

**CAPE MAY COUNTY
MUNICIPAL UTILITIES AUTHORITY
REPORT ON AUDIT OF
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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INTRODUCTORY SECTION

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Cape May County Municipal Utilities Authority

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Cape May Court House, NJ 08210
Telephone: (609) 465-9026 Telefax: (609) 465-9025
www.cmcmua.com email: admin@cmcmua.com

July 10, 2020

Chairman Betts and Authority Board Members:

Presented to you are the audited financial statements for the year ended December 31, 2019. There are separate financial statements for the Wastewater Management Program and Solid Waste Management Program, as has been done in prior years. The financial statements are presented separately for each program as supplemental information because the programs are separate and distinct for ratemaking, operating and public financing purposes.

Government Auditing Standards and State law require that the Cape May County Municipal Utilities Authority publish a complete set of financial statements presented in conformance with accounting principles generally accepted in the United States of America ("GAAP") and audited in accordance with auditing standards generally accepted in the United States of America. The financial statements for the year ended December 31, 2019, are presented as required.

In addition, and for the purposes of evaluating budget performance, staff has completed a *Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget*. This is more commonly referred to as the "Budget versus Actual" statements, and has been completed for both the Wastewater Management Program and Solid Waste Management Program.

The Management Discussion and Analysis ("MD&A") Report consists of management's representations concerning the finances of the Wastewater Management Program and Solid Waste Management Program. Management assumes full responsibility for the completeness and reliability of all the information presented in the MD&A.

Regarding the reliability of the statements presented, a reasonable internal control framework and procedures exist to protect the Cape May County Municipal Utilities Authority's assets from loss, theft or misuse. This internal control framework provides a basis that allows staff to compile sufficient and reliable information for the preparation of the Authority's financial statements in conformity with GAAP and for the audit by the Authority's independent auditor. Because the cost of internal controls should not outweigh their benefits, the internal controls cannot provide absolute assurance, but can provide reasonable assurance as to the credibility and accuracy of the financial statements.

Cape May County Municipal Utilities Authority

The staff of the Authority prepared the basic financial statements and the supplemental financial statements and schedules discussed above. Ford, Scott and Associates, L.L.C., a firm of licensed certified public accountants, has audited and opined on the Authority's financial statements. The goal of an independent audit is to provide reasonable assurance as to the validity of the financial statements. This involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing any estimates and calculations utilized, assessing supplemental information provided or gathered by the auditors, and assessing the overall financial statement presentation. The auditors have opined that the basic financial statements which were prepared in accordance with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America present fairly, in all material respects, the financial position of the Cape May County Municipal Utilities Authority at December 31, 2019.

Respectfully,

CAPE MAY COUNTY
MUNICIPAL UTILITIES AUTHORITY



Joseph V. Rizzuto
Executive Director

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY

ROSTER OF OFFICIALS

DECEMBER 31, 2019

<u>Name</u>	<u>Position</u>	<u>Amount of Surety Bond</u>
Authority Members:		
George W. Betts	Chairman	
Richard Rixey	Vice-Chairman	
William G. Burns, Jr.	Treasurer	\$200,000 (1)
Patricia A. Callinan	Corporate Secretary	
Carl H. Groon	Member	
Carol A. Heenan	Member	
Carol L. Saduk	Member	
Other Officials:		
Joseph V. Rizzuto	Executive Director	
Thomas J. LaRocco, P.E.	Chief Engineer/Deputy Director	
Joshua Palombo, MBA	Wastewater Program Manager	
John R. Conturo, P.E.	Solid Waste Program Manager	
Robert P. Donato, CPA	Chief Financial Officer	\$200,000 (2)

(1) Bond is with RLI Insurance Company.

(2) Bond is with the Western Surety Company.

All employees are covered by an "Employee Dishonesty Policy" to the limits of \$50,000 for the policy period and an "Excess Policy" for any excess over the \$50,000 with a limit of \$950,000. The policy is with New Jersey Utilities Authorities Joint Insurance Fund.

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FINANCIAL SECTION

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman and Members
of the Cape May County Municipal
Utilities Authority
Cape May Court House
New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Cape May County Municipal Utilities Authority (a component unit of the County of Cape May) in the County of Cape May, State of New Jersey, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Cape May County Municipal Utilities Authority (a component unit of the County of Cape May) in the County of Cape May, State of New Jersey, as of December 31, 2019 and 2018, and the respective changes in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cape May County Municipal Utility Authority's basic financial statements. The Introductory Section and the Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Introductory Section and the Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2020 on our consideration of the Cape May County Municipal Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

July 10, 2020

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REQUIRED SUPPLEMENTARY INFORMATION

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MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("MD&A") of the Cape May County Municipal Utilities Authority ("Authority" / "CMCMUA") provides an introduction to the major issues affecting the operations of the Authority's wastewater management program and solid waste management program. The MD&A also provides an introduction and overview to the financial performance and statements of the Authority for the fiscal years ended December 31, 2019, 2018 and 2017. The information contained in the MD&A should be considered in conjunction with the Authority's financial statements.

The Authority's basic financial statements comprise two components: 1) consolidating proprietary fund financial statements, and 2) notes to those financial statements which are essential to a full understanding of the data contained in the financial statements. The supplementary information following the basic financial statements and notes thereto contains detailed and separate information pertaining to the Authority's wastewater management and solid waste management programs.

Regarding supplementary information, of particular note, the Authority reports a *Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget* for both the Wastewater Management Program (Schedule 4) and Solid Waste Management Program (Schedule 6). These schedules compare the "actual" revenue and expenses to "budget" revenue and expenses, including operating revenues and expenses, and non-operating revenues and expenses. Principal and Interest are reported in these schedules as expenses, and depreciation is not reported as an expense. This is a departure from the Authority's basic financial statements, prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), where only the Interest Expense component of debt service is reported as an expense, and where depreciation is also reported as an expense.

The "Budget versus Actual" statement for each of the Authority's programs is a very important tool for staff, as it measures the Authority's actual financial and operational performance, and compares it to the Annual Budget as adopted by the Authority Board and approved by the State of New Jersey, Department of Community Affairs.

For the purpose of the MD&A, the ensuing discussion will review the financial statements of the CMCMUA, those prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to enterprise or proprietary funds of state and local governments. These are the Authority's basic financial statements discussed above.

Pronouncement

The Authority has adopted GASB No. 1 through 86 and related interpretations issued through December 31, 2019. GASB Statements and Interpretations require certain terminology, format and content, as well as inclusion of management's discussion and analysis supplementary information.

The MD&A will provide comparative analyses of key elements of the total enterprise funds.

Wastewater Management Program

The Cape May County Municipal Utilities Authority was created by the Board of Chosen Freeholders of the County of Cape May in August of 1972, pursuant to the Municipal and County Utilities Authority Law (N.J.S.A. 40:14B-1 et seq.) for, among other things, the purpose of providing "...relief of waters in, bordering or entering the district from pollution or threatened pollution, and the consequent improvement of conditions affecting the public health...". Pursuant to said designation, the CMCMUA has designed and placed into operation a comprehensive water pollution control system (the "System") which utilizes a multi-regional approach to address wastewater management within the Authority's jurisdictional area. The Authority established and adopted regional planning areas throughout the County. The regional planning areas delineated by the CMCMUA to receive wastewater treatment services are: the Ocean City Service Region, Cape May Service Region, Seven Mile Beach/Middle Service Region, and Wildwood/Lower Service Region. All major components of the Authority's four regional service areas were placed into operation between 1982 and 1988. Currently, the CMCMUA provides wastewater conveyance, treatment and disposal services for all or a portion of, 13 of the 16 municipalities within Cape May County (the "Participants").

Each service region, as constructed by the CMCMUA, provides a regional conveyance system/network into which the local sewage collection systems of the participating municipalities connect. Each CMCMUA regional system, in turn, conveys, treats and disposes of the wastewater generated by the Participants which are located within such service region. Wastewater sludge which is generated by each of the Authority's wastewater treatment facilities is treated at the CMCMUA's centralized sludge composting facility. Following treatment, effluent from the Authority's four regional wastewater treatment facilities, along with wastewater from the Lower Township Municipal Utilities Authority's wastewater treatment facility, is discharged into the Atlantic Ocean through three Authority-owned ocean outfalls. Each ocean outfall is approximately one mile in length.

The approximate initial cost of the CMCMUA's Wastewater Management System was \$384,000,000. Federal and State grant participation in the planning, design and construction of the system was \$183,391,738.

The buildings and main infrastructure of the Authority's wastewater treatment and conveyance facilities have been designed to handle, or are capable of being expanded to handle, the peak seasonal flow at full build out within the sewer service area (i.e., summer flow) which was projected to occur in the Year 2020. However, the process equipment and tanks were sized to handle a lower peak seasonal flow. At some point in the future, additional modular tanks and process equipment will be added to the existing facilities if the wastewater flows significantly increase. Based on current wastewater flows received by the System, the CMCMUA does not anticipate the need for any significant capital expenditures to further increase the capacity of the System within the foreseeable future.

Since much of the assets at the Regional Wastewater Treatment Facility's now exceed 25 years of age and are at or near the end of their useful life, a great deal of labor and expenditures are required to maintain and rehabilitate and or replace the equipment in order to achieve reliable treatment levels. Several major construction projects were completed in 2019. They include the replacement of electrical emergency generator and switchgear at the Cape May Region Wastewater Treatment Facility, the replacement of the aeration system at the Seven Mile Beach/Middle Region Wastewater Treatment Facility, the replacement of the emergency generators at the Ocean City Region Wastewater Treatment Facility, the replacement of belt filter presses with rotary presses at the Ocean City Region and Wildwood/Lower Region Wastewater Treatment Facilities. Other projects made significant progress toward completion. They include the replacement of belt filter presses with rotary presses at the Seven Mile Beach/Middle Region Wastewater Treatment Facility, the rehabilitation of wet wells at various regional pumping stations, the replacement of the Gaseous Chlorine Disinfection System with Sodium Hypochlorite at the Wildwood/Lower Region Wastewater Treatment Facility, the rehabilitation of the Authority Wide Supervisory Control and Data Acquisition ("SCADA") system, and the replacement of a 20" Force Main on Bay Avenue in Ocean City. The Authority also kicked off projects to rehabilitate the Odor Control Systems at the Ocean City Region, Seven Mile Beach/Middle Region, and Wildwood/Lower Region Wastewater Treatment Facilities and to replace the mechanical bar screens at the Seven Mile Beach/Middle Region, and Wildwood/Lower Region Wastewater Treatment Facilities. Many of these projects are performed with the use of in-house engineering and skilled labor representing a significant savings to the Authority.

In 2019, the Authority continued to operate its former Sludge Composting Facility as a "Sludge Transfer Facility". Dewatered sludge generated by the four (4) Regional Wastewater Treatment Facilities is transported from the "Sludge Transfer Facility" to the Atlantic County Utilities Authority ("ACUA") as the primary means for disposal. Due to the Authority's sludge production exceeding the ACUA's operational capacity during certain points in the year, the Authority holds a contract with a third party hauling and disposal contractor as its secondary option. In 2017, the Authority, along with its consultant, completed a Long-Term Comprehensive Biosolids Management Plan ("Plan"). The Plan outlines a short term sludge disposal solution and four viable long term solutions. The Plan identified the Authority's current sludge management operation as the most viable short term solution. While the Authority considers all four (4) long term solutions as feasible, the current management operation continues to be the most viable.

