THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

REPORT OF AUDIT

FOR THE YEARS ENDED

DECEMBER 31, 2020 AND 2019

BOWMAN & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
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FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

PART I

FINANCIAL SECTION

REPORT OF AUDIT

FOR THE YEARS ENDED

DECEMBER 31, 2020 AND 2019

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

ROSTER OF OFFICIALS

Commissioners	Position
Joseph C. Scavuzzo	President
Shakir Ali	Vice President
Edward F. Brennan	Secretary
Patrick J. Brennan	Treasurer
Frank Warwick	Assistant Secretary and Assistant Treasurer

Officers

Jack Killion	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
PS&S, LLC	Engineer
T&M Associates, Inc.	Engineer
Consulting Engineer Services (CES)	Engineer
Parker McCay, P.A.	Bond Counsel
Connor Strong & Buckelew	Insurance Broker

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, 2020 and 2019 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, 2020 and 2019 and the 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 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 9, 2021 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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 9, 2021

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, 2020, 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 9, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* 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 9, 2021

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, 2020 and 2019. 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, 2020 were $45,741,896. After adding deferred outflows of $10,784,047 and deducting liabilities of $23,058,728 and deferred inflows of $4,274,559, net position equals $29,192,656, an increase of $1,180,479 from 2019.

- **Total Operating Revenues** – Operating revenues for the year ended December 31, 2020 totaling $11,799,059 were up slightly from $11,778,646 for the year ended December 31, 2019, an increase of $20,413. The increase was due to a small rate increase implemented at the beginning of 2020.

- **Net Non-Operating Revenues (Expenses)** - Non-operating revenues, net of non-operating expenses, for the year ended December 31, 2020 totaling $1,057,183 were down $126,986 from the year ended December 31, 2019 primarily due to decreases in connection fees from new development and construction and investment income.

- **Total Operating Expenses** – Operating expenses, before depreciation, for the year ended December 31, 2020 totaling $8,893,999 were approximately 4% more than the $8,555,372, for the year ended December 31, 2019 primarily due to increases in the cost of health benefits and required infrastructure maintenance.

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 $29,192,656 on December 31, 2020. Total assets, deferred outflows of resources, total liabilities, deferred inflows of resources and total net position are detailed on the following page.

A large portion, approximately 63%, 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.

As of December 31, 2020, customer accounts receivable were up $486,806 over the prior year and receivables over 180 days were up $360,210. This is the result of the governor's moratorium on late fee assessments on utilities, which is scheduled to remain in place through December 31, 2021. The moratorium also accounts for a reduction of $71,586 in late fee charges from 2019 to 2020.

FINANCIAL ANALYSIS OF THE COMMISSION (CONT'D)

Comparative Statements of Net Position
As of December 31, 2020, 2019 and 2018

	2020	2019	2018	Changes from 2019 to 2020 Amount	Changes from 2019 to 2020 Percentage
Assets					
Current Assets	$ 21,115,644	$ 15,202,376	$ 11,818,118	$ 5,913,268	38.90%
Capital Assets	24,626,252	25,805,806	26,243,046	(1,179,554)	-4.57%
Total Assets	45,741,896	41,008,182	38,061,164	4,733,714	11.54%
Deferred Outflows of Resources					
Related to Pensions and OPEB	10,784,047	9,814,712	10,069,133	969,335	9.88%
Liabilities					
Current Liabilities	4,945,880	2,042,215	1,673,653	2,903,665	142.18%
Long-Term Liabilities	18,112,848	16,368,247	15,868,403	1,744,601	10.66%
Total Liabilities	23,058,728	18,410,462	17,542,056	4,648,266	25.25%
Deferred Inflows of Resources					
Related to Pensions and OPEB	4,274,559	4,400,255	4,593,918	(125,696)	-2.86%
Net Position:					
Net Investment in Capital Assets	18,286,006	21,579,219	21,657,873	(3,293,213)	-15.26%
Unrestricted	10,906,650	6,432,958	4,337,050	4,473,692	69.54%
Total Net Position	$ 29,192,656	$ 28,012,177	$ 25,994,923	$ 1,180,479	4.21%

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, 2020, 2019 and 2018

	2020	2019	2018	Changes from 2019 to 2020 Amount	Changes from 2019 to 2020 Percentage
Operating Revenues:					
Service Charges	$ 10,905,902	$ 10,741,811	$ 10,859,347	$ 164,091	1.53%
Other Operating Revenue	893,157	1,036,835	684,961	(143,678)	-13.86%
Total Operating Revenues	11,799,059	11,778,646	11,544,308	20,413	0.17%
Operating Expenses:					
Administration	3,016,440	2,957,791	2,410,726	58,649	1.98%
Cost of Providing Service	5,877,559	5,597,581	4,685,072	279,978	5.00%
Depreciation	2,781,764	2,390,189	2,410,036	391,575	16.38%
Total Operating Expenses	11,675,763	10,945,561	9,505,834	730,202	6.67%
OPEB Adjustment	-	-	13,304,002	-	-
Net Non-Operating Revenues	1,057,183	1,184,169	787,786	(126,986)	-10.72%
Change in Net Position	1,180,479	2,017,254	16,130,262	(836,775)	-41.48%
Net Position -- Jan. 1	28,012,177	25,994,923	9,864,661	2,017,254	7.76%
Net Position -- Dec. 31	$ 29,192,656	$ 28,012,177	$ 25,994,923	$ 1,180,479	4.21%

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.

