.64%)	Current Discount Rate (3.64%)	1.00% Increase (4.64%)
Total OPEB Liability	$5,393,899.00	$6,290,597.00	$7,422,358.77

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

Changes in the Total OPEB Liability (Cont'd)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	December 31, 2019		
	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Total OPEB Liability	$ 9,041,178.04	$ 7,714,132.00	$ 6,649,784.38

	December 31, 2018		
	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Total OPEB Liability	$ 7,284,844.51	$ 6,290,597.00	$ 5,483,938.28

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended December 31, 2019 and 2018, the Commission recognized OPEB revenue of $1,324,229 and OPEB Expense of $13,062,614, respectively. At December 31, 2019 and 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	December 31, 2019		December 31, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions or Other Inputs	$ 5,641,312.00	$ 1,964,660.00	$ 5,189,431.00	$ 2,182,956.00
Differences between Expected and Actual Experience	3,068,264.00	486,463.00	3,451,798.00	540,514.00
	$ 8,709,576.00	$ 2,451,123.00	$ 8,641,229.00	$ 2,723,470.00

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Cont'd)

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

Year Ending December 31,	
2020	$ 790,638.00
2021	790,638.00
2022	790,638.00
2023	790,638.00
2024	790,638.00
Thereafter	2,305,263.00
	$6,258,453.00

Note 12: COMPENSATED ABSENCES

Commission employees are entitled to 10 to 30 vacation days per year depending on their length of service. A maximum of five unused vacation days may be carried over to the next year.

Commission employees are entitled to twelve sick days per year. Employees have the option of carrying over sick days; however, an employee cannot accumulate more than 24 sick days.

Upon separation of employment, unless the separation was a termination for cause, the Commission will purchase unused sick and vacation time excluding vacation time carried from the year prior to separation.

Management has determined that the balance of accrued sick leave was not material as of December 31, 2019 and 2018 and, accordingly, a liability has not been recorded.

Note 13: TRANSPORTATION EQUIPMENT LEASES

The Commission leases transportation equipment under agreements accounted for as operating leases. Rental and certain related maintenance expense charged to income was $64,380 in 2019 and $62,009 in 2018.

Future commitments on operating leases are as follows:

Year	Amount
2020	$24,900

Note 14: ANTENNA SITE LEASES

The Commission leases antenna sites atop its water tanks to several companies in the communications industry. As of December 31, 2019, the Commission had ten different lease agreements. Rental income from these leases was $441,462 and $428,810 in 2019 and 2018, respectively.

* Future minimum rentals on the leases are as follows:

Year	Amount
2020	$ 458,114
2021	425,561
2022	299,229
2023	270,015
2024	279,164

Note 15: COMMITMENTS AND CONTINGENCIES

Litigation

The Commission is subject to certain claims and legal proceedings that arise in the ordinary course of its operations. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be decided unfavorably to the Commission. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect in the financial conditions, results of operations or cash flows of the Merchantville-Pennsauken Water Commission.

Commodity-Demand Water Purchase Agreement

On November 4, 2004, the Commission entered into a bulk water purchase agreement with New Jersey-American Water Company for water supply to supplement its distribution system in the event of an emergency. The agreement was for a ten-year term with annual ten year renewals unless terminated under the terms of the agreement.

Currently, the Commission purchases 50 thousand gallons per day at an average annual cost of approximately sixty thousand dollars a year, the minimum under the agreement. Water purchases under the agreement were $59,550 and $58,256, respectively for the years ended December 31, 2019 and 2018.

Note 16: RISK MANAGEMENT

The Commission 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. These risks are covered through a joint insurance pool as described below. Settled claims from these risks have not exceeded coverage for the past several years.

The Commission is a member of New Jersey Utility Authorities Joint Insurance Fund (the "Fund"). The Fund provides the Commission with the following coverage:

Property and Physical Damage
Workers Compensation
Excess Liability
Boiler and Machinery
General and Automobile Liability
Public Officials Liability
Environmental Liability

Contributions to the Fund, including a reserve for contingencies, are payable in an annual premium and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Commission's agreement with the pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of $500,000 for each insured event.