The need to maintain, rehabilitate and/or replace aging assets, the requirement to fund pension contributions at a higher level, and increases in health insurance costs and permit fees will cause the Authority to continue with modest annual increases to its Participants. By way of an annual Resolution, the Authority adopts a twenty (20) year capital improvement plan which provides for considerable advance project identification, planning, evaluation, scope definition, design, cost estimating and financial planning. This plan allows for continued investment in existing assets combined with strategic investments in new assets, which is essential to the

Authority's mission. A large portion of the Authority's original bonds matured in 2015 giving the Authority the financial flexibility to keep participant increases at or below 2% annually for the foreseeable future while funding the necessary projects to assure a sustainable operation into the future.

Solid Waste Management Program

The Cape May County Municipal Utilities Authority was designated by the Board of Chosen Freeholders of the County of Cape May as the implementing agency for solid waste management in the County pursuant to the provisions of the New Jersey Solid Waste Management Act (N.J.S.A. 13:1E-1 et. seq.), as amended and supplemented (the "Act").

As an initial step in meeting its responsibilities under the Act, in September 1979, the Authority completed a County Solid Waste Management Plan (the "Plan"). The Plan was subsequently adopted by the Cape May County Board of Chosen Freeholders and on February 5, 1981, the New Jersey Department of Environmental Protection ("NJDEP") issued a "Certificate of Approval for the Cape May County Solid Waste Management Plan". In order to enable the County to meet its long-term solid waste disposal requirements, consistent with the NJDEP certified Plan, the Authority constructed a new sanitary landfill to replace the existing unlined disposal facilities in the County. The CMCMUA also developed a county-wide source separation and recycling program (the "County Recycling Plan"), which was initially adopted by the County as a component of the Plan on December 8, 1987.

The Cape May County Solid Waste Management Plan has been amended and modified from time-to-time since its adoption, including an Amendment adopted by the County on February 13, 2007 which, among other things, reaffirmed a disposal strategy requiring that all solid waste generated within the County, which is not disposed of at an out-of-State facility, be disposed of at the Authority's Sanitary Landfill. This provision provides greater stability to the County's Solid Waste Management Program. This Plan Amendment was approved by the NJDEP on July 25, 2007.

The CMCMUA currently has disposal contracts with all sixteen municipalities located within Cape May County. These contracts require that all solid waste collected and/or otherwise under the control of each municipality be delivered to the Authority's Sanitary Landfill for disposal. These Shared Services Agreements were renewed for one year and will expire on December 31, 2020.

The County Recycling Plan, which has also been amended from time-to-time with the approval of the NJDEP, currently mandates the recycling of more than 40 different materials and recommends the recycling of 8 additional materials. A prohibition on the disposal of designated recyclables at the Authority's Sanitary Landfill, as well as an extensive educational program, substantially contributes to the overall recycling success achieved in the County. In 2013, the plan was amended to convert the recycling program from a dual stream process to a single stream process.

Major Components of the CMCMUA Solid Waste Management Program include the following:

1. The Sanitary Landfill has been in operation since 1984 and is located on a 457 acre site on the Woodbine Borough – Upper Township border is the only active landfill in Cape May County.
2. A solid waste Transfer Station, located in Middle Township, began operating in 1984 and provides solid waste haulers and municipalities in the southern portion of the County with an alternative to the delivery of solid waste and source separated recyclables directly to the Authority's Sanitary Landfill;
3. An Intermediate Processing Facility, located at the Sanitary Landfill, receives, sorts, processes and markets various categories of recyclables that are collected at curbside by the municipalities;
4. A Class "B" Recycling Facility which receives and processes source separated wood pallets, tree stumps and branches into recyclable components to be marketed;

5. A Class “C” Exempt Facility which receives and composts source separated leaves and grass. Following composting, the material is marketed as an organic soil amendment;
6. A Landfill Gas Recovery System which recovers the gas generated by the decomposition of solid waste in the Authority’s Sanitary Landfill. Initially constructed in 1996 as part of an emission control system, the Authority expanded the system in 1998 to collect and refine the landfill gas into a marketable product which fueled the boilers at the Woodbine Developmental Center (“WDC”), a state-run facility owned by the New Jersey Department of Human Services (“NJ DHS”) through 2009. After the NJ DHS replaced their boilers, the sale of gas to WDC resumed in October 2011; and,
7. The Authority completed the implementation of a second electrical generation project towards the end of 2013 that converts energy from excess landfill gas into electricity. An average of 2.0 megawatts of electricity are produced hourly and sold through PJM, a regional transmission organization that coordinates the movement of wholesale electricity in all or part of 13 states and the District of Columbia, for use on the PJM electric grid. Sales of electricity through generation, capacitance, and Renewable Energy Certificates (“RECs”) are expected to generate revenues in excess of \$400,000 per year.

Tipping Fees for the two (2) waste types, Municipal Solid Waste and Construction and Demolition Waste, which constitutes over ninety percent (90%) of the total tons received for disposal at the Sanitary Landfill over the last eight (8) years are shown below:

Tipping Fee (\$/Ton)								
<u>Waste Type</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Municipal Solid Waste	\$65.95	\$67.25	\$68.50	\$69.75	\$71.00	\$72.42	\$73.86	\$75.34
Construction and Demolition	\$71.00	\$71.00	\$71.00	\$72.00	\$73.25	\$76.00	\$78.85	\$81.81

There was a 2.0% increase to the user fee rate in 2019 for Municipal Solid Waste and a 3.75% user fee rate increase for Construction and Demolition Waste. Cape May County maintained one of the lowest tipping fees in New Jersey, which was well below average pricing throughout the State.

The Authority previously received formal approval of all necessary applications for a 74 acre lateral expansion of the Sanitary Landfill. These approvals for the Sanitary Landfill expansion will ensure that Cape May County residents and businesses have a safe, affordable, local disposal location for their solid waste for the next 100-plus years. In 2014, design was completed for the first cell of this expansion, Cell 2G.

In 2014, the Authority solicited bids and awarded a contract to C. Abbonizio Contractors, Inc. in the amount of \$4,513,455 for construction of Cell 2G Phase 1. Included in the Phase 1 contract was the relocation of existing leachate collection manholes and pump stations from the Cell 1A disposal area, installation of a new leachate management system including pump stations, meter chambers, and a Cell 2G forcemain with associated electrical service and controls. C. Abbonizio Contractors, Inc. commenced construction in May 2015 and completed the contract work in December 2015. Authority employees completed the following portion of the Phase 1 construction: constructed a new Cell 2G perimeter access road, installed seven (7) valve vaults and the forcemain between Cell 2G and the leachate storage tanks, installed a concrete box culvert to handle future storm water from the Cell 2G area. In 2016, Authority employees continued with construction activities in Cell 2G with the commissioning of the valve vaults and pump stations and the installation of five (5) sets of primary and secondary leachate collection laterals beneath the future perimeter berm of Cell 2G. In 2017, Authority employees placed and compacted structural fill to begin construction of the east perimeter berm of Cell 2G.

In 2017, the Authority procured the services of an engineering firm to assist the Authority in the development of a detailed Sequencing Fill Plan. The Sequencing Fill Plan depicts grades and elevations of future areas of refuse placement on the existing footprint of the constructed Sanitary Landfill. Additionally, the Sequencing Fill

Plan provides locations of side slopes, access roads, plateau grades and elevations, maximizing the use of available air space of the constructed Sanitary Landfill up to elevation 180± feet. The Authority also purchased and installed a Global Positioning Satellite (“GPS”) System in one of the Authority’s solid waste compactors used on the working face of the Sanitary Landfill. The downloading of the Sequencing Fill Plan model into the GPS System allows the operator of the solid waste compactor to monitor the compaction effort in real time, as well as provides grade control so the placement of the refuse follows the contours and elevations developed in the Sequencing Fill Plan. By maximizing the use of the available air space on the existing footprint of the Sanitary Landfill to elevation 180± feet, construction of the final segment of Cell 2G Phase 1 area is anticipated not to be necessary for another 9+ years.

In 2019, the Authority solicited bids and awarded a contract to C. Abbonizio Contractors, Inc. in the amount of \$2,209,000.00 for the installation of a 17 acre temporary geosynthetic cap. The temporary cap covered the east and south slopes of Cell 1F with a 40 mil HDPE textured geomembrane and a 20 mil scrim reinforced polyethylene film on the plateau area of Cell 1F at elevation 180± feet. The temporary cap was installed over the Phase I and Phase II Area as depicted in the Sequencing Fill Plan described above. The 40 mil geomembrane was overlain with a plastic mesh product (Wind Defender) which prevents the geomembrane from lifting during high winds. The 20 mil film layer was weighted with sandbags. The temporary cap was installed to prevent the escape of fugitive methane gas from the landfill, minimizing odors, and will also reduce the infiltration of storm water into the landfill, minimizing leachate production.

Authority employees continued to expand the landfill gas extraction system by installing slotted High Density Polyethylene (“HDPE”) “bioreactor” pipe lines horizontally in the refuse of Cell 1F. Trenching activities for each pipe line began on the south edge of Cell 1F and continued northward across Cell 1F. The perforated HDPE pipe was installed in a trench and partially backfilled with a stone bed prior to final backfill of the trench with refuse and cover soil. The perforated HDPE pipe lines were then connected to the landfill vacuum system to draw landfill gas from the waste mass of Cell 1F. These perforated HDPE pipe lines will later be connected to a leachate force main which will enable the facility to inject collected leachate back into the waste mass to increase the rate of decomposition of the refuse.

In 2018, the Authority solicited bids and awarded a contract to Atlantic Lining Co., Inc. in the amount of \$897,919.50 for the installation of an additional 13 vertical landfill gas extraction wells and the installation of additional gas header piping to expand the existing gas management system. Construction activities were conducted in 2019 and included the installation of the gas extraction wells and the installation of air actuated well pumps in each gas extraction well to remove leachate and gas condensate. The project also required the installation of a compressor station which supplied compressed air to each well for the purpose of providing power to the pumps. In addition an HDPE Settling Tank was installed directly adjacent to the main Condensate Pump Station to assist with the removal of solids from the collected condensate.

In 2019, the Authority continued to install a single mode fiber communication line around the perimeter of the Sanitary Landfill facility. This fiber line will later become part of a Supervisory Control and Data Acquisition (“SCADA”) System which is planned to be installed in 2020/2021. The SCADA System will allow the interconnection of the Leachate Pump Stations, Leachate Storage Tanks, Truck Fueling Station, Sanitary Landfill, Administration Building, Scalehouse, and Electrical Generation Building and will provide the transfer, monitoring and record of system generated information.

The Authority continues to operate and maintain three (3) Jenbacher JMS 320 Electrical Generating Engines at the Sanitary Landfill. The Authority, working with the Atlantic City Electric, was able to relocate the Point of Interconnection (“POI”) which enables the Authority to utilize electricity generated from the Generating Engines to provide all electrical needs throughout the Sanitary Landfill. All excess electricity not needed by the Sanitary Landfill is sold to the PJM electric grid. In 2019, more than 7,820 Megawatts were sold to the PJM electric grid providing an income of more than \$335,000 including capacity payments and sales of Renewable Energy Certificates (“REC’s”).

The Authority’s recycling center, the Intermediate Processing Facility (“IPF”), was initially operated as a dual stream facility (separate lines for paper and containers). In response to a survey completed by all of the County’s municipalities, the Authority made the decision to modify the facility to a single stream recycling

process. Construction and erection of the new processing equipment at the IPF was completed in late March 2013. In 2019, the IPF processed a total of 27,700 tons of recyclables.