The Commission continues to provide management, operation and oversight of the Borough of Collingswood's water treatment stations and associated operations in accordance with a shared services arrangement that began in 2018. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

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 $8,333,451. These expenditures were $747,504 less than were budgeted. Actual total operating and non-operating revenues of $12,908,899 were $485,382 greater than the $12,423,517 budgeted.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

During 2020, the Commission expended $1,602,209 for capital activities.

The proposed five-year Capital Program included in the Commission's 2020 budget totals $19,349,500. 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, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 7,894,771	$ 4,540,013
Investments	9,158,377	7,019,712
Customer Accounts Receivable	2,514,571	2,027,765
Deposits, Prepaids and Other Receivables	312,369	321,442
Unbilled Revenue	1,064,000	1,122,000
Materials and Supplies Inventory	123,049	102,028
Accrued Interest Receivable	48,507	69,416
Total Current Assets	21,115,644	15,202,376
Capital Assets:		
Utility Plant and Equipment	67,396,147	65,793,938
Accumulated Depreciation and Amortization	42,769,895	39,988,132
Total Capital Assets	24,626,252	25,805,806
Total Assets	45,741,896	41,008,182
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	976,536	1,105,136
Related to OPEB	9,807,511	8,709,576
Total Deferred Outflows	10,784,047	9,814,712

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2020 AND 2019

	2020	2019
LIABILITIES		
Current Liabilities:		
N.J.D.E.P. Loans Payable - Due Within One Year	$ 510,362	$ 495,575
Bond Anticipation Note	2,500,000	-
City of Camden Water Allocation - Due Within One Year	63,100	134,590
Accounts Payable	718,195	537,815
Accounts Payable Related to Pension	332,118	285,396
Customer Prepayments	89,260	78,995
Construction Contracts Payable	635,033	371,706
Accrued Wages	27,662	69,339
Accrued Interest	25,451	29,846
Pension Withholdings Payable	23,676	18,011
Escrow Deposits	21,023	20,942
Total Current Liabilities	4,945,880	2,042,215
Noncurrent Liabilities		
N.J.D.E.P. Loans Payable	2,631,751	3,161,616
City of Camden Water Allocation	-	63,100
Net Pension Liability	4,950,846	5,286,701
Accrued Liabilities - Related to Pension	166,059	142,698
Post Employment Benefits Obligation Other than Pension	10,364,192	7,714,132
Total Noncurrent Liabilities	18,112,848	16,368,247
Total Liabilities	23,058,728	18,410,462
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	2,095,783	1,949,132
Related to OPEB	2,178,776	2,451,123
Total Deferred Inflows	4,274,559	4,400,255
NET POSITION		
Net Investment in Capital Assets	18,286,006	21,579,219
Unrestricted	10,906,650	6,432,958
Total Net Position	$ 29,192,656	$ 28,012,177

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, 2020 AND 2019

	2020	2019
Operating Revenues:		
Metered Sales to General Public	$ 9,652,865	$ 9,489,615
Private Fire Protection	1,158,657	1,157,816
Public Fire Protection	94,380	94,380
Late Charges	22,415	94,001
Tapping Fees	7,685	10,899
Shared Service Agreement	800,000	800,000
Miscellaneous Income	63,057	131,935
Total Operating Revenues	11,799,059	11,778,646
Operating Expenses:		
Administration:		
Salaries and Wages	954,583	972,767
Employee Benefits	1,114,051	1,041,812
Other Expenses	947,806	943,212
Cost of Providing Service:		
Salaries and Wages	1,689,988	1,672,677
Employee Benefits	1,972,309	1,791,401
Other Expenses	2,215,262	2,133,503
Depreciation and Amortization	2,781,764	2,390,189
Total Operating Expenses	11,675,763	10,945,561
Total Operating Income	123,296	833,085
Non-Operating Revenues (Expenses):		
Investment Income	151,133	239,055
Interest on Debt	(52,657)	(66,491)
Tower Rentals	458,113	441,462
Connection and Developers' Fees	500,594	570,143
Total Non-Operating Revenues (Expenses)	1,057,183	1,184,169
Change in Net Position	1,180,479	2,017,254
Net Position, Beginning of Year	28,012,177	25,994,923
Net Position, End of Year	$ 29,192,656	$ 28,012,177

See the accompanying Notes to Financial Statements

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows From Operating Activities:		
Receipts From Customers	$ 10,487,361	$ 10,916,915
Other Operating Receipts	893,157	1,036,835
Payments to Suppliers	(2,994,230)	(2,885,722)
Payments and Benefits to Employees	(4,478,092)	(4,323,439)
Net Cash Provided by Operating Activities	3,908,196	4,744,589
Cash Flows from Non-Capital Financing Activities		
Tower Rentals	458,113	441,462
Connection and Developers' Fees	500,675	570,227
Net Cash Flows Provided by Non-Capital Financing Activities	958,788	1,011,689
Cash Flows From Capital and Related Financing Activities:		
Proceeds from Bond Anticipation Note	2,500,000	-
Additions to Capital Assets	(1,338,882)	(1,657,403)
Principal Payments on N.J.D.E.P. Loans	(515,078)	(511,517)
Principal Payments on City of Camden Water Allocation	(134,590)	(142,615)
Interest Payments on N.J.D.E.P. Loans	(54,725)	(66,836)
Interest Payments on City of Camden Water Allocation	(2,327)	(4,614)
Net Cash Provided By (Used In) Capital and Related Financing Activities	454,398	(2,382,985)
Cash Flows From Investing Activities:		
Purchase of Investments	(2,138,665)	(2,146,657)
Investment Income	172,041	176,365
Net Cash Used in Investing Activities	(1,966,624)	(1,970,292)
Net Increase in Cash and Cash Equivalents	3,354,758	1,403,001
Cash and Cash Equivalents, January 1	4,540,013	3,137,012
Cash and Cash Equivalents, December 3'	$ 7,894,771	$ 4,540,013