The Fund publishes its own financial report for the year ended December 31, 2019, which can be obtained from:

New Jersey Utility Authorities Joint Insurance Fund
9 Campus Drive, Suite 16
Parsippany, NJ 07054

Note 17: WATER ALLOCATION RIGHTS

As described in note 8, on May 19, 2006, the Commission entered into an agreement with the City of Camden (the City) for the purchase of water allocation rights for $2,522,512. The agreement was approved by the New Jersey Department of Environmental Protection and contains the following provisions:

Purchase of Water Allocation Rights

The Commission agreed to purchase the City's water allocation rights to pump 1,200,000 gallons of water per day from the Potomac-Raritan-Magothy aquifer to service the Commission's franchise area for quantities in excess of its current allocation.

Should the Commission be denied the use or access to the allocation of water, for any reason unrelated to the actions of either party, then a proportional reduction will be made to the initial agreed upon payments, not yet paid and no further payments will be required and any payments already made shall be converted to payments for the purchase of bulk water already delivered and not yet paid for or for water to be delivered in the future. If for any reason another governmental entity, either executive or judicial, or legal action shall prohibit the sale of the allocation, monies already paid shall not be returned and monies not yet paid will not be due.

Note 17: WATER ALLOCATION RIGHTS (CONT'D)

Bulk Water Sale

The City will deliver and the Commission will purchase bulk potable drinking water for a period of thirty (30) years with the Commission having the option for two additional ten year terms. The purchase agreement will begin as soon thereafter that the parties have created the necessary infrastructure and facilities to respectively deliver and accept finished water and or raw water for treatment.

The agreement provides for a minimum of fifty thousand gallons per day and a maximum of one million gallons per day. The initial cost of the treated water will be for $2.25 per thousand gallons and will be increased from time to time in accordance with factors outline in the agreement.

The water will be distributed through interconnections to be constructed by or on behalf of the Commission, including the obtainment of all land and or easements necessary, at mutually agreed upon locations, without cost or expense to the City.

Treatment of Water

It was agreed that at some point during the term of the agreement that the City may treat raw water for the Commission which is delivered to the Morris-Delair treatment plant. Delivery of the raw water to the City will be the responsibility of the Commission and the cost of treatment will be eighty-nine cents per thousand gallons subject to certain increases and decreases.

Note 18: SUBSEQUENT EVENTS

The management of the Commission has evaluated its financial statements for subsequent events through the date that the financial statements were issued. As a result of the spread of the COVID-19 coronavirus in New Jersey, economic uncertainties have arisen which could negatively impact the financial position of the Commission. While the impact that COVID-19 will have is currently expected to be temporary, as of the date of the financial statements, the related financial impact and duration cannot be reasonably estimated.

REQUIRED SUPPLEMENTARY

INFORMATION

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE COMMISSION'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST THREE YEARS

Total OPEB Liability	2019	2018	2017
Service Cost	$ 289,676	$ 289,676	$ 461,342
Interest Cost	243,915	897,301	376,358
Benefit Payments	(241,388)	(241,388)	(290,418)
Actuarial Assumption Changes	1,131,332	(594,565)	6,342,637
Changes of Benefit Terms		(14,937,381)	
Actuarial Demographic Gains (Losses)		(2,401,252)	4,218,866
Net Change in Total OPEB Liability	1,423,535	(16,987,609)	11,108,785
Total OPEB Liability - Beginning of Year	6,290,597	23,278,206	12,169,421
Total OPEB Liability - End of Year	$ 7,714,132	$ 6,290,597	$ 23,278,206
Covered Employee Payroll	$ 2,169,407	$ 2,092,530	$ 1,993,786
Total OPEB Liability as a Percentage of Covered Employee Payroll	356%	301%	1168%

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.

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST SEVEN PLAN YEARS

	Measurement Date Ending June 30,						
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Proportion Of The Net Pension Liability	0.0293404344%	0.0282670679%	0.0283174574%	0.0276390081%	0.0268630286%	0.0264734132%	0.0246842789%
Proportionate Share of the Net Pension Liability	$ 5,286,701	$ 5,565,645	$ 6,591,851	$ 8,185,881	$ 6,030,212	$ 4,956,547	$ 4,717,656
Covered Payroll (Plan Measurement Period)	$ 2,169,407	$ 2,092,530	$ 1,993,786	$ 1,943,247	$ 1,885,183	$ 1,821,312	$ 1,833,363
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	252.08%	265.98%	330.62%	421.25%	319.87%	272.14%	257.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

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.