Financial Highlights

- User charges billed for wastewater treatment provided to the Authority's Participants were \$35,109,547 for 2019, consistent with the *CMCMUA User Charge System Rate Setting Report, 2019*. User charges for 2019 reflected a 2.00% increase over the 2018 adopted rate.
- Income from Solid Waste Tipping Fees was \$14,693,853 for 2019 as compared to \$13,994,051 for 2018. This increase in tipping fee revenue is the result of increases in Construction and Demolition Waste and Dry Industrial Waste being delivered to the Sanitary Landfill for disposal, as well as an increase in the tipping fee rates over 2018.
- Effective with the December 31, 2018, financial statements, the Authority implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. For these other postemployment benefits ("OPEB"), GASB 75 requires measurement, recognition, and financial reporting using an actuarial cost method to determine the annual required contribution of the employer, as well as presentation of funded status and funding progress information. As discussed in notes 19 and 20 of the *Notes to Basic Financial Statements*, the Authority offers postemployment healthcare to its qualifying retirees. The total net OPEB obligation at December 31, 2019, is \$36,493,019.
- On February 22, 2010, the Authority issued a \$230,280 Sewer Revenue Trust/Fund Loan, Series 2010-A, pursuant to the Authority's Junior Lien Bond Resolution, adopted on July 15, 2009. This 20-year financing, obtained through the 2010 New Jersey Environmental Infrastructure Trust Financing Program, provided funds for rehabilitation of a force main in the Wildwood/Lower Service Region. Of the total amount of the financing, \$171,000 is at zero percent (0%) interest, requiring repayment of principal only. The remaining \$59,280 financing amount bears annual interest rates of 0.61% to 4.18% over the life of the loan.
- On December 2, 2010, the Authority issued an \$856,000 Sewer Revenue Trust/Fund Loan, Series 2010-B, pursuant to the Authority's Junior Lien Bond Resolution, adopted on July 15, 2009. This 20-year financing, obtained through the 2010 New Jersey Environmental Infrastructure Trust Financing ("NJEIT") Program, provides funds for clarifier rebuilds, variable frequency drives, rotating biological contactor gear boxes, and various roof repairs, throughout and among the Authority's regional wastewater treatment facilities. Of the total amount of the financing, \$218,000 was granted principal forgiveness by the NJEIT, thus requiring no repayment. Another \$218,000 was provided at zero percent (0%) interest. The final \$420,000 financing amount of the trust/fund loan bears annual interest of 5% over the life of the loan.
- On December 2, 2010, the Authority issued an \$8,506,537 Sewer Revenue Trust/Fund Loan, Series 2010-C, pursuant to the Authority's Junior Lien Bond Resolution, adopted on July 15, 2009. This 20-year financing, obtained through the 2010 New Jersey Environmental Infrastructure Trust Financing ("NJEIT") Program, provides funds for sludge trucks and screw assemblies for the Authority's Sludge Composting Facility, and various mechanical drives, variable frequency drives, and bar screens/grinders at various pump stations throughout the wastewater treatment service regions. The financing also provides funds for the repair and replacement of 17,000 feet of existing 24" diameter force mains. Of the total amount of the financing, \$4,236,537 was provided at zero percent (0%) interest. The remaining \$4,270,000 financing amount of the trust/fund loan bears annual interest of 5% over the life of the loan.
- On October 13, 2011, the Authority issued \$13,015,000 Sewer Revenue Refunding Bonds, Series 2011 (the "2011 Refunding Bonds"), pursuant to the Sewer General and Supplemental Bond Resolutions, in order to refund and defease all of the Authority's outstanding \$14,210,000 Sewer Revenue Refunding Bonds, Series 2002-C. The refunding allowed the Authority to benefit from lower interest rates, which for the 2011 Refunding Bonds range from yield rates of 2.08% to 3.08% over the life of the bonds. The

refunding resulted in a net present value savings of \$2,032,463, or 14.30%. The 2011 Refunding Bonds will reach final maturity on January 2, 2021, the same date the Series 2002-C bonds would have reached final maturity.

- On May 3, 2012, the Authority issued a \$1,722,516 Sewer Revenue Trust/Fund Loan, Series 2012-A and Series 2012-B, pursuant to the Authority's Junior Lien Bond Resolution, adopted on July 15, 2009. This 20-year financing, obtained through the 2012 New Jersey Environmental Infrastructure Trust Financing ("NJEIT") Program, provides funds for emergency generators, gate valves, submersible pumps, variable frequency drives, asphalt rehabilitation, a forklift and front-end loader, and roof replacements, for and throughout the wastewater treatment service regions. Of the total amount of the financing, \$195,148 is not required to be repaid (principal forgiveness by NJEIT) and \$972,368 was provided at zero percent (0%) interest. The remaining \$555,000 financing amount of the trust/fund loan bears an average annual interest rate of 4.18% over the life of the loan.
- On May 3, 2012, the Authority issued a \$5,206,467 Solid Waste Revenue Trust/Fund Loan, Series 2012-C, pursuant to the Authority's General Bond Resolution, adopted on September 21, 2011. This 20-year financing, obtained through the 2012 New Jersey Environmental Infrastructure Trust Financing ("NJEIT") Program, provides funds for this phase of a multi-phase project for the construction of a double composite lined Landfill Cell 2G, covering approximately 19 acres, with the construction of associated access roads, stormwater drainage and leachate management systems. This first phase includes the reconfiguration of drainage system from a two (2) sedimentation basin system to a one (1) sedimentation basin system, and the subsequent filling of the abandoned basin as the base for new Cell 2G. Of the total amount of the financing, \$3,966,467 was provided at zero percent (0%) interest. The remaining \$1,240,000 financing amount of the trust/fund loan bears an average annual interest rate of 4.18% over the life of the loan.
- On November 24, 2015, the Authority issued \$5,403,580 Solid Waste Revenue Trust/Fund Loan, Series 2015-A, pursuant to the Authority's General Bond Resolution, adopted on September 21, 2011. This 20-year financing, obtained through the 2015 New Jersey Environmental Infrastructure Trust Financing ("NJEIT") Program, provides funds for the next phase of a multi-phase project for the construction of a double composite lined Landfill Cell 2G, covering approximately 19 acres, with the construction of associated access roads, storm water drainage and leachate management systems. This phase includes the removal of the overburden from the initial phase of the project down to the new Cell 2G base grades, which will facilitate the remaining work necessary for cell construction. Of the total amount of the financing, \$4,073,580 was provided at zero percent (0%) interest. The remaining \$1,330,000 financing amount of the trust/fund loan bears an average annual interest rate of 4.025% over the life of the loan.
- On May 26, 2016, the Authority issued a \$3,149,503 Sewer Revenue Trust/Fund Loan, Series 2016-A, pursuant to the Authority's Junior Lien Bond Resolution, adopted on July 15, 2009. This 20-year financing, obtained through the 2016 New Jersey Environmental Infrastructure Trust Financing ("NJEIT") Program, provides funds for modification to existing piping of various wastewater pumping stations throughout the Authority's four (4) wastewater service regions to allow the bypassing of wastewater flows around each station's wet well for maintenance, repair and emergency purposes. Of the total amount of the financing, \$2,389,503 was provided at zero percent (0%) interest. The remaining \$760,000 financing amount of the trust/fund loan bears an average annual interest rate of 3.15% over the life of the loan.

Required Financial Statements

The Financial Statements are intended to report information about the Authority using accounting methods similar to those used by private sector companies, consistent with New Jersey statutes. Specifically, the financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by GASB. Accordingly, the Authority recognizes revenues when earned, not received. Expenses are recognized when incurred, not when they are paid.

The *Statement of Net Position*, the first required statement, and the *Statement of Revenues, Expenses and Changes in Net Position*, the second required statement, report information about the Authority's financial condition. The Authority's Net Position, i.e., the difference between assets and liabilities, are a measure of financial health or financial position. Over time, increases or decreases in the Authority's Net Position are one indicator of whether its financial health is improving or deteriorating. Net Position increase both when revenues exceed expenses and when the Authority's assets increase without a corresponding increase to the Authority's liabilities. It is important to point out depreciation is shown as an expense which has a negative impact on Net Position. Depreciation decreases the Authority's Net Position even though it is a non-cash expense.

The third and final required financial statement, the *Statement of Cash Flows*, provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital financing activities. It also provides information regarding sources of cash, uses of cash, and the changes in the cash balance during the reporting period.

Financial Analysis

Table 1
Combined Condensed Statement of Net Position
December 31, 2019, 2018 and 2017

	December 31, 2019				December 31, 2018	December 31, 2017
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	
Current Assets	\$ 12,042,259	8,513,749			20,556,008	17,257,473
Restricted Assets	35,630,162	20,252,729			55,882,891	59,235,866
Capital Assets, net	89,772,587	41,809,793			131,582,380	117,233,786
Deferred Outflow of Resources	108,347		1,284,232	4,856,088	6,248,667	7,237,208
Total Assets and Deferred Outflow of Resources	137,553,355	70,576,271	1,284,232	4,856,088	214,269,946	200,964,333
Current Unrestricted Liabilities	658,569	1,989,649			2,648,218	2,562,977
Current Restricted Liabilities	7,053,270	1,157,852			8,211,122	6,764,408
Long Term Obligations Outstanding	12,632,762	7,501,938	36,493,019	27,250,955	83,878,674	94,315,795
Deferred Inflow of Resources	-	-	21,742,605	11,405,421	33,148,026	29,111,620
Total Liabilities and Deferred Inflow of Resources	20,344,601	10,649,439	58,235,624	38,656,376	127,886,040	132,754,800
Net Position:						
Investment in Capital Assets	73,907,138	33,765,254			107,672,392	89,119,966
Restricted	43,290,805	12,002,391			55,293,196	56,945,423
Unreserved, Board Designated	10,811	8,868,464			8,879,275	9,243,690
Unreserved, Unrestricted		5,290,723	(56,951,392)	(33,800,288)	(85,460,957)	(87,099,546)
Total Net Position	117,208,754	59,926,832	(56,951,392)	(33,800,288)	86,383,906	68,209,533
Total Liabilities, Deferred Inflow of Resources and Net Position	\$ 137,553,355	70,576,271	1,284,232	4,856,088	214,269,946	200,964,333

Analysis of Net Position (Table 1)

The Authority's assets exceeded its liabilities (*Net Position*) at the end of December 31, 2019, by approximately \$86.3 million. There is a deficit in Unreserved, Unrestricted Net Position of \$85.4 million which includes \$56.9 million for the net OPEB adjustment and \$33.8 million for the net Pension adjustment. The restricted Net Position amount of \$55.3 million includes approximately \$6.2 million restricted for debt service, \$6.7 million restricted for future landfill closure expenses, \$32.3 million restricted for equipment replacements and other renewal and replacements, \$5.0 million in restricted operations and maintenance reserves, \$3.9 million restricted for capital projects and \$1.0 million restricted for building and sites. The unreserved, board designated Net Position amount of \$8.9 million consists primarily of rate stabilization and insurance board-designated Net Positions.