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities:		
Operating Income	$ 127,236	$ 833,085
Adjustments to Reconcile Operating Income To		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	2,777,824	2,390,189
Changes in Assets and Liabilities:		
Customer Accounts Receivable	(486,806)	224,582
Deposits, Prepaids and Other Receivables	9,073	51,092
Unbilled Revenue	58,000	(52,000)
Materials and Supplies Inventory	(21,021)	4,416
Accounts Payable	180,380	57,124
Accounts Payable Related to Pension	46,722	4,230
Customer Prepayments	10,265	2,522
Accrued Wages	(41,677)	20,964
Pension Withholdings Payable	5,665	321
Deferred Inflows of Resources	(969,335)	254,421
Deferred Outflows of Resources	(125,696)	(193,063)
Net Pension Liability	(335,855)	(278,944)
Accrued Liabilities - Related to Pension	23,361	2,115
Post Employment Benefits Obligation	2,650,060	1,423,535
	$ 3,908,196	$ 4,744,589

See the accompanying Notes to Financial Statements.

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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. 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 is 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 year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 capital 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.

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. The adoption of this Statement had no impact on the Commission's 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. The adoption of this Statement had no impact on the Commission's financial statement.

Recently Issued Accounting Pronouncements

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

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. The adoption of this Statement had no impact on the Authority's financial statements.

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. The adoption of this Statement had no impact on the Authority's financial statements.

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 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. 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 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. 91, Conduit Debt Obligations. The objectives of this Statement are to provide a single method of reporting conduit 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 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.

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.

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

Recently Issued Accounting Pronouncements (Cont'd)

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.

Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The portions of the statement effect component unit criteria are effective immediately, but the other portions of the Statement will become effective for the Commission in the year ending December 31, 2022. 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, 2020, the Commission's bank balances on deposit totaled $7,874,326 of which $21,023 represented monies held in escrow. Of the total bank balances on deposit as of December 31, 2020, $250,000 was insured by the FDIC. The remaining balance was protected by GUDPA. 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.

Note 4: INVESTMENTS

New Jersey authorities are limited as to the types of investments and types of financial institutions they may utilize for investing. 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 Commission 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 Commission 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 Commission has no investment policy to limit its exposure to custodial credit risk. All of the Commission's $9,158,377 as of December 31, 2020 and $7,019,712 as of December 31, 2019 investments in certificates of deposit are in the name of the Commission.

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)**

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.

As of December 31, 2020, the Commission had twelve certificates of deposit valued at $9,158,377 ranging from 0.85% to 2.25% and maturing between May 2, 2021 and October 23, 2021. Of the total value of certificates of deposit as of December 31, 2020, the entire balance was protected by GUDPA. As of December 31, 2019, the Commission had fourteen certificates of deposit valued at $7,019,712 at 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, $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, 2020 and 2019, 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, 2020 and 2019, the number of the Commission's accounts was as follows:

	2020	2019
Residential, Apartments, and Commercial Water Services	14,686	14,681
Senior Citizen Accounts	310	323
Fire Services	352	351
Fire Hydrants	242	239

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.

Note 5: CUSTOMER ACCOUNTS RECEIVABLE (CONT'D)

Aged accounts receivable at December 31, 2020 and 2019 are as follows:

	2020	2019
Current (less than 30 days)	$ 1,720,732	$ 1,813,086
30 to 59 days	117,336	99,481
60 to 89 days	186,454	103,579
90 to 179 days	177,158	43,917
Over 180 days	399,669	39,459
	2,601,349	2,099,522
Accrued Interest on Delinquent Balances	43,222	58,243
	2,644,571	2,157,765
Less: Reserve for Uncollectible Accounts	130,000	130,000
	$ 2,514,571	$ 2,027,765

Note 6: CAPITAL ASSETS

During the year ended December 31, 2020, the following changes in capital assets occurred:

	Balance Jan. 1, 2020	Additions	Deletions	Balance Dec. 31, 2020
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	4,910,825	154,535		5,065,360
Pumping Plant	2,267,185			2,267,185
Water Treatment Plant	4,254,624			4,254,624
Transmission and Distribution Plant	46,397,042	1,430,824		47,827,866
General Plant	4,866,486	16,850		4,883,336
Capitalized Interest	207,130			207,130
Total Capital Assets being Depreciated	62,935,473	1,602,209	-	64,537,682
Total Capital Assets	65,793,938	1,602,209	-	67,396,147
Less: Accumulated Depreciation	39,988,132	2,781,763	-	42,769,895
Capital Assets, Net	$ 25,805,806	$ (1,179,554)	$ -	$ 24,626,252

Note 6: CAPITAL ASSETS (CONT'D)