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COMMISSION'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
LAST SEVEN YEARS

	Year Ended December 31,						
	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	$ 285,396	$ 281,166	$ 262,331	$ 245,541	$ 230,950	$ 218,243	$ 185,991
Contributions in Relation to the Contractually Required Contribution	(285,396)	(281,166)	(262,331)	(245,541)	(230,950)	(218,243)	(185,991)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll (Calendar Year)	$ 2,169,407	$ 2,092,530	$ 1,993,786	$ 1,943,247	$ 1,885,183	$ 1,821,312	$ 1,833,363
Contributions as a Percentage of Commission's Covered Payroll	13.16%	13.44%	13.16%	12.64%	12.25%	11.98%	10.14%

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.

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Changes in Benefit Terms

For 2019, none.

For 2018, the Commission changed their benefits to a High Deductible Plan.

Changes in Assumptions

For 2018, the discount rate changed to 2.49% from 3.64% in 2018.

Note 2: POSTEMPLOYMENT BENEFITS – PENSION

Public Employees' Retirement System (PERS)

Changes in Benefit Terms

None

Changes in Assumptions

The Discount Rate changed at June 30th over the following years, 5.39% 2014, 4.90% 2015, 3.98% 2016, 5.00% 2017, 5.66% 2018, and 6.28% 2019.

The Long-term Expected Rate of Return changed at June 30th over the following years, 7.90% 2014 and 2015, 7.65% 2016, 7.00% 2017, 2018 and 2019.

For 2019, the assumed rates of retirement, mortality, salary increases, and inflation were updated based on the July 1, 2014 - June 30, 2018 Experience Study. For pre-retirement mortality, 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 was used. For healthy retirees and beneficiaries, 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 was used. For disabled retiree mortality, the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males, and a 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For mortality improvement, Scale MP-2019 was used.

For 2016, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter.

SUPPLEMENTARY SCHEDULES

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH, CASH EQUIVALENTS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Cash, Cash Equivalents and Investments, January 1		$ 8,010,067
Cash Receipts:		
Collection of Customer Accounts Receivable	$ 10,837,920	
Tower Rentals	441,462	
Other Operating Receipts	1,036,835	
Connection and Developers' Fees	570,227	
Customer Prepayments	78,995	
Investment Income	176,365	
		13,141,804
		21,151,871
Cash Disbursements:		
Current Year Cost of Operations	6,662,405	
Liquidation of Prior Year Accounts Payable and Accrued Liabilities	546,756	
Interest Payments on City of Camden Water Allocation	4,614	
Interest Payments on N.J.D.E.P. Loans	66,836	
Principal Payments on N.J.D.E.P. Loans	511,517	
Principal Payments on City of Camden Water Allocation	142,615	
Additions to Capital Assets	1,657,403	
		9,592,146
Cash, Cash Equivalents and Investments, December 31		$ 11,559,725

Analysis of Balance:	
Cash and Cash Equivalents	$ 4,540,013
Investments	7,019,712
	$ 11,559,725

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
NON-GAAP BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Adopted and Final Budget	Actual	Variance-- Favorable (Unfavorable)
Revenues:			
Operating Revenues:			
Metered Sales to General Public	$ 8,806,000	$ 9,489,615	$ 683,615
Private Fire Protection	1,163,148	1,157,816	(5,332)
Public Fire Protection	94,380	94,380	-
Shared Service Agreement	800,000	800,000	-
Late Charges	93,000	94,001	1,001
Tapping Fees	1,000	10,899	9,899
Miscellaneous Income	23,200	131,935	108,735
Total Operating Revenues	10,980,728	11,778,646	797,918
Non-Operating Revenues:			
Investment Income	10,000	239,055	229,055
Tower Rentals	441,959	441,462	(497)
Connection and Developers' Fees	80,000	570,143	490,143
Total Revenues	11,512,687	13,029,306	1,516,619
Operating Expenses:			
Administration:			
Salaries and Wages	972,630	972,767	(137)
Fringe Benefits	676,376	595,307	81,069
Other Expenses:			
Notices & Advertising	13,000	10,081	2,919
Office Expense	111,900	73,258	38,642
Operating Fees - DEP	48,000	48,374	(374)
I.T. Expense	66,000	74,936	(8,936)
Uniform Rental	11,000	7,506	3,494
Training and Development	30,000	12,448	17,552
Consumer Confidence Report	3,000	2,776	224
Employee and Community Relations	25,500	15,952	9,548
Professional / Outside Services	101,500	104,445	(2,945)
Insurance	186,000	127,891	58,109
Tower Rental Revenue Expense	428,810	428,810	
Shared Services	1,000	-	1,000
Bad Debt Expense (Net Reserve Reduction)	17,500	12,014	5,486
Other	40,500	24,721	15,779
Total Administration Other Expenses	1,083,710	943,212	140,498
Total Administration	$ 2,732,716	$ 2,511,286	$ 221,430

(continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
NON-GAAP BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Adopted and Final Budget	Actual	Variance-- Favorable (Unfavorable)
Cost of Providing Service:			
Salaries and Wages	$ 1,784,800	$ 1,672,677	$ 112,123
Fringe Benefits	1,163,032	1,023,634	139,398
Other Expenses:			
Chemicals and Supplies	116,000	103,814	12,186
CCMUA Charges	4,000	2,816	1,184
Electric & Gas Expense	780,000	616,406	163,594
Maintenance of Wells and Strippers	270,000	267,641	2,359
Utilities - Other	30,000	22,853	7,147
Maintenance on Mains and Services	297,800	577,391	(279,591)
Maintenance on Structures	154,000	119,379	34,621
Maintenance on Generators and Power Equipment	40,000	7,739	32,261
Maintenance on Control Panels	51,000	24,897	26,103
Maintenance on Pumping and Chemical Equipment	55,000	61,896	(6,896)
Purchase of Water	74,000	59,550	14,450
Lab Work	102,000	118,308	(16,308)
Meter Repair and Maintenance	16,000	7,854	8,146
Communications	36,400	34,850	1,550
Fuel & Gas	45,000	27,368	17,632
Safety Equipment	17,500	16,361	1,139
Vehicle Expense	62,900	64,380	(1,480)
Total Cost of Providing Service Other Expenses	2,151,600	2,133,503	18,097
Total Cost of Providing Service	5,099,432	4,829,814	269,618
Total Principal Payments on Debt in Lieu of Depreciation	651,123	654,132	(3,009)
Total Operating Expenses	8,483,271	7,995,232	488,039
Non-Operating Expenses:			
Interest Payments on Debt	88,146	83,187	4,959
Total Non-Operating Expenses	88,146	83,187	4,959
Total Operating and Non-Operating Expenses	8,571,417	8,078,419	492,998
Excess of Revenues over Operating and Non-Operating Expenses	$ 2,941,270	$ 4,950,887	$ 2,009,617

(continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
NON-GAAP BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Reconciliation of Excess Revenues over Expenses to Operating Income

Excess of Revenues Over Operating and Non-Operating Expenses	$ 4,950,887
Add:	
Principal Payments on Debt	654,132
Interest Payments on Debt	83,187
Deduct:	
PERS GASB 68 Accrual	(131,431)
Other Post Employments Benefits Accrual Included in Employee Benefits	(1,082,841)
Investment Income	(239,055)
Tower Rentals	(441,462)
Connection and Developers' Fees	(570,143)
Depreciation and Amortization	(2,390,189)
Operating Income (Exhibit B)	$ 833,085

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF N.J.D.E.P. LOANS PAYABLE

	Balance January 1, 2019	Savings Credits Adjustments	Paid	Savings Credits and Discounts Amortization	Balance December 31, 2019
2001 Infrastructure Trust Loan	$ 698,043		$ 230,717		$ 467,326
2003 Infrastructure Trust Loan	117,753		22,864		94,889
2007 Infrastructure Trust Loan	609,716		62,719		546,997
2010 Infrastructure Trust Loan	740,684		55,474		685,210
2014 Infrastructure Trust Loan	1,925,700		123,047		1,802,653
Unamortized Discount on Loans	76,812			$ 16,696	60,116
	$ 4,168,708	$ -	$ 494,821	$ 16,696	$ 3,657,191

	Balance January 1, 2019	Balance December 31, 2019
Analysis of Balance:		
Current	$ 494,820	$ 495,575
Long-Term	3,673,888	3,161,616
	$ 4,168,708	$ 3,657,191

Schedule 4

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF CUSTOMER ACCOUNTS RECEIVABLE

Balance January 1, 2019		$ 2,252,347
Increased by Customer Billings:		
Metered Sales Billings to General Public	$ 9,437,615	
Private Fire Protection	1,157,816	
Public Fire Protection	94,380	
Late Charges	94,001	
		10,783,812
		13,036,159
Decreased by:		
Collections	10,799,399	
Customer Prepayments Applied	78,995	
		10,878,394
Balance December 31, 2019		$ 2,027,765