Table 2
Combined Condensed Statement of Revenues, Expenses, and Changes in Net Position
December 31, 2019, 2018 and 2017

	December 31, 2019					
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	December 31, 2018
						December 31, 2017
Operating Revenues:						
User Service Agreements	\$ 35,109,547	14,693,853	-	-	49,803,400	48,421,679
Septage/Leachate Disposal	890,122				890,122	1,012,704
Dry Sludge Processing	263,435				263,435	190,792
Landfill Cover Fees		445,314			445,314	266,287
Methane Gas Sales		103,761			103,761	139,601
Wood Product Sales		506,975			506,975	418,141
Sale of Scrap Metal		20,939			20,939	31,660
Environmental Credits		167,066			167,066	188,341
Electricity Generation		269,771			269,771	388,206
Operating Grants	171,839	204,414			376,253	148,220
Other	121,972	594,141			716,113	980,971
Total Operating Revenues	<u>36,556,915</u>	<u>17,006,234</u>	<u>-</u>	<u>-</u>	<u>53,563,149</u>	<u>52,186,602</u>
Operating Expenses:						
Personnel	9,293,404	5,284,822		(63,830)	14,514,396	14,340,661
Other Postemployment Benefits			(1,063,867)		(1,063,867)	480,437
Administrative	1,785,153	1,557,532			3,342,685	3,576,760
Operations and Maintenance	5,233,919	4,900,110			10,134,029	11,320,500
Enforcement and Compliance		-			-	135
Depreciation	4,750,277	2,389,739			7,140,016	7,014,302
Construction Fund Expenses	2,074,328	519,846			2,594,174	2,919,930
Total Operating Expenses	<u>23,137,081</u>	<u>14,652,049</u>	<u>(1,063,867)</u>	<u>(63,830)</u>	<u>36,661,433</u>	<u>39,652,725</u>
Operating Income	<u>13,419,834</u>	<u>2,354,185</u>	<u>1,063,867</u>	<u>63,830</u>	<u>16,901,716</u>	<u>12,533,877</u>
Nonoperating Revenue (Expense):						
Interest Income	920,580	586,307			1,506,887	1,013,476
Interest Expense	(448,114)	(83,368)			(531,482)	(704,208)
Cost of Issuance					-	-
Project fund credits - NJEIT	301				301	16,615
Amortization of Bond Premium	286,253	10,698			296,951	282,920
Loss on Disposal of Fixed Assets					-	(2,209)
Cumulative Chg in Accounting Prin.			-		-	(457,337)
Total Nonoperating Revenue (Expense)	<u>759,020</u>	<u>513,637</u>	<u>-</u>	<u>-</u>	<u>1,272,657</u>	<u>149,257</u>
Change in Net Position	<u>14,178,854</u>	<u>2,867,822</u>	<u>1,063,867</u>	<u>63,830</u>	<u>18,174,373</u>	<u>12,683,134</u>
Net Position - Beginning of Year	<u>103,029,900</u>	<u>57,059,010</u>	<u>(58,015,259)</u>	<u>(33,864,118)</u>	<u>68,209,533</u>	<u>55,526,399</u>
Total Net Position, End of Year	<u>\$ 117,208,754</u>	<u>59,926,832</u>	<u>(56,951,392)</u>	<u>(33,800,288)</u>	<u>86,383,906</u>	<u>55,526,399</u>

Analysis of Changes in Net Position (Table 2)

The Authority's financial performance remained strong in 2019, with Net Position of \$86.3 million, increasing from \$68.2 million in 2018. Operating income was \$16.9 million, an increase of \$2.8 million from 2018. This increase was primarily due to an increase in solid waste disposal revenue due to increase in tonnages being delivered for disposal and additional revenue from the processing of dry sludge, additional revenue from receiving higher tons of landfill cover material and additional revenue from increased sales of recycled wood products.

Also, interest income was \$1.0 million, an increase of \$565,000 from 2018; this was due to an increase in interest rates from 2018.

Operating and Nonoperating Revenue

Wastewater Management Program

The Authority's Wastewater Management Program employs a rate-setting plan whereby the sum of all charges to its Participants are to be sufficient to pay for operational expenses, repair and maintenance costs of the entire system, including extensions and alterations of the system, principal and interest on outstanding debt, and for any deficits created by nonpayment from any user. The Authority considers all these expenses and contingencies when setting an annual rate, while also considering offsetting revenues including interest income, septage disposal fees, and processing of outside sludge. This annual rate-setting process culminates in a public hearing where the following year's proposed rates are presented and discussed, and comments from the public are heard. Following this public hearing, and after consideration of any comments received, the Authority's governing body adopts the proposed rates for the following year.

Consistent with prior years, the Authority's Wastewater Management Program operated successfully under the rates set in the beginning of 2019.

Solid Waste Management Program

Pursuant to the Cape May County Solid Waste Management Plan, all non-recycled solid waste generated within Cape May County is to be disposed of at the Authority's Sanitary Landfill or transported out-of-state for disposal at a properly permitted solid waste facility. This plan, as approved by the New Jersey Department of Environmental Protection, is consistent with recent Federal and State court decisions.

The Authority strives to maintain a series of tipping fees for various waste classification types consistent with market conditions in and around the southern New Jersey area, and beyond. The Authority's goal is to provide solid waste disposal opportunities to both its constituent municipalities and the private sector at large which are fair and reasonable in cost, yet provide the greatest protection to the environment as possible. Similar to its Wastewater Management Program, the Authority annually develops a series of tipping fees by waste type, being mindful of its annual debt service requirements, as well as its obligations within the framework of its Shared Service Agreements with Cape May County municipalities. The Authority holds a public hearing on the proposed tipping fees, after which the Authority Board formally adopts the final tipping fees for the coming year.

For 2019, the Authority's Solid Waste Management Program experienced higher than anticipated tonnages of Type 10 - Municipal Waste, Type 13 - Dry Bulky Waste, Type 13C - Construction and Demolition Waste, Type 23 - Vegetative Waste and Type 27 - Dry Industrial Waste. Tonnages in excess of the budgeted amount for these five (5) waste types totaled 35,981 tons. Lower than expected tonnages were experienced for Type 25 - Animal and Food Processing Waste and Type 27A - Asbestos Waste. Total tonnages for these two (2) types of wastes were 56 tons below the budgeted amounts.

Recycled material processed through the Intermediate Processing Facility ("IPF") in 2019 was 2,800 tons below the budgeted amount of 30,500 tons. Overall commodity prices for processed material in 2019 have decreased substantially as compared to 2018 commodity prices. The Average Commodity Revenue (ACR) was \$9.75/ton in 2018 and \$1.40/ton in 2019. This drastic reduction was caused by continued changes in available end markets for the processed materials. The Authority continued to reinvest in the IPF by replacing the Dock Leveler on the rear loading dock, removed a dock odor that was no longer needed for access and enclosed the opening with building siding, replaced the Hardox Plate on the Fiber Bailer, and repaired a Floor Hinge and a portion of the Fire Sprinkler Line.

Total volume of Class B/C products sold increased in 2019 by 5,970 cubic yards when compared to the total volume sold in 2018. Commodity prices set by the Authority for the various products decreased by an overall average of \$1.31 per cubic yard. However, the increase in the total volume sold yielded an increase in sales of \$18,333 in 2019 when compared to total sales in 2018, despite the lower average price per cubic yard.

Net Position in the Solid Waste Management Program increased by \$2,867,822 from 2018.

Authority-Wide Expenses

Operating expenses, exclusive of depreciation expense, the net OPEB adjustment and net pension adjustment, decreased by approximately \$1.2 million compared to 2018.

- Noteworthy changes from 2019 includes: decreases in electricity costs, inter-region sludge transportation, and a reduction in equipment repair, maintenance and replacement costs due to continued implementation of capital improvement plans, replacing equipment and infrastructure at the end of their useful life.

Nonoperating revenues and expenses are highlighted as follows:

- Interest expense was \$531,000 in 2019, a \$173,000 reduction from 2018. As the outstanding bond issues continue to be paid down, amounts payable as principal will increase as the amounts payable as interest will decrease.
- Interest income was \$1.5 million in 2019, a \$493,000 increase from 2018. This is due to an increase in investment rates increasing from an average of 1.72% in 2018 to an average of 2.26% in 2019.

Table 3
Combined Condensed Statement of Cash Flows
December 31, 2019, 2018 and 2017

	December 31, 2019				December 31, 2018	December 31, 2017
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	
Cash Flows Provided by (Used in):						
Operating Activities	\$ 19,463,649	4,732,010	-	-	24,195,659	21,067,606
Noncapital Financing Activities	(44,631)	44,631			-	(150,575)
Capital and Related Financing Activities	(21,107,876)	(4,804,965)			(25,912,841)	(12,890,062)
Investing Activities	19,943,698	2,501,940			22,445,638	(9,852,454)
Net Increase (Decrease) in Cash and Cash Equivalents	18,254,840	2,473,616	-	-	20,728,456	(1,825,485)
Cash and Cash Equivalents, Beginning of Year	25,378,380	10,565,440	-	-	35,943,820	37,769,305
Cash and Cash Equivalents, End of Year	\$ 43,633,220	13,039,056	-	-	56,672,276	35,943,820

Analysis of Cash Flows (Table 3)

The Authority made all of its debt service payments on time and in the required amounts. In both the Wastewater Management Program and Solid Waste Management Program, cash used in capital related financing activities exceeded the cash provided by operations because reserve funds were used to pay for certain Authority-wide renewals and replacements.

Of the \$56.7 million in cash and cash equivalents at December 31, 2019, \$14.8 million is available for operations and current obligations, including current debt service obligations. The remaining \$41.9 million has been reserved or restricted for debt service, insurance deductibles, future construction projects, operating and maintenance reserves, and plant and equipment renewals, replacements and improvements.

Contacting the Authority's Financial Management

This financial report is designed to provide the CMCMUA's Board Members, customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact either the Authority's Executive Director or Chief Financial Officer at the Cape May County Municipal Utilities Authority, 1523 U.S. Route 9 North, Cape May Court House, New Jersey 08210, telephone 609-465-9026.

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BASIC FINANCIAL STATEMENTS

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CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY**(A component unit of the County of Cape May)****STATEMENT OF NET POSITION****BUSINESS TYPE ACTIVITIES****DECEMBER 31, 2019 AND 2018**

	2019	2018
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 14,822,455	\$ 6,646,518
Investments	3,869,983	8,805,734
User charges receivable	1,630,729	1,550,132
Septage haulers fees receivable	64,724	91,391
Accounts receivable - other	210,439	206,020
Allowance for doubtful accounts	(42,322)	(42,322)
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	20,556,008	17,257,473
	<hr/>	<hr/>
NONCURRENT ASSETS:		
Restricted Assets:		
Cash and cash equivalents	41,849,821	29,297,302
Investments	12,976,499	28,979,499
Accounts receivable - other	56,421	-
New Jersey trust loan receivable	-	1,818
Prepaid Expenses	-	1,728
	<hr/>	<hr/>
TOTAL RESTRICTED ASSETS	54,882,741	58,280,347
	<hr/>	<hr/>
CAPITAL ASSETS:		
Capital Assets not being depreciated	40,808,048	28,807,987
Capital assets being depreciated	479,942,347	470,695,687
Less accumulated depreciation	389,168,015	382,269,888
	<hr/>	<hr/>
NET PROPERTY, PLANT AND EQUIPMENT	131,582,380	117,233,786
	<hr/>	<hr/>
TOTAL ASSETS	207,021,129	192,771,606
	<hr/>	<hr/>
DEFERRED OUTFLOW OF RESOURCES:		
Deferred Outflows Related to Pensions	4,856,088	5,564,122
Deferred Outflows Related to OPEB	1,284,232	1,485,233
Deferred Amount on Refunding	108,347	187,853
	<hr/>	<hr/>
TOTAL DEFERRED OUTFLOW OF RESOURCES	6,248,667	7,237,208
	<hr/>	<hr/>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 213,269,796	\$ 200,008,814
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The Accompanying Notes to Financial Statements
are an Integral Part of this Statement

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
STATEMENT OF NET POSITION
BUSINESS TYPE ACTIVITIES
DECEMBER 31, 2019 AND 2018
(CONTINUED)