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 7: LONG-TERM LIABILITIES

During the year ended December 31, 2020, the following changes in long-term obligations occurred:

	Balance Jan. 1, 2020	Additions	Reductions	Balance Dec. 31, 2020	Due Within One Year
Loans Payable:					
N.J.D.E.P. Loans Payable	$ 3,657,191	$ -	$ (515,078)	$ 3,142,113	$ 510,362
Other Liabilities:					
Net Pension Liability	5,286,701	166,059	(501,914)	4,950,846	
Net OPEB Obligation	7,714,132	2,650,060		10,364,192	
Other Liabilities - Related to Pension	142,698	166,059	(142,698)	166,059	
City of Camden Water Alloc.	197,690		(134,590)	63,100	63,100
Total Other Liabilities	13,341,221	2,982,178	(779,202)	15,544,197	63,100
Total Long-Term Liabilities	$ 16,998,412	$ 2,982,178	$ (1,294,280)	$ 18,686,310	$ 573,462

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	142,698	(421,642)	5,286,701	
Net OPEB Obligation (Restated)	6,290,597	1,423,535		7,714,132	
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	1,708,931	(704,840)	13,341,221	134,590
Total Long-Term Liabilities	$ 16,505,838	$ 1,708,931	$ (1,216,357)	$ 16,998,412	$ 630,165

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, 2020 and and 2019, 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, 2020 is due as follows:

Year	Total	Principal	Interest
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	96,910	95,447	1,463
	$ 3,388,229	3,098,902	$ 289,327
Unamortized Discount		43,211	
		$ 3,142,113	

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 17, 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 maturity on the loan as of December 31, 2020 is $63,480 due in 2021, including $63,100 of principal and $380 of interest.

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, required supplementary information and detailed information about the PERS plans' fiduciary net position. 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

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.

Note 10: RETIREMENT SYSTEMS (CONT'D)

General Information about the Pension Plans (Cont'd)

Plan Descriptions (Cont'd)

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.

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.

Note 10: RETIREMENT SYSTEMS (CONT'D)

General Information about the Pension Plans (Cont'd)

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% of base salary, effective July 1, 2018. The rate for members who are eligible for the Prosecutors Part of PERS (P.L. 2001, C. 366) was 10.0%. 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, 2020 and 2019 was 14.80% and 13.16% 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, 2020, the Commission's contractually required contribution to the pension plan for the year ended December 31, 2020 is $332,118, and is payable April 1, 2021. Employee contributions to the plan during the year ended December 31, 2020 were $169,241.

Based on the PERS measurement date of June 30, 2019, the Commission's contractually required contribution to the pension plan for the year ended December 31, 2019 was $285,396, which was paid by April 1, 2020. Employee contributions to the plan during the year ended December 31, 2019 were $162,706.

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, 2020 and 2019, there were no employees participating in DCRP.

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

Public Employees' Retirement System - At December 31, 2020 and 2019, the Commission's proportionate share of the PERS net pension liability was $4,950,846 and $5,286,701, respectively.

The net pension liability reported at December 31, 2020 was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. 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, 2020. 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, 2020 measurement date, the Commission's proportion was 0.0303595350%, which was an increase of 0.0010191006% from its proportion measured as of June 30, 2019.

Note 10: **RETIREMENT SYSTEMS (CONT'D)**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

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, 2018. 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 a decrease of 0.0010733665% from its proportion measured as of June 30, 2018.

For the years ended December 31, 2020 and 2019, the Commission recognized pension expense of $294,875 and $410,620, respectively. These amounts were based on the plan's June 30, 2020 and 2019 measurement dates, respectively.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	December 31, 2020 Measurement Date June 30, 2020		December 31, 2019 Measurement Date June 30, 2019	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between Expected and Actual Experience	$ 90,147	$ 17,508	$ 94,889	$ 23,354
Changes of Assumptions	160,611	2,072,966	527,897	1,834,997
Net Difference between Projected and Actual Earnings on Pension Plan Investments	169,224	-	-	83,453
Changes in Proportion and Differences between Commission Contributions and Proportionate Share of Contributions	390,495	5,309	339,652	7,328
Commission Contributions Subsequent to the Measurement Date	166,059	-	142,698	-
	$ 976,536	$ 2,095,783	$ 1,105,136	$ 1,949,132

Note 10: RETIREMENT SYSTEMS (CONT'D)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

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

The deferred outflows of resources related to pensions totaling $166,059 and $142,698 will be included as a reduction of the net pension liability in the years ended December 31, 2021 and 2020, respectively. This amount is based on an estimated April 1, 2022 and April 1, 2021 contractually required contribution, prorated from the pension plans measurement date of June 30, 2020 and June 30, 2019 to the Commission's year end of December 31, 2020 and 2019.

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	-
June 30, 2020	5.16	-
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
June 30, 2020	-	5.16
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	-	-
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
June 30, 2020	5.00	-

Note 10: RETIREMENT SYSTEMS (CONT'D)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

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

Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions

	Deferred Outflows of Resources	Deferred Inflows of Resources
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
June 30, 2020	5.16	5.16

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

Year Ending December 31,	
2021	$ (489,362)
2022	(464,315)
2023	(233,812)
2024	(76,625)
2025	(21,192)
	$ (1,285,306)

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Actuarial Assumptions

The net pension liability was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuations as of July 1, 2019 and 2018. 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, 2020 and 2019.