Schedule 5

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF ACCRUED INTEREST INCOME RECEIVABLE

Balance January 1, 2019	$ 6,726
Interest Earned	239,055
	245,781
Interest Collected	176,365
Balance December 31, 2019	$ 69,416

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF CAPITAL ASSETS

Description	Balance January 1, 2019	Additions (Deletions)	Balance December 31, 2019
Land and Land Rights	$ 300,857		$ 300,857
City of Camden Water Allocation	2,557,608		2,557,608
Intangible Plant:			
Organization Costs	32,181		32,181
Source of Supply:			
Structures and Improvements	169,882		169,882
Wells and Springs	1,706,832		1,706,832
SCADA Program	790,706	$ 699,638	1,490,344
Water Mapping - SCADA	283,457		283,457
Water Re-use Preservation Project	1,103,915		1,103,915
Supply Mains	156,395		156,395
Pumping Plant:			
Structures and Improvements	1,832,162		1,832,162
Electric Plumbing Equipment	157,614		157,614
Diesel Pumping Equipment	83,325		83,325
Other Pumping Equipment	194,084		194,084
Water Treatment Plant:			
Structures and Improvements	1,371,276		1,371,276
Water Treatment Equipment	2,883,348		2,883,348
Transmission and Distribution Plant:			
Structures and Improvements	628,028	53,780	681,808
Camden Avenue Tank	2,012,192		2,012,192
Cherry Hill 1MG Tank	3,006,586		3,006,586
ASR Building - Browning Road	124,706		124,706
Manganese Filtration	2,108,896		2,108,896
National and Brown Lime Addition	399,738		399,738
Park Avenue Project	4,534,580		4,534,580
Park Avenue Lime Building	256,928		256,928
Service Wells and Motors	542,320		542,320
Filter Media	327,592	161,000	488,592
Rehab National Highway Well 2	43,235		43,235
Browning Road Well 1	167,410		167,410
Tank Painting	5,791,960		5,791,960
Carbon Filter Project	1,781,318	154,288	1,935,606
CC TV Park	108,264		108,264
Valve Replacement	200,430		200,430
Distribution Reservoirs and Standpipes	2,830,658		2,830,658
Garden State Project	28,423		28,423
Transmission and Distribution Mains	7,101,999	28,684	7,130,683
Water Main Replacement	5,341,373	258,274	5,599,647
Services	1,983,004		1,983,004
Meters	5,389,710	392,805	5,782,515
Hydrants	580,975	57,886	638,861
General Plant:			
Administration Office	3,618,474		3,618,474
Structures and Improvements	49,337		49,337
Office Furniture and Equipment	169,448		169,448
Software	111,481		111,481
Excavation Equipment	211,397		211,397
Transportation Equipment	398,908	60,033	458,941
Tools Shop and Garage Equipment	74,396	13,898	88,294
Power Operated Equipment	86,451	72,663	159,114
Capitalized Interest	207,130		207,130
Total Capital Assets in Service	$ 63,840,989	$ 1,952,949	$ 65,793,938

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF ACCRUED INTEREST PAYABLE

Balance January 1, 2019		$ 34,805
Accrued Interest:		
N.J.D.E.P. Loans	$ 78,573	
City of Camden Water Allocation	4,614	
		83,187
		117,992
Less Interest Paid:		
N.J.D.E.P. Loans	83,532	
City of Camden Water Allocation	4,614	
		88,146
Balance December 31, 2019		$ 29,846

Reconciliation of Interest Expense:	
Accrued Interest	$ 83,187
Amortization of Loan Discount	(16,696)
Interest on Debt	$ 66,491