	<u>2019</u>	<u>2018</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:		
Accounts payable - operations	\$ 2,131,210	\$ 2,068,794
TOTAL CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS	<u>2,131,210</u>	<u>2,068,794</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Accounts payable	3,119,566	1,794,557
Accrued interest payable	237,191	304,684
Current maturities of long-term debt (Net of Unamortized Bond Premium of \$393,760 in 2019 and \$376,456 in 2018, respectively)	<u>4,371,223</u>	<u>4,203,831</u>
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	<u>7,727,980</u>	<u>6,303,072</u>
LONG TERM OBLIGATIONS:		
Accrued compensated absences	323,128	315,887
Due to IRS - arbitrage rebate	272,807	272,807
Net OPEB Obligations	36,493,019	41,641,785
Net Pension Liability	27,250,955	28,175,327
Long term portion of bonds payable (Net of Unamortized Bond Premium of \$614,947 in 2019 and \$1,008,709 in 2018, respectively)	<u>19,538,765</u>	<u>23,909,989</u>
TOTAL LIABILITIES	<u>93,737,864</u>	<u>102,687,661</u>
DEFERRED INFLOW OF RESOURCES:		
Deferred Inflows related to pensions	11,405,421	11,252,913
Deferred Inflows related to OPEB	<u>21,742,605</u>	<u>17,858,707</u>
TOTAL DEFERRED INFLOW OF RESOURCES	<u>33,148,026</u>	<u>29,111,620</u>
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	<u>126,885,890</u>	<u>131,799,281</u>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
STATEMENT OF NET POSITION
BUSINESS TYPE ACTIVITIES
DECEMBER 31, 2019 AND 2018
(CONTINUED)

NET POSITION:	2019	2018
Net Investment in Capital Assets	\$ 107,672,392	\$ 89,119,966
Restricted For:		
Bond service	2,956,546	2,831,927
Bond reserve	3,293,633	3,293,633
Renewal and replacement	30,278,034	32,530,847
Capital projects	3,927,637	3,832,647
Landfill closure #1	6,760,771	6,453,008
Equipment reserve	2,025,174	1,935,547
Building and site	320,025	293,787
IPF capital reserve	701,394	744,045
Operating and maintenance reserve	5,029,982	5,029,982
Unreserved:		
Board Designated:		
Rate stabilization	873,977	854,667
IPF rate stabilization	73,169	450,499
Insurance	603,485	589,327
Future construction	7,328,644	7,349,197
Unrestricted	(85,460,957)	(87,099,546)
TOTAL NET POSITION	86,383,906	68,209,533
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	\$ 213,269,796	\$ 200,008,814

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
BUSINESS TYPE ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
User service agreements	\$ 49,803,400	\$ 48,421,679
Septage haulers fees	668,939	616,663
Leachate disposal	221,183	396,041
Processing dry sludge	263,435	190,792
Tower rental	111,495	108,248
Operating grants	376,253	148,220
SLF cover fees	445,314	266,287
Methane gas sales	103,761	139,601
Wood product sales	506,975	418,141
Wood product delivery charge	14,520	17,346
Sale of asbestos bags	11,129	11,528
Sale of scrap metal	20,939	31,660
Electric generation income	269,771	388,206
Sale of renewable energy certificates	167,066	188,341
Miscellaneous	24,006	281,719
IPF electric reimbursement	102,420	97,742
IPF residue income	223,683	227,320
IPF commercial ton revenue	821	11,757
IPF administrative support reimbursement	73,678	76,377
IPF glass cover material	86,620	98,223
Recyclables Hauling	26,400	30,750
Recycling income	41,341	19,961
TOTAL OPERATING REVENUES	<u>53,563,149</u>	<u>52,186,602</u>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
BUSINESS TYPE ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)

	<u>2019</u>	<u>2018</u>
Operating expenses:		
Salary and wages	\$ 10,102,863	\$ 9,887,799
Employee benefits	4,411,533	4,452,862
Other post-employment benefits (Note 19)	(1,063,867)	480,437
Administrative expenses	3,342,685	3,576,760
Operations and maintenance	10,134,029	11,320,635
Depreciation	7,140,016	7,014,302
Construction fund expenses	2,594,174	2,919,930
TOTAL OPERATING EXPENSES	<u>36,661,433</u>	<u>39,652,725</u>
Operating income	<u>16,901,716</u>	<u>12,533,877</u>
Nonoperating revenues (expenses):		
Project fund credits - NJEIT	301	16,615
Interest income	1,506,887	1,013,476
Interest expense	(531,482)	(704,208)
Amortization of bond premium	296,951	282,920
Loss on the disposal of fixed assets	-	(2,209)
Cumulative Change in Accounting Principle	-	(457,337)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,272,657</u>	<u>149,257</u>
Change in Net Position	<u>18,174,373</u>	<u>12,683,134</u>
Net Position - beginning (as restated)	<u>68,209,533</u>	<u>55,526,399</u>
Net Position - ending	<u>\$ 86,383,906</u>	<u>\$ 68,209,533</u>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
STATEMENT OF CASH FLOWS
BUSINESS TYPE ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 53,121,993	\$ 51,923,331
Other operating cash receipts	326,386	369,112
Payments to employees	(14,570,985)	(14,406,772)
Payments to suppliers and vendors	(14,681,735)	(16,818,065)
Net cash provided by operating activities	<u>24,195,659</u>	<u>21,067,606</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Prepayments received (returned)	-	(150,575)
Net cash provided/(used) by noncapital financing activities	<u>-</u>	<u>(150,575)</u>
CASH ACTIVITIES FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(21,488,610)	(8,564,961)
N.J. trust and fund loan	1,818	111,429
Principal paid on capital debt	(3,906,580)	(3,746,483)
Interest paid on capital debt	(519,469)	(690,047)
Net cash (used) by capital and related financing activities	<u>(25,912,841)</u>	<u>(12,890,062)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments matured (purchased)	20,938,751	(10,865,930)
Interest income	1,506,887	1,013,476
Net cash provided/(used) by investing activities	<u>22,445,638</u>	<u>(9,852,454)</u>
Net increase/(decrease) in cash and cash equivalents	20,728,456	(1,825,485)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>35,943,820</u>	<u>37,769,305</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 56,672,276</u>	<u>\$ 35,943,820</u>
Reconciliation of operating income to net cash		
Provided by operating activities:		
Operating income	\$ 16,837,886	\$ 12,462,366
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in Accounting Principle	-	(457,337)
Depreciation	7,140,016	7,014,302
	23,977,902	19,019,331
Changes in assets and liabilities:		
Receivables, net	(114,770)	105,841
Prepaid Expenses	1,728	(1,728)
Deferred Outflows of Resources	201,001	(1,478,397)
Deferred Inflows of Resources	3,883,898	9,526,148
Accounts and other payables	(3,754,100)	(6,103,589)
	<u>\$ 24,195,659</u>	<u>\$ 21,067,606</u>

The Accompanying Notes to Financial Statements
are an Integral Part of this Statement

NOTES TO FINANCIAL STATEMENTS

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CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. GENERAL

The Cape May County Municipal Utilities Authority, hereafter referred to as the "Authority," is a public body politic and corporate, constituting a political subdivision of the State of New Jersey organized and existing under the provisions of Municipal Utilities Authority Law, (New Jersey Revised Statutes 40:14B-1 et seq.), constituting Chapter 183 of the Pamphlet Laws of 1957, and was created by virtue of a resolution of the Board of Chosen Freeholders of the County of Cape May, hereafter referred to as the "County," adopted August 8, 1972. The Authority is a component unit of the County of Cape May, New Jersey, and was created to construct and operate a countywide wastewater treatment system in Cape May County. In December 1980, the County Freeholders designated the Authority as the agency to implement the County's Solid Waste Management Plan, which involved constructing a secure sanitary landfill and transfer station. As a public body, under existing statute, the Authority is exempt from both federal and state income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Financial Statements

The financial statements of the Authority have been prepared on a full accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The Authority's financial statements include the accounts of all operations of the Authority. The Authority, as a component unit of the County of Cape May, State of New Jersey, is financially accountable to the County. As set forth in Government Accounting Standards Board (GASB) 14, as amended by GASB 61, financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The Authority, as a component unit, issues separate financial statements from the County of Cape May. However, if the County presented its financial statements in accordance with accounting principles generally accepted in the United States of America, these financial statements would be includable with the County's on a blended basis.

The Authority has adopted GASB No. 1 through 81 and related interpretations issued through December 31, 2018. GASB Statements and Interpretations require certain terminology, format and content, as well as inclusion of management's discussion and analysis supplementary information.

C. Grants

Grants received from various sources are recorded when the grant is approved. Grants not externally restricted and utilized to finance operations are identified as operating revenues. Grants externally restricted for non-operating purposes are recorded as contributed capital and are increases to the Unrestricted Net Position.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(CONTINUED)

D. Recent Accounting Pronouncements Not Yet Effective

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, "Leases". This statement is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the Authority's financial reporting.

In June 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 89, "Accounting for Interest Costs Incurred before the End of a Construction Period". This statement is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the Authority's financial reporting.

In May 2019, the Governmental Accounting Standards Board (GASB) issued Statement No. 91, "Conduit Debt Obligations". This statement is effective for fiscal periods beginning after December 15, 2020, will not have any effect on the Authority's financial reporting.

In January 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 92, "Omnibus 2020". This statement is effective for fiscal periods beginning after June 15, 2020, with the exception of the provisions affecting GASB 87 which is effective upon issuance, will not have any effect on the Authority's financial reporting.

In March 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 93, "Replacement of Interbank Offered Rates". This statement is effective for fiscal periods beginning after June 15, 2020, will not have any effect on the Authority's financial reporting.

In March 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 94, "Public-Private Partnerships and Availability Payment Arrangements". This statement is effective for fiscal periods beginning after June 15, 2022, will not have any effect on the Authority's financial reporting.

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance". This statement is effective upon issuance and will not have any effect on the Authority's financial reporting.

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, "Subscription-Based Information Technology Arrangements". This statement is effective for fiscal periods beginning after June 15, 2022 and will not have any effect on the Authority's financial reporting.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(CONTINUED)

E. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Wastewater Management Program:				
Capital assets, not being depreciated:				
Land	\$ 5,677,701			5,677,701
Construction in Progress	4,676,037	15,996,068	7,098,178	13,573,927
Total capital assets not being depreciated	<u>10,353,738</u>	<u>15,996,068</u>	<u>7,098,178</u>	<u>19,251,628</u>
Capital assets being depreciated:				
Land Improvements	7,016,324			7,016,324
Buildings and building improvements	143,559,436			143,559,436
Machinery and Equipment	99,075,547	8,392,203	236,889	107,230,861
Other capitalized costs	128,787,369			128,787,369
Total capital assets being depreciated at historical cost	<u>378,438,676</u>	<u>8,392,203</u>	<u>236,889</u>	<u>386,593,990</u>
Less:				
Accumulated depreciation	311,559,643	4,750,277	236,889	316,073,031
Total capital assets being depreciated, net of accumulated depreciation	<u>66,879,033</u>	<u>3,641,926</u>	<u>-</u>	<u>70,520,959</u>
Capital Assets, net	<u>\$ 77,232,771</u>	<u>19,637,995</u>	<u>7,098,178</u>	<u>89,772,587</u>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Solid Waste Management Program:				
Capital assets, not being depreciated:				
Land	\$ 1,856,900			1,856,900
Construction in Progress	16,597,349	3,215,807	113,636	19,699,520
Total capital assets not being depreciated	<u>18,454,249</u>	<u>3,215,807</u>	<u>113,636</u>	<u>21,556,420</u>
Capital assets being depreciated:				
Land Improvements	33,255,835			33,255,835
Buildings and building improvements	13,075,919			13,075,919
Machinery and Equipment	23,869,539	1,096,346	5,000	24,960,885
Other capitalized costs	22,055,717			22,055,717
Total capital assets being depreciated at historical cost	<u>92,257,010</u>	<u>1,096,346</u>	<u>5,000</u>	<u>93,348,356</u>
Less:				
Accumulated depreciation	70,710,244	2,389,739	5,000	73,094,983
Total capital assets being depreciated, net of accumulated depreciation	<u>21,546,766</u>	<u>(1,293,393)</u>	<u>-</u>	<u>20,253,373</u>
Capital Assets, net	<u>\$ 40,001,015</u>	<u>1,922,413</u>	<u>113,636</u>	<u>41,809,793</u>

All costs incurred by the Authority prior to any of the four regional sewer systems being placed in operation are capitalized and not considered as operating expenses.