Note 10: RETIREMENT SYSTEMS (CONT'D)

Actuarial Assumptions (Cont'd)

This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	Measurement Date June 30, 2020	Measurement Date June 30, 2019
Inflation Rate:		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary Increases:		
Through 2026	2.00% - 6.00% Based on Years of Service	2.00% - 6.00% Based on Years of Service
Thereafter	3.00% - 7.00% Based on Years of Service	3.00% - 7.00% Based on Years of Service
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, 2014 - June 30, 2018

For the June 30, 2020 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-2020.

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.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020 and 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020 and 2019 are summarized in the table below.

Note 10: RETIREMENT SYSTEMS (CONT'D)

Actuarial Assumptions (Cont'd)

	Measurement Date June 30, 2020		Measurement Date June 30, 2019	
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%	3.40%	3.00%	4.67%
Cash Equivalents	4.00%	0.50%	5.00%	2.00%
U.S. Treasuries	5.00%	1.94%	5.00%	2.68%
Investment Grade Credit	8.00%	2.67%	10.00%	4.25%
High Yield	2.00%	5.95%	2.00%	5.37%
Private Credit	8.00%	7.59%	6.00%	7.92%
Real Assets	3.00%	9.73%	2.50%	9.31%
Real Estate	8.00%	9.56%	7.50%	8.33%
U.S. Equity	27.00%	7.71%	28.00%	8.26%
Non-U.S. Developed Markets Equity	13.50%	8.57%	12.50%	9.00%
Emerging Markets Equity	5.50%	10.23%	6.50%	11.37%
Private Equity	13.00%	11.42%	12.00%	10.85%
	100.00%		100.00%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The 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 2.21% as of the June 30, 2020 measurement date based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current member contribution rates and that contributions from employers would be based on 78% of the actuarially determined contributions for the State and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all projected benefit payments to determine the total pension liability.

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

Sensitivity of 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 as of the June 30, 2020 measurement date, calculated using a discount rate of 7.00%, 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 (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Commission's Proportionate Share of the Net Pension Liability	$ 6,903,696	$ 4,950,846	$ 4,253,443

The following presents the Commission's proportionate share of the net pension liability as of the June 30, 2019 measurement date, 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	$ 7,263,893	$ 5,286,701	$ 4,529,564

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.

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, 2020, there were 29 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 $10,364,192 as of December 31, 2020 and $7,714,132 as of December 31, 2019 was measured as of December 31, 2020 and 2019. The liabilities were determined by an actuarial valuation as of December 31, 2020 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	1.91%
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, 2020.

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, 2020 and 2019, respectively:

	December 31, 2020		December 31, 2019	
Balance at Beginning of Year		$ 7,714,132		$ 6,290,597
Changes for the Year:				
Service Cost	382,718		289,676	
Interest Cost	205,536		243,915	
Benefit Payments	(315,206)		(241,388)	
Actuarial Assumption Changes	1,000,121		1,131,332	
Differences Between Actual and Expected	1,376,891			
Net Changes		2,650,060		1,423,535
Balance at End of Year		$ 10,364,192		$ 7,714,132

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, 2.49% 2019 and 2020, 1.91%

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, 2020		
	1.00% Decrease (0.91%)	Current Discount Rate (1.91%)	1.00% Increase (2.91%)
Total OPEB Liability	$ 12,365,483.70	$ 10,364,192.00	$ 8,787,743.54

	December 31, 2019		
	1.00% Decrease (1.49%)	Current Discount Rate (2.49%)	1.00% Increase (3.49%)
Total OPEB Liability	$ 9,041,178.04	$ 7,714,132.00	$ 6,649,784.38

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, 2020		
	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Total OPEB Liability	$ 8,642,353.62	$10,364,192.00	$12,584,803.26

	December 31, 2019		
	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Total OPEB Liability	$ 6,521,477.97	$ 7,714,132.00	$ 9,242,934.57

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

For the years ended December 31, 2020 and 2019, the Commission recognized OPEB expense of $1,594,984 and $1,324,229, respectively. At December 31, 2020 and 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	December 31, 2020		December 31, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions or Other Inputs	$ 5,871,062.00	$ 1,746,364.00	$ 5,641,312.00	$ 1,964,660.00
Differences between Expected and Actual Experience	3,936,449.00	432,412.00	3,068,264.00	486,463.00
	$ 9,807,511.00	$ 2,178,776.00	$ 8,709,576.00	$ 2,451,123.00

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,	
2021	$1,006,730.00
2022	1,006,730.00
2023	1,006,730.00
2024	1,006,730.00
2024	1,006,730.00
Thereafter	2,595,085.00
	$7,628,735.00

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, 2020 and 2019 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 $62,962 in 2020 and $64,380 in 2019.

These leases expired at December 31, 2020 and were not renewed.

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, 2020, the Commission had ten different lease agreements. Rental income from these leases was $458,113 and $441,462 in 2020 and 2019, respectively.

* Future minimum rentals on the leases are as follows:

Year	Amount
2021	$ 467,096
2022	442,001
2023	310,113
2024	279,303
2025	229,201

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, 2020 and 2019.

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 Fund provides that the Fund 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, 2020, 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 9, 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: <u>WATER ALLOCATION RIGHTS (CONT'D)</u>

<u>Bulk Water Sale</u>

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.