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018	Increase (Decrease)
Revenues:			
Operating Revenues:			
Metered Sales to General Public	$ 9,489,615	$ 9,603,226	$ (113,611)
Private Fire Protection	1,157,816	1,161,741	(3,925)
Public Fire Protection	94,380	94,380	-
Late Charges	94,001	88,386	5,615
Tapping Fees	10,899	24,232	(13,333)
Shared Service Agreement	800,000	466,667	333,333
Miscellaneous Income	131,935	105,676	26,259
Total Operating Revenues	11,778,646	11,544,308	234,338
Non-Operating Revenues:			
Investment Income	239,055	84,356	154,699
Tower Rentals	441,462	428,810	12,652
Connection and Developers' Fees	570,143	357,245	212,898
Total Revenues	13,029,306	12,414,719	614,587
Operating Expenses:			
Personal Services:			
Administrative Salaries	972,767	907,820	64,947
Seasonal Salaries	22,476	22,705	(229)
Water Treatment Salaries	418,886	406,334	12,552
Field Service Technicians	553,308	515,849	37,459
Repair and Maintenance Salaries	273,961	338,342	(64,381)
Service Salaries	121,796	103,537	18,259
Plant Operators Salaries	282,250	270,117	12,133
Total Personal Services	2,645,444	2,564,704	80,740
Employee Benefits:			
Health Benefits	821,562	721,452	100,110
Prescription	136,390	145,719	(9,329)
Social Security Tax	192,681	186,249	6,432
Dental, Vision and Other Employee Benefits	115,825	112,033	3,792
Unemployment and Disability	9,281	9,032	249
Workers' Compensation Insurance	62,036	64,221	(2,185)
Post Employment Benefits Obligation Other than Pension	1,082,841	-	1,082,841
Public Employees' Retirement System	412,597	430,990	(18,393)
Total Employee Benefits	$ 2,833,213	$ 1,669,696	$ 1,163,517

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018	Increase (Decrease)
Administrative Expenses:			
Notices & Advertising	$ 10,081	$ 8,725	$ 1,356
Office Expense	73,258	75,523	(2,265)
Operating Fees - DEP	48,374	39,438	8,936
I.T. Expense	74,936	71,137	3,799
Uniform Rental	7,506	8,765	(1,259)
Training and Development	12,448	20,218	(7,770)
Consumer Confidence Report	2,776	2,776	0
Employee and Community Relations	15,952	22,864	(6,912)
Professional / Outside Services	104,445	109,217	(4,772)
Insurance	127,891	121,693	6,198
Tower Rental Revenue Expense	428,810	399,491	29,319
Bad Debt Expense (Net Reserve Reduction)	12,014	1,577	10,437
Other	24,721	30,465	(5,744)
Total Administrative Expenses	943,212	911,889	31,323
Operating and Maintenance Expenses:			
Chemicals and Supplies	103,814	92,013	11,801
CCMUA Charges	2,816	2,816	-
Electric & Gas Expense	639,259	707,055	(67,796)
Maintenance of Wells and Treatment Equipment	267,641	240,139	27,502
Maintenance on Mains and Services	577,391	341,237	236,154
Maintenance on Structures	119,379	161,032	(41,653)
Maintenance on Generators and Power Equipment	7,739	12,817	(5,078)
Maintenance on Control Panels	24,897	53,187	(28,290)
Maintenance on Pumping and Chemical Equipment	61,896	56,621	5,275
Purchase of Water	59,550	58,256	1,294
Lab Work	118,308	84,880	33,428
Meter Repair and Maintenance	7,854	12,474	(4,620)
Communications	34,850	32,851	1,999
Fuel & Gas	27,368	24,491	2,877
Safety Equipment	16,361	7,631	8,730
Vehicle Expense	64,380	62,009	2,371
Total Operating and Maintenance Expenses	2,133,503	1,949,509	183,994
Depreciation and Amortization Expense	2,390,189	2,410,036	(19,847)
Total Operating Expenses	10,945,561	9,505,834	1,439,727
Other Expenses:			
Interest on Long-term Debt	66,491	82,625	(16,134)
Total Expenses	11,012,052	9,588,459	1,423,593
Change in Net Position Before OPEB Adjustment	2,017,254	2,826,260	(809,006)
OPEB Adjustment	-	13,304,002	(13,304,002)
Change in Net Position	$ 2,017,254	$ 16,130,262	$ (14,113,008)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

PART II

SCHEDULE OF FINDINGS AND RECOMENDATIONS

FOR THE YEAR ENDED

DECEMBER 31, 2019

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Schedule of Financial Statement Findings

None

Schedule of Prior Year Financial Statement Findings

This section identifies the status of prior year audit findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None

Appreciation

We express our appreciation for the courtesies extended and assistance provided to us during the course of our audit.

Respectfully submitted,
BOWMAN & COMPANY LLP

James J. Miles, Jr.
Certified Public Accountant