Depreciation of the physical plant and equipment in operation is recorded on a straight-line basis. Depreciation on contributed capital has been recorded as a reduction of contributed capital. Depreciation is computed using estimated lives of between 6 and 45 years.

F. Restricted Accounts

1. Regional Wastewater Management Program

In accordance with the 1979 Sewer General Bond Resolution, as amended and supplemented, the Authority has established the following cash and investment accounts for the deposit of all revenue received by the Authority for the Regional Wastewater Management Program:

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
Construction	Proceeds of debt issued and Construction grants-in-aid	Expenses legally chargeable to bond proceeds.
Revenue	All revenues received for the Wastewater Treatment Program.	Operating expenses and transfers to the various Accounts described below.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(CONTINUED)

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
Bond Service (Current Debt Service)	Amount needed to pay matured principal and interest due on or before the following January 1st.	Principal and interest on bonds.
Sinking Fund	Amount needed to pay sinking fund installments due on or before the established due dates for installments.	Purchase or redemption of Bonds. Installments commence January 1, 1992.
Bond Reserve (Future Debt Service)	Amount needed to increase the balance to equal the greatest amount of debt service due in any year.	To make up any deficiency in the Bond Service Account, if any.
Renewal and Replacement	Amount needed to increase the balance to equal the "System Reserve Requirement" as defined by the Bond Resolution.	Transfers to meet minimum levels required in the Bond Service, Sinking or Bond Reserve accounts or major repairs, renewals and extensions of the system.
General Account	Deposits will be made as funds are available after all other requirements are met.	Any lawful purpose of the Authority.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(CONTINUED)

Pursuant to the provisions of the 1984 Supplemental Resolution and the 1985 Supplemental Resolution, the Authority was required to maintain a special sub-account in the General Account, designated the "Rate Stabilization Account." Those provisions are no longer in effect. The funds now on deposit in the Rate Stabilization Account are free of any restrictions and may be used for any lawful purpose of the Authority.

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
Escrow Accounts	Refunding bond proceeds and interest earned on investments.	Payment of bonds when due for which refunding bonds were issued and interest on refunding bonds until crossover dates.
Cost of Issuance Accounts	Refunding bond proceeds and interest earned on investments.	Costs and expenses incurred in connection with issuance and delivery and portion of bond insurance and such other fees with respect to refunding bonds issued prior to crossover date.

The Authority has also established the following unreserved accounts designated by the Board for the Wastewater Management Program:

- Rate Stabilization Fund - The fund was established by the Authority to offset fluctuations in rates from users.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(CONTINUED)

2. Solid Waste Management Program

The 1986 Solid Waste Bond Resolution, with all associated Supplemental bond Resolutions, expired with the final related debt service payments made in 2012. The Authority adopted a new General Bond Resolution on September 21, 2011, but no bonds have been issued under this new resolution. The Authority is maintaining certain accounts, although not required due to the absence of outstanding bonds, in order to maintain a clear segregation of funds for current operations and capital projects:

<u>Account</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
Construction	Any moneys received, from any source, for the payment of construction costs or cost of the project.	Expenses legally chargeable to bond proceeds, if any.
Revenue	All revenues received for the Solid Waste Program.	Operating expenses and transfers to the various accounts described below.
Renewal and Replacement	Annual operating budget appropriation for the renewal And/or replacement.	Transfers to meet appropriate for major repairs, renewals and replacements of the project.
Landfill Closure	Amount needed to increase balance to equal the "Landfill Closure Requirement" and any additional amount deemed necessary by the Authority.	Reasonable and necessary expenses with respect to the proper closure of the Authority's secure landfill.
General	Deposits will be made as funds are available after all other reserves are met	Any lawful purpose of the Authority.

In addition to the above, the Authority has also established the following restricted accounts for the Solid Waste Management Program:

- Building and Site Maintenance Reserve - Funds reserved from operating revenues to be used for the purchase or acquisition of various Capital items and/or improvements.
- IPF Capital Reserve – The fund was established by the Authority as required by the IPF contract with FCR Camden Inc. in order that funds will be available to perform all needed repairs and improvements to the Intermediate Processing Facility when required without burdening the Solid Waste Management Program operating budget.

The Authority has also established the following unreserved accounts designated by the Board for the Solid Waste Management Program:

- Rate Stabilization Fund - The fund was established by the Authority to pay the Pinelands Commission the amount of \$2.04 per ton until the amount of \$2,250,000 had been paid to the Commission. This payment is per the prior agreement with the Pinelands Commission to allow

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(CONTINUED)

the Cape May County Municipal Utilities Authority's Secure Sanitary Landfill to remain open. The remaining balance in the fund may be used for operating and other expenses.

- IPF Rate Stabilization Fund - The fund was established by the Authority with recycling income derived from Out-of-County recyclables. This fund is to be used as necessary to mitigate any loss by the Authority for the recycling of material at the Intermediate Processing Facility (IPF).
- Insurance and Liability Reserve - The Authority has set up this account as a self insurance reserve to pay any possible claims not covered by current insurance policies.
- Future Construction - The Authority has set up this account as a reserve for future capital projects.

G. Annual Budget

The Authority submits an annual budget to the State of New Jersey for the Wastewater Management Program and for the Solid Waste Management Program. Once adopted, the Authority may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

The budgets are prepared on the accrual basis. Unspent appropriations for annually budgeted funds lapse at year-end.

H. Leave Policies

Employees are encouraged to use vacation leave during the year in which it is earned. However, employees may defer up to one (1) year's accrual of vacation leave into the succeeding year. Upon termination of employment for any reason, employees will be paid for any accrued, unused vacation leave.

Unused sick leave for union employees may accumulate from year to year to a maximum of two hundred sixty (260) days total. However, unused sick leave will not be paid to those employees terminating their employment with the Authority except for those employees retiring from the Authority who have a minimum of fifteen (15) years of continuous service, and that upon such retirement are eligible under the New Jersey Public Employees' Retirement System, based on years of service and/or age to immediately receive monthly retirement benefits, will be paid 50% of their unused sick leave, at the employee's annual salary rate at the time of his/her retirement not to exceed \$15,000.

Unused sick leave for non-bargaining unit employees may accumulate for an indefinite period. However, unused sick leave will not be paid to those employees terminating their employment with the Authority except for those employees retiring from the Authority who have a minimum of fifteen (15) years of continuous service, and that upon such retirement are eligible under the New Jersey Public Employees' Retirement System, based on years of service and/or age to immediately receive monthly retirement benefits, will be paid 50% of their unused sick leave, at the employee's annual salary rate at the time of his/her retirement not to exceed \$15,000.

A portion of the monetary value of unused sick leave and vacation has been accrued by charges to operations. This liability may be affected by conditions which could preclude an employee from receiving full payment of the accrual. The accrual at December 31, 2019 is \$323,128 and the unrecorded balance of accrued sick leave and vacation at December 31, 2019 is \$1,554,948, assuming all employees are eligible at separation.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(CONTINUED)

I. Post-Employment Health Benefits

Upon retirement from the Cape May County Municipal Utilities Authority, all eligible employees will be provided Authority-paid health benefits in accordance with the criteria for eligibility, the requirements included in the Authority policy, and with the provisions of the health benefit plan or plans as provided to eligible Authority employees.

J. Cash, Cash Equivalents and Investments

The Authority's investments practices are governed by New Jersey State Statute 40A:5-15. Statutes authorize the Authority to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds and a maturity date not greater than 397 days from the date of purchase. In addition, the Authority can invest in direct debt securities of the United States or obligations guaranteed by the United States, bonds and other obligations of the local municipality or bonds or obligations of school districts of which the Authority is a part or within which the Authority is located unless such investments are expressly prohibited by law.

K. 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 Employee Retirement System ("PERS") and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the PERS. 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.

3. GENERAL BOND RESOLUTIONS

A. Regional Wastewater Collection and Treatment System

On April 4, 1979, the Authority authorized the issuance of revenue bonds (the "Sewer System Revenue Bonds") for the acquisition and construction of a wastewater collection and treatment system (the "Sewer System") pursuant to a resolution entitled "Resolution Authorizing the Issuance of Revenue Bonds of the Cape May County Municipal Utilities Authority," which resolution has been amended and/or supplemented from time to time (as amended and/or supplemented, the "Sewer Resolution").

All of the Sewer System Revenue Bonds described below are direct and general obligations of the Authority payable from the revenues derived from the operation of the sewer system and are further secured by substantially similar agreements with certain municipalities located within Cape May County (the "County"), as well as the Authorityship of Lower Municipal Utilities Authority and New Jersey – American Water Company. The Sewer System Revenue Bonds are also secured by an agreement dated as of October 16, 1974, as amended and supplemented, by and between the County and the Authority pursuant to which the County is obligated to make up any deficiencies in the sewer system revenues.

B. Regional Solid Waste System

On June 18, 1986, the Authority authorized the issuance of revenue bonds (the "Solid Waste System Revenue Bonds") for the acquisition and construction of a certain solid waste facilities (the "Solid Waste System") pursuant to resolution entitled "Resolution Authorizing the Issuance of Solid Waste Revenue Bonds (Landfill Program) of the Cape May County Municipal Utilities Authority," which

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(CONTINUED)

resolution has been amended and/or supplemented from time to time (as amended and/or supplemented, the "Solid Waste Resolution"). On August 1, 2011, the Authority satisfied all its obligations to the bondholders under the General Bond Resolution and all Supplemental Bond Resolutions.

On September 21, 2011, the Authority adopted a resolution entitled "Resolution Authorizing the Issuance of Solid Waste System Revenue Bonds and Project Notes of the Cape May County Municipal Utilities Authority", which provides for future short-term and long-term financing when necessary for capital improvements to the Authority's Solid Waste System.

All of the Solid Waste System Bonds/Loans described below are direct and general obligations of the Authority payable from the revenues derived from the operation of the Solid Waste System and are further secured by an agreement dated as of July 8, 1990, as amended, by and between the County and the Authority pursuant to which the County is obligated to make up any deficiencies in the Solid Waste System revenues.

4. SEWER SYSTEM REVENUE BONDS/LOANS

A. New Jersey Environmental Infrastructure Financing Program

1. NJ Environmental Infrastructure Trust – Trust Loan, Series 2010-A

On February 22, 2010, the Authority issued \$59,280 Sewer Revenue Trust Loan, Series 2010-A (the "2010 A Trust Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2010-A Trust Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of February and August.

Year August 1	Amount	Rate	Year August 1	Amount	Rate
2020	\$ 2,994	3.16%	2025	\$ 3,548	3.82%
2021	3,088	3.29%	2026	3,683	3.92%
2022	3,190	3.48%	2027	3,828	4.01%
2023	3,301	3.62%	2028	3,981	4.10%
2024	3,421	3.72%	2029	4,144	4.18%
				\$	<u>35,178</u>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(CONTINUED)

2. NJ Environmental Infrastructure Trust – Fund Loan, Series 2010-A

On February 22, 2010, the Authority issued \$171,000 Sewer Revenue Fund Loan, Series 2010-A (the "2010-A Fund Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2010-A Fund Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 2010-A Fund Loan bears interest at the rate of zero percent (0%) per annum.