<u>Treatment of Water</u>

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: <u>SUBSEQUENT EVENTS</u>

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 FOUR YEARS

Total OPEB Liability	2020	2019	2018	2017
Service Cost	$ 382,718	$ 289,676	$ 289,676	$ 461,342
Interest Cost	205,536	243,915	897,301	376,358
Benefit Payments	(315,206)	(241,388)	(241,388)	(290,418)
Actuarial Assumption Changes	1,000,121	1,131,332	(594,565)	6,342,637
Difference Between Expected and Actual Experience	1,376,891			
Changes of Benefit Terms			(14,937,381)	
Actuarial Demographic Gains (Losses)			(2,401,252)	4,218,866
Net Change in Total OPEB Liability	2,650,060	1,423,535	(16,987,609)	11,108,785
Total OPEB Liability - Beginning of Year	7,714,132	6,290,597	23,278,206	12,169,421
Total OPEB Liability - End of Year	$ 10,364,192	$ 7,714,132	$ 6,290,597	$ 23,278,206
Covered Employee Payroll	$ 2,243,557	$ 2,169,407	$ 2,092,530	$ 1,993,786
Total OPEB Liability as a Percentage of Covered Employee Payroll	462%	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 EIGHT PLAN YEARS

	Measurement Date Ending June 30,							
	2020	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Proportion Of The Net Pension Liability	0.0303595350%	0.0293404344%	0.0282670679%	0.0283174574%	0.0276390081%	0.0268630286%	0.0264734132%	0.0246842789%
Proportionate Share of the Net Pension Liability	$ 4,950,846	$ 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)	$ 2,144,688	$ 2,097,256	$ 2,006,956	$ 1,938,344	$ 1,873,084	$ 1,850,720	$ 1,841,584	$ 1,763,112
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	230.84%	252.08%	277.32%	340.08%	437.03%	325.83%	269.15%	267.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

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 EIGHT YEARS

	Year Ended December 31,							
	2020	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Contractually Required Contribution	$ 332,118	$ 285,396	$ 281,166	$ 262,331	$ 245,541	$ 230,950	$ 218,243	$ 185,991
Contributions in Relation to the Contractually Required Contribution	(332,118)	(285,396)	(281,166)	(262,331)	(245,541)	(230,950)	(218,243)	(185,991)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll (Calendar Year)	$ 2,243,557	$ 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	14.80%	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.

Note 1: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Changes in Benefit Terms

For 2020 and 2019, none.

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

Changes in Assumptions

The Discount Rate changed at December 31th over the following years, 3.16% 2017, 3.64% 2018, 2.49% 2019 and 1.91% 2020.

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, 6.28% 2019 and 7.00% 2020.

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, 2019 and 2000.

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, 2020

Cash, Cash Equivalents and Investments, January 1		$ 11,559,725
Cash Receipts:		
Collection of Customer Accounts Receivable	$ 10,398,101	
Proceeds from Bond Anticipation Note	2,500,000	
Tower Rentals	458,113	
Other Operating Receipts	893,157	
Connection and Developers' Fees	500,675	
Customer Prepayments	89,260	
Investment Income	172,042	
		15,011,348
		26,571,073
Cash Disbursements:		
Current Year Cost of Operations	6,847,158	
Liquidation of Prior Year Accounts Payable and Accrued Liabilities	625,165	
Interest Payments on City of Camden Water Allocation	2,327	
Interest Payments on N.J.D.E.P. Loans	54,725	
Principal Payments on N.J.D.E.P. Loans	515,078	
Principal Payments on City of Camden Water Allocation	134,590	
Additions to Capital Assets	1,338,882	
		9,517,925
Cash, Cash Equivalents and Investments, December 31		$ 17,053,148

Analysis of Balance:	
Cash and Cash Equivalents	$ 7,894,771
Investments	9,158,377
	$ 17,053,148

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
NON-GAAP BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Adopted and Final Budget	Actual	Variance-- Favorable (Unfavorable)
Revenues:			
Operating Revenues:			
Metered Sales to General Public	$ 9,585,960	$ 9,652,865	$ 66,905
Private Fire Protection	1,184,626	1,158,657	(25,969)
Public Fire Protection	96,268	94,380	(1,888.00)
Shared Service Agreement	800,000	800,000	-
Late Charges	97,000	22,415	(74,585)
Tapping Fees	2,000	7,685	5,685
Miscellaneous Income	59,550	63,057	3,507
Total Operating Revenues	11,825,404	11,799,059	(26,345)
Non-Operating Revenues:			
Investment Income	60,000	151,133	91,133
Tower Rentals	458,113	458,113	
Connection and Developers' Fees	80,000	500,594	420,594
Total Revenues	12,423,517	12,908,899	485,382
Operating Expenses:			
Administration:			
Salaries and Wages	1,040,040	954,583	85,457
Fringe Benefits	738,460	652,103	86,357
Other Expenses:			
Notices & Advertising	11,000	10,162	838
Office Expense	101,000	95,815	5,185
Operating Fees - DEP	48,000	41,550	6,450
I.T. Expense	45,000	54,019	(9,019)
Uniform Rental	11,000	2,120	8,880
Training and Development	20,000	5,261	14,739
Consumer Confidence Report	3,000	3,368	(368)
Employee and Community Relations	28,000	13,812	14,188
Professional / Outside Services	108,800	122,223	(13,423)
Insurance	204,600	135,181	69,419
Tower Rental Revenue Expense	441,459	441,462	(3)
Bad Debt Expense (Net Reserve Reduction)	10,000	-	10,000
Other	40,000	22,833	17,167
Total Administration Other Expenses	1,071,859	947,806	124,053
Total Administration	$ 2,850,359	$ 2,554,492	$ 295,867

(continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
NON-GAAP BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Adopted and Final Budget	Actual	Variance-- Favorable (Unfavorable)
Cost of Providing Service:			
Salaries and Wages	$ 1,907,810	$ 1,689,988	$ 217,822
Fringe Benefits	1,307,366	1,154,479	152,887
Other Expenses:			
Chemicals and Supplies	109,000	96,051	12,949
CCMUA Charges	4,000	2,816	1,184
Electric & Gas Expense	780,000	685,650	94,350
Maintenance of Wells and Strippers	270,000	221,621	48,379
Utilities - Other	30,000	21,725	8,275
Maintenance on Mains and Services	422,800	443,273	(20,473)
Maintenance on Structures	159,400	330,762	(171,362)
Maintenance on Generators and Power Equipment	40,000	15,242	24,758
Maintenance on Control Panels	51,000	32,713	18,287
Maintenance on Pumping and Chemical Equipment	55,000	74,312	(19,312)
Purchase of Water	70,000	58,436	11,564
Lab Work	130,000	99,231	30,769
Meter Repair and Maintenance	14,000	6,627	7,373
Communications	40,000	38,324	1,676
Fuel & Gas	40,000	12,585	27,415
Safety Equipment	17,300	12,932	4,368
Vehicle Expense	62,900	62,962	(62)
Total Cost of Providing Service Other Expenses	2,295,400	2,215,262	80,138
Total Cost of Providing Service	5,510,576	5,059,729	450,847
Total Principal Payments on Debt in Lieu of Depreciation	646,061	649,668	(3,607)
Total Operating Expenses	9,006,996	8,263,889	743,107
Non-Operating Expenses:			
Interest Payments on Debt	73,959	69,562	4,397
Total Non-Operating Expenses	73,959	69,562	4,397
Total Operating and Non-Operating Expenses	9,080,955	8,333,451	747,504
Excess of Revenues over Operating and Non-Operating Expenses	$ 3,342,562	$ 4,575,448	$ 1,232,886

(continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
NON-GAAP BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Reconciliation of Excess Revenues over Expenses to Operating Income

Excess of Revenues Over Operating and Non-Operating Expenses	$ 4,575,448
Add:	
Principal Payments on Debt	649,668
Interest Payments on Debt	69,562
Deduct:	
PERS GASB 68 Accrual	
Other Post Employments Benefits Accrual Included in Employee Benefits	(1,279,778)
Investment Income	(151,133)
Tower Rentals	(458,113)
Connection and Developers' Fees	(500,594)
Depreciation and Amortization	(2,781,764)
Operating Income (Exhibit B)	$ 123,296

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

	Balance January 1, 2020	Savings Credits Adjustments	Paid	Savings Credits and Discounts Amortization	Balance December 31, 2020
2001 Infrastructure Trust Loan	$ 467,326		$ 234,373		$ 232,953
2003 Infrastructure Trust Loan	94,889		25,447		69,442
2007 Infrastructure Trust Loan	546,997		61,834		485,163
2010 Infrastructure Trust Loan	685,210		53,473		631,737
2014 Infrastructure Trust Loan	1,802,653		123,046		1,679,607
Unamortized Discount on Loans	60,116			$ 16,905	43,211
	$ 3,657,191	$ -	$ 498,173	$ 16,905	$ 3,142,113

	Balance January 1, 2020	Balance December 31, 2020
Analysis of Balance:		
Current	$ 495,575	$ 510,362
Long-Term	3,161,616	2,631,751
	$ 3,657,191	$ 3,142,113

Schedule 4

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF CUSTOMER ACCOUNTS RECEIVABLE

Balance January 1, 2020		$ 2,027,765
Increased by Customer Billings:		
Metered Sales Billings to General Public	$ 9,710,865	
Private Fire Protection	1,158,657	
Public Fire Protection	94,380	
Late Charges	22,415	
		10,986,317
		13,014,082
Decreased by:		
Collections	10,280,251	
Customer Prepayments Applied	89,260	
		10,369,511
Balance December 31, 2020		$ 2,514,571

Schedule 5

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

Balance January 1, 2020	$ 69,416
Interest Earned	151,133
	220,549
Interest Collected	172,042
Balance December 31, 2020	$ 48,507

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF CAPITAL ASSETS

Description	Balance January 1, 2020	Additions (Deletions)	Balance December 31, 2020
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	1,490,344	$ 154,535	1,644,879
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	681,808	51,328	733,136
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	488,592	87,650	576,242
Rehab National Highway Well 2	43,235	22,877	66,112
Browning Road Well 1	167,410	112,805	280,215
Tank Painting	5,791,960	1,495	5,793,455
Carbon Filter Project	1,935,606	720,974	2,656,580
CC TV Park	108,264	28,335	136,599
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	7,130,683	35,851	7,166,534
Water Main Replacement	5,599,647	290,374	5,890,021
Services	1,983,004		1,983,004
Meters	5,782,515	38,081	5,820,596
Hydrants	638,861	41,054	679,915
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	16,850	128,331
Excavation Equipment	211,397		211,397
Transportation Equipment	458,941		458,941
Tools Shop and Garage Equipment	88,294		88,294
Power Operated Equipment	159,114		159,114
Capitalized Interest	207,130		207,130
Total Capital Assets in Servic	$ 65,793,938	$ 1,602,209	$ 67,396,147