<u>Year</u> <u>February 1</u>	<u>Amount</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>
2020	\$ 2,898	2020	\$ 5,797
2021	2,898	2021	5,797
2022	2,898	2022	5,797
2023	2,898	2023	5,797
2024	2,898	2024	5,797
2025	2,898	2025	5,797
2026	2,898	2026	5,797
2027	2,898	2027	5,797
2028	2,898	2028	5,797
2029	2,898	2029	5,796
			<u>\$ 86,949</u>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(CONTINUED)

3. NJ Environmental Infrastructure Trust – Trust Loan, Series 2010-B

On December 2, 2010, the Authority issued \$420,000 Sewer Revenue Trust Loan, Series 2010-B (the "2010-B Trust Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2010-B Trust Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of February and August.

<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>
2020	\$ 20,000	5.00%	2026	25,000	5.00%
2021	20,000	5.00%	2027	30,000	5.00%
2022	20,000	5.00%	2028	30,000	5.00%
2023	25,000	5.00%	2029	30,000	5.00%
2024	25,000	5.00%	2030	35,000	5.00%
2025	25,000	5.00%			
				<u>\$ 285,000</u>	

4. NJ Environmental Infrastructure Trust – Fund Loan, Series 2010-B

On December 2, 2010, the Authority issued \$218,000 Sewer Revenue Fund Loan, Series 2010-B (the "2010-B Fund Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2010-B Fund Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 2010-B Fund Loan bears interest at the rate of zero percent (0%) per annum.

<u>Year</u> <u>February 1</u>	<u>Amount</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>
2020	\$ 3,825	2020	\$ 7,649
2021	3,825	2021	7,649
2022	3,824	2022	7,649
2023	3,824	2023	7,649
2024	3,824	2024	7,649
2025	402		
			<u>\$ 57,769</u>

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5. NJ Environmental Infrastructure Trust – Trust Loan, Series 2010-C

On December 2, 2010, the Authority issued \$4,270,000 Sewer Revenue Trust Loan, Series 2010-C (the "2010-C Trust Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2010-C Trust Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of February and August.

<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>
2020	\$ 215,000	5.00%	2026	\$ 285,000	5.00%
2021	225,000	5.00%	2027	300,000	5.00%
2022	235,000	5.00%	2028	315,000	5.00%
2023	245,000	5.00%	2029	330,000	5.00%
2024	260,000	5.00%	2030	350,000	5.00%
2025	275,000	5.00%			
				<u>\$ 3,035,000</u>	

6. NJ Environmental Infrastructure Trust – Fund Loan, Series 2010-C

On December 2, 2010, the Authority issued \$4,236,537 Sewer Revenue Fund Loan, Series 2010-C (the "2010-C Fund Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2010-C Fund Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 2010-C Fund Loan bears interest at the rate of zero percent (0%) per annum.

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Year February 1	Amount	Year August 1	Amount
2020	\$ 78,454	2020	\$ 156,909
2021	78,454	2021	156,909
2022	78,454	2022	156,909
2023	78,454	2023	156,909
2024	78,454	2024	156,909
2025	78,454	2025	156,909
2026	78,454	2026	156,909
2027	78,454	2027	156,909
2028	78,454	2028	156,909
2029	78,454	2029	156,909
2030	78,455	2030	103,859
			<u>\$ 2,535,944</u>

7. NJ Environmental Infrastructure Trust – Trust Loan, Series 2012-A

On May 3, 2012, the Authority issued \$370,000 Sewer Revenue Trust Loan, Series 2012-A (the "2012 A Trust Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2012-A Trust Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of February and August.

Year August 1	Amount	Rate	Year August 1	Amount	Rate
2020	\$ 15,000	5.00%	2026	\$ 25,000	5.00%
2021	20,000	5.00%	2027	25,000	3.00%
2022	20,000	5.00%	2028	25,000	3.00%
2023	20,000	5.00%	2029	25,000	3.13%
2024	20,000	5.00%	2030	25,000	3.20%
2025	20,000	5.00%	2031	25,000	3.25%
				<u>\$ 265,000</u>	

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8. NJ Environmental Infrastructure Trust – Fund Loan, Series 2012-A

On May 3, 2012, the Authority issued \$390,293 Sewer Revenue Fund Loan, Series 2012-A (the "2012-A Fund Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2012-A Fund Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 2012-A Fund Loan bears interest at the rate of zero percent (0%) per annum.

<u>Year</u> <u>February 1</u>	<u>Amount</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>
2020	\$ 6,970	2020	\$ 13,939
2021	6,969	2021	13,939
2022	6,970	2022	13,939
2023	6,969	2023	13,939
2024	6,970	2024	13,939
2025	6,969	2025	13,939
2026	6,970	2026	13,939
2027	6,969	2027	13,939
2028	6,970	2028	13,939
2029	6,969	2029	13,939
2030	6,970	2030	12,969
			<u>\$ 229,024</u>

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9. NJ Environmental Infrastructure Trust – Trust Loan, Series 2012-B

On May 3, 2012, the Authority issued \$185,000 Sewer Revenue Trust Loan, Series 2012-B (the "2012-B Trust Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2012-B Trust Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of February and August.

<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>
2020	\$ 10,000	5.00%	2026	\$ 10,000	5.00%
2021	10,000	5.00%	2027	10,000	3.00%
2022	10,000	5.00%	2028	15,000	3.00%
2023	10,000	5.00%	2029	15,000	3.13%
2024	10,000	5.00%	2030	15,000	3.20%
2025	10,000	5.00%	2031	15,000	3.25%
				<u>\$ 140,000</u>	

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10. NJ Environmental Infrastructure Trust – Fund Loan, Series 2012-B

On May 3, 2012, the Authority issued \$582,075 Sewer Revenue Fund Loan, Series 2012-B (the "2012-B Fund Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2012-B Fund Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 2012-B Fund Loan bears interest at the rate of zero percent (0%) per annum.

<u>Year</u> <u>February 1</u>	<u>Amount</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>
2020	\$ 10,211	2020	\$ 20,424
2021	10,212	2021	20,424
2022	10,211	2022	20,424
2023	10,212	2023	20,424
2024	10,211	2024	20,424
2025	10,212	2025	20,424
2026	10,211	2026	20,424
2027	10,212	2027	20,424
2028	10,211	2028	20,424
2029	10,212	2029	20,424
2030	10,211	2030	20,424
2031	10,212	2031	20,424
			<u>367,626</u>
			\$ <u><u>367,626</u></u>

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11. NJ Environmental Infrastructure Trust – Trust Loan, Series 2016-A

On May 26, 2016, the Authority issued \$760,000 Sewer Revenue Trust Loan, Series 2016-A (the "2016-A Trust Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2016-A Trust Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of February and August.

<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>
2020	\$ 30,000	5.00%	2028	\$ 45,000	2.00%
2021	35,000	5.00%	2029	45,000	2.00%
2022	35,000	5.00%	2030	45,000	2.00%
2023	35,000	5.00%	2031	40,000	2.125%
2024	40,000	4.00%	2032	50,000	3.00%
2025	40,000	4.00%	2033	50,000	3.00%
2026	40,000	4.00%	2034	50,000	3.00%
2027	45,000	4.00%	2035	50,000	3.00%
				<u>\$ 675,000</u>	

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12. NJ Environmental Infrastructure Trust – Fund Loan, Series 2016-A

On May 26, 2016, the Authority issued \$2,389,503 Sewer Revenue Fund Loan, Series 2016-A (the "2016-A Fund Loan") pursuant to the Sewer Resolution in order to fund various improvements to the Sewer System.

The 2016-A Fund Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 2016-A Fund Loan bears interest at the rate of zero percent (0%) per annum.

Year February 1	Amount	Year August 1	Amount
2020	\$ 40,500	2020	\$ 81,000
2021	40,500	2021	81,000
2022	40,500	2022	81,000
2023	40,500	2023	81,000
2024	40,500	2024	81,000
2025	40,500	2025	81,000
2026	40,500	2026	81,000
2027	40,500	2027	81,000
2028	40,500	2028	81,000
2029	40,500	2029	81,000
2030	40,500	2030	81,000
2031	40,500	2031	81,000
2032	40,500	2032	81,000
2033	40,500	2033	81,000
2034	40,500	2034	29,716
			<u>\$ 1,771,216</u>

B. Sewer Revenue Refunding Bonds, Series 2011

On October 13, 2011, the Authority issued \$13,015,000 Sewer Revenue Refunding Bonds, Series 2011 (the "2011 Refunding Bonds") pursuant to the Sewer Resolution with a net interest cost of 2.978220% to advance refund \$14,210,000 of outstanding Sewer Revenue Refunding Bonds, Series 2002-C with an average interest rate of 5.25%. The net proceeds of \$14,623,555 include a premium on the bonds of \$1,608,555 and net of payments of \$52,847 in underwriting fees and \$130,850 of issuance costs were used to purchase U.S. Government Securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments. The refunded bonds are non-callable and will mature starting in 2017 until final maturity in 2021.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old bonds of \$370,557. The difference reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the fiscal year 2021 using the Bonds Outstanding Method. The Authority completed the advance refunding to reduce

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its total debt service payments over the next 10 years by \$2,499,223 and obtain an economic gain (difference between the present values of the old and new debt service payments) of \$2,032,463.

The 2011 Refunding Bonds mature on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of January and July.

<u>Year</u> <u>January 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Year</u> <u>January 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>
2020	\$ 950,000	4.00%	2021	1,025,000	4.50%
2020	1,775,000	5.00%	2021	1,050,000	5.00%
2021	200,000	3.00%			
2021	575,000	4.00%			
				Total	\$ 5,575,000

Summary of Sewer System Revenue Bonds/Loans (as of December 31, 2019, the current principal, and long term principal, interest and total debt service, excluding those Sewer System Revenue Bonds that have been paid or defeased), is as follows:

<u>Issue</u>	<u>Current</u> <u>Portion</u>	<u>Long-Term</u> <u>Portion</u>	<u>Interest</u>	<u>Total</u>
2011 Refunding Bonds	\$ 2,725,000	\$ 2,850,000	\$ 254,813	\$ 5,829,813
NJ Environmental Infrastructure Financing Program:				
2010 Series A - Trust Loan	2,994	32,184	7,108	42,286
2010 Series A - Fund Loan	8,695	78,254	-	86,949
2010 Series B - Trust Loan	20,000	265,000	94,250	379,250
2010 Series B - Fund Loan	11,474	46,296	-	57,770
2010 Series C - Trust Loan	215,000	2,820,000	984,000	4,019,000
2010 Series C - Fund Loan	235,363	2,300,581	-	2,535,944
2012 Series A - Trust Loan	15,000	250,000	68,613	333,613
2012 Series A - Fund Loan	20,909	208,115	-	229,024
2012 Series B - Trust Loan	10,000	130,000	36,268	176,268
2012 Series B - Fund Loan	30,636	336,991	-	367,626
2016 Series A - Trust Loan	30,000	645,000	184,650	859,650
2016 Series A - Fund Loan	121,500	1,649,716	-	1,771,216
Unamortized Costs:				
Bond Premiums	382,052	424,690	-	806,741
	\$ 3,828,621	\$ 12,036,827	\$ 1,629,701	\$ 17,495,149

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5. SOLID WASTE SYSTEM REVENUE BONDS/LOANS

A. New Jersey Environmental Infrastructure Financing Program

1. NJ Environmental Infrastructure Trust – Trust Loan, Series 2012-C

On May 3, 2012, the Authority issued \$1,240,000 Solid Waste Revenue Trust Loan, Series 2012-C (the "2012-C Trust Loan") pursuant to the Solid Waste Resolution in order to fund various improvements to the Solid Waste System.

The 2012-C Trust Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of February and August.