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF ACCRUED INTEREST PAYABLE

Balance January 1, 2020		$ 29,846
Accrued Interest:		
N.J.D.E.P. Loans	$ 67,235	
City of Camden Water Allocation	2,327	
		69,562
		99,408
Less Interest Paid:		
N.J.D.E.P. Loans	71,631	
City of Camden Water Allocation	2,327	
		73,958
Balance December 31, 2020		$ 25,450

Reconciliation of Interest Expense:	
Accrued Interest	$ 69,562
Amortization of Loan Discount	(16,905)
Interest on Debt	$ 52,657

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019	Increase (Decrease)
Revenues:			
Operating Revenues:			
Metered Sales to General Public	$ 9,652,865	$ 9,489,615	$ 163,250
Private Fire Protection	1,158,657	1,157,816	841
Public Fire Protection	94,380	94,380	-
Late Charges	22,415	94,001	(71,586)
Tapping Fees	7,685	10,899	(3,214)
Shared Service Agreement	800,000	800,000	-
Miscellaneous Income	63,057	131,935	(68,878)
Total Operating Revenues	11,799,059	11,778,646	20,413
Non-Operating Revenues:			
Investment Income	151,133	239,055	(87,922)
Tower Rentals	458,113	441,462	16,651
Connection and Developers' Fees	500,594	570,143	(69,549)
Total Revenues	12,908,899	13,029,306	(120,407)
Operating Expenses:			
Personal Services:			
Administrative Salaries	954,583	972,767	(18,184)
Seasonal Salaries	-	22,476	(22,476)
Water Treatment Salaries	309,434	418,886	(109,452)
Field Service Technicians	742,230	553,308	188,922
Repair and Maintenance Salaries	232,979	273,961	(40,982)
Service Salaries	123,870	121,796	2,074
Plant Operators Salaries	281,476	282,250	(774)
Total Personal Services	2,644,572	2,645,444	(872)
Employee Benefits:			
Health Benefits	1,008,822	821,562	187,260
Prescription	142,336	136,390	5,946
Social Security Tax	187,286	192,681	(5,395)
Dental, Vision and Other Employee Benefits	103,044	115,825	(12,781)
Unemployment and Disability	7,414	9,281	(1,867)
Workers' Compensation Insurance	60,823	62,036	(1,213)
Post Employment Benefits Obligation Other than Pension	1,279,778	1,082,841	196,937
Public Employees' Retirement System	296,856	412,597	(115,741)
Total Employee Benefits	$ 3,086,359	$ 2,833,213	$ 253,146

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019	Increase (Decrease)
Administrative Expenses:			
Notices & Advertising	$ 10,162	$ 10,081	$ 81
Office Expense	95,815	73,258	22,557
Operating Fees - DEP	41,550	48,374	(6,824)
I.T. Expense	54,019	74,936	(20,917)
Uniform Rental	2,120	7,506	(5,386)
Training and Development	5,261	12,448	(7,187)
Consumer Confidence Report	3,368	2,776	592
Employee and Community Relations	13,812	15,952	(2,140)
Professional / Outside Services	122,223	104,445	17,778
Insurance	135,181	127,891	7,290
Tower Rental Revenue Expense	441,462	428,810	12,652
Bad Debt Expense (Net Reserve Reduction)	-	12,014	(12,014)
Other	22,833	24,721	(1,888)
Total Administrative Expenses	947,806	943,212	4,594
Operating and Maintenance Expenses:			
Chemicals and Supplies	96,051	103,814	(7,763)
CCMUA Charges	2,816	2,816	-
Electric & Gas Expense	707,375	639,259	68,116
Maintenance of Wells and Treatment Equipment	221,621	267,641	(46,020)
Maintenance on Mains and Services	443,273	577,391	(134,118)
Maintenance on Structures	330,762	119,379	211,383
Maintenance on Generators and Power Equipment	15,242	7,739	7,503
Maintenance on Control Panels	32,713	24,897	7,816
Maintenance on Pumping and Chemical Equipment	74,312	61,896	12,416
Purchase of Water	58,436	59,550	(1,114)
Lab Work	99,231	118,308	(19,077)
Meter Repair and Maintenance	6,627	7,854	(1,227)
Communications	38,324	34,850	3,474
Fuel & Gas	12,585	27,368	(14,783)
Safety Equipment	12,932	16,361	(3,429)
Vehicle Expense	62,962	64,380	(1,418)
Total Operating and Maintenance Expenses	2,215,262	2,133,503	81,759
Depreciation and Amortization Expense	2,781,764	2,390,189	391,575
Total Operating Expenses	11,675,763	10,945,561	730,202
Other Expenses:			
Interest on Long-term Debt	52,657	66,491	(13,834)
Total Expenses	11,728,420	11,012,052	716,368
Change in Net Position	$ 1,180,479	$ 2,017,254	$ (836,775)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

PART II

SCHEDULE OF FINDINGS AND RECOMENDATIONS

FOR THE YEAR ENDED

DECEMBER 31, 2020

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts and grant agreements related to financial statements for which *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, requires.

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