<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>
2020	\$ 60,000	5.00%	2026	\$ 80,000	5.00%
2021	60,000	5.00%	2027	80,000	3.00%
2022	65,000	5.00%	2028	85,000	3.00%
2023	65,000	5.00%	2029	85,000	3.13%
2024	70,000	5.00%	2030	90,000	3.20%
2025	75,000	5.00%	2031	85,000	3.25%
				<u>\$ 900,000</u>	

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2. NJ Environmental Infrastructure Trust – Fund Loan, Series 2012-C

On May 3, 2012, the Authority issued \$3,966,467 Solid Waste Revenue Fund Loan, Series 2012-B (the "2012-C Fund Loan") pursuant to the Solid Waste Resolution in order to fund various improvements to the Solid Waste System.

The 2012-C Fund Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 2012-C Fund Loan bears interest at the rate of zero percent (0%) per annum.

<u>Year</u> <u>February 1</u>	<u>Amount</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>
2020	\$ 69,587	2020	\$ 139,175
2021	69,587	2021	139,174
2022	69,587	2022	139,175
2023	69,587	2023	139,174
2024	69,587	2024	139,175
2025	69,587	2025	139,174
2026	69,587	2026	139,175
2027	69,587	2027	139,174
2028	69,587	2028	139,175
2029	69,587	2029	139,174
2030	69,587	2030	139,174
2031	69,587	2031	139,174
			<u>\$ 2,505,137</u>

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3. NJ Environmental Infrastructure Trust – Trust Loan, Series 2015-A

On November 24, 2015, the Authority issued \$1,330,000 Solid Waste Revenue Trust Loan, Series 2015-A (the "2015-A Trust Loan") pursuant to the Solid Waste Resolution in order to fund various improvements to the Solid Waste System.

The 2015-A Trust Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts and bear interest at the interest rates per annum which are set forth below. Interest is payable on the first day of February and August.

<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u> <u>August 1</u>	<u>Amount</u>	<u>Rate</u>
2020	\$ 55,000	5.00%	2028	\$ 75,000	3.00%
2021	55,000	5.00%	2029	80,000	3.00%
2022	60,000	5.00%	2030	80,000	3.00%
2023	60,000	5.00%	2031	85,000	3.00%
2024	65,000	5.00%	2032	85,000	3.00%
2025	70,000	5.00%	2033	85,000	3.125%
2026	70,000	3.00%	2034	90,000	3.125%
2027	75,000	3.00%	2035	<u>95,000</u>	3.25%
				\$ <u><u>1,185,000</u></u>	

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4. NJ Environmental Infrastructure Trust – Fund Loan, Series 2015-A

On November 24, 2015, the Authority issued \$4,073,580 Solid Waste Revenue Fund Loan, Series 2015-A (the "2015-A Fund Loan") pursuant to the Solid Waste Resolution in order to fund various improvements to the Solid Waste System.

The 2015-A Fund Loan matures, subject to prepayment by the Authority, on the dates and in the principal amounts which are set forth below. The 2015-A Fund Loan bears interest at the rate of zero percent (0%) per annum.

Year February 1	Amount	Year August 1	Amount
2020	\$ 69,044	2020	\$ 138,087
2021	69,044	2021	138,087
2022	69,044	2022	138,087
2023	69,044	2023	138,087
2024	69,044	2024	138,087
2025	69,044	2025	138,087
2026	69,044	2026	138,087
2027	69,044	2027	138,087
2028	69,044	2028	138,087
2029	69,044	2029	138,087
2030	69,044	2030	138,087
2031	69,044	2031	138,087
2032	69,044	2032	138,087
2033	69,044	2033	138,087
2034	69,045	2034	138,088
2035	69,045	2035	76,425
			<u>\$ 3,252,437</u>

Summary of Solid Waste System Revenue Bonds/Loans (as of December 31, 2019, the current principal and long term principal, interest and total debt service, excluding those Solid Waste System Revenue Bonds that have been paid or defeased, is as follows):

Issue	Current Portion	Long-Term Portion	Interest	Total
NJ Environmental Infrastructure Financing Program:				
2012 Series C - Trust Loan	\$ 60,000	\$ 840,000	\$ 233,293	\$ 1,133,293
2012 Series C - Fund Loan	208,761	2,296,376	-	2,505,137
2015 Series A - Trust Loan	55,000	1,130,000	362,375	1,547,375
2015 Series A - Fund Loan	207,131	3,045,305	-	3,252,436
Unamortized Costs:				
Bond Premium	11,708	190,257	-	201,965
	<u>\$ 542,601</u>	<u>\$ 7,501,938</u>	<u>\$ 595,668</u>	<u>\$ 8,640,206</u>

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6. LONG TERM OBLIGATIONS

Changes in long-term obligations for the year ended December 31, 2019 are as follows:

	Balance 12/31/2018	Issues or Additions	Payments or Expenditures	Balance 12/31/2019	Amounts Due Within One Year
Compensated Absences	\$ 315,887	\$ 7,241	\$	\$ 323,128	\$ -
Due to IRS - Arbitrage Rebate	272,807			272,807	-
Net OPEB Obligation Payable	41,641,785		5,148,766	36,493,019	-
Net Pension Liability	28,175,327		924,372	27,250,955	-
Bonds Payable:					
Wastewater Program	18,365,190		3,306,483	15,058,707	3,446,570
Solid Waste Program	8,363,465		520,892	7,842,573	530,893
Unamortized Costs:					
Bond Premium	1,385,165		376,457	1,008,708	393,760
	<u>\$ 98,519,626</u>	<u>\$ 7,241</u>	<u>\$ 10,276,970</u>	<u>\$ 88,249,897</u>	<u>\$ 4,371,223</u>

7. PENSION AND RETIREMENT PLANS

Substantially all of the Authority's employees participate in the Public Employees' Retirement System, which is administered by the New Jersey Division of Pensions and Benefits. The plan has a Board of Trustees that is primarily responsible for its administration. According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the systems. This report may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey 08625 or the report can be accessed on the internet at – <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

Plan Descriptions - The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007, plan members enrolled in the PERS are required to contribute 7.50% of employees' annual compensation as defined. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to normal rate when such surplus assets no longer exist.

The Authority is billed annually for its normal contribution plus any accrued liability.

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

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Life Insurance</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Paid by Authority</u>
2019	\$ 184,203	64,721	1,180,774	1,429,698	1,429,698
2018	202,347	68,105	1,145,223	1,415,675	1,415,675
2017	219,705	64,516	1,080,391	1,364,612	1,364,612

8. DEFINED CONTRIBUTION RETIREMENT PROGRAM

Plan Description

The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and expanded under the provisions of Chapter 89, P.L. 2008. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

Vesting and Benefits Provisions

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately invested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP, employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully invested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer.

Funding Policy

Members contribute at a uniform rate of 5.5% of their base salary. Employers are required to contribute at a set rate of 3.0% of base salary. The Authority has 3 Board Members enrolled in the DCRP during the year ended December 31, 2019.

9. PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

At December 31, 2019, the Authority reported a liability of \$27,250,955 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 that was rolled forward to June 30, 2019. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Authority's proportion was 0.1512388998%, which was an increase of 5.69% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Authority recognized pension expense of \$1,407,284. At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expended and actual experience	\$ 489,119	120,383
Changes of assumptions	2,721,108	9,458,720
Net difference between projected and actual earnings on pension plan investments	-	430,167
Changes in proportion and differences between Authority contributions and proportionate share of contributions	1,645,861	1,396,151
Total	<u>\$ 4,856,088</u>	<u>11,405,421</u>

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

Year ended June 30,	
2020	\$ 757,983
2021	2,458,884
2022	2,195,640
2023	1,030,966
2024	105,860
Total	<u>\$ 6,549,333</u>

Actuarial Assumptions

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

Inflation rate

Price 2.75%

Wage 3.25%

Salary increases:

Through 2026 2.00% – 6.00% (based on years of service)

Thereafter 3.00% - 7.00% (based on years of service)

Investment rate of return: 7.00%

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 200 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

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from the base year of 2010 on a generational basis. Disability retirement rates used to value disable 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 generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on 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

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payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.28%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.28%) or 1-percentage point higher (7.28%) than the current rate:

	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
Authority's proportionate share of the net pension liability	\$ 32,705,665	\$ 27,250,955	\$ 22,659,931

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

10. REGIONAL WASTEWATER TREATMENT FACILITIES

<u>Region</u>	<u>Date Commenced Operations</u>
Ocean City Region	February 1982
Cape May Region	February 1984
Seven Mile Beach/Middle Region	August 1987
Wildwood/Lower Region	May 1988

The Authority, in computing its annual charges, computes the amount which at all times will be sufficient to pay or provide for the expenses of the operation, repair and maintenance of the system, including insurance, renewals and replacements, the cost of extending the system not otherwise provided for, and principal of and interest on any and all bonds or other obligations of the Authority as the same become due, to provide for any deficits of the Authority resulting from failure to receive sums payable to the Authority from any other participant in the system, and to provide such revenues and maintain such reserves or sinking funds as may be required by the terms of any contract or other obligations of the Authority. The Service Contract may not be terminated as long as any bonds issued to finance the system have not been paid in full.

The balance of revenues is to be received from compost sales, septage and leachate disposal charges and interest received on investments.

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11. DEFERRED COMPENSATION

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all eligible regular employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The Authority established the Deferred Compensation Program through the U.S. Conference of Mayors (USCOM) on March 20, 1985. The USCOM has amended its Deferred Compensation Plan Document to incorporate the requirements of the Small Business Job Protection Act of 1996, and said amended Plan Document has been approved by and filed with the State of New Jersey Department of Community Affairs. By adopting the USCOM program, all regulatory, operational, administrative and fiduciary responsibilities were assumed by the Plan Administrator on behalf of the Authority. The USCOM partnered with what eventually became Nationwide Retirement Solutions ("Nationwide") to act as Administrator of the Program.

Effective January 1, 2013, USCOM is no longer partnering with Nationwide Retirement Solutions as the Program Administrator; instead, USCOM will be partnering with Great-West Retirement Services. The Authority will no longer be utilizing the 1985-adopted USCOM master prototype deferred compensation program. The Authority has opted to continue its long-standing relationship with Nationwide Retirement Solutions and has adopted the Nationwide Retirement Solutions Deferred Compensation Program.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights have been removed from the books and accounts of the Authority as they are no longer the property or rights of the Authority.

12. LITIGATION AND CONTINGENCIES

From time to time, the CMCMUA is a defendant or co-defendant in various lawsuits arising out of normal operations and construction activities of the CMCMUA. It is the opinion of management and the General Counsel to the CMCMUA that the resolution of these other pending lawsuits will not have a material adverse effect on the Authority's assets, liabilities or results of operations.

13. INTERMEDIATE PROCESSING FACILITY (IPF)

The Cape May County Municipal Utilities Authority constructed the Cape May County Intermediate Processing Facility ("IPF"), which commenced operations in April 1990, for the purpose of processing and marketing recyclable materials. As of October 1, 2017, Republic Services, Inc. is responsible for improvement, maintenance and operation of the IPF under a contract which terminates on December 31, 2021. The Authority pays monthly service fee payments and revenue sharing to Hudson Baylor Corporation as compensation for its expenses to operate and maintain the IPF.

14. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance amounts in Solid Waste Management Program (\$26,968) and Wastewater Management Program (\$15,354) are contra asset amounts presented as reductions to User Charges Receivable, Composting Fees Receivable and Septage Haulers Fees Receivable, respectively.

15. CLOSURE AND POST-CLOSURE CARE COST

State and federal laws and regulations require the Authority to place a final and impermeable cover on its sanitary landfill site once it stops accepting waste for disposal and to perform certain maintenance and monitoring functions at the site for thirty years after closure. To cover closure and post-closure care cost requirements that will be paid near or after the date that the landfill stops

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accepting waste, the Authority collects a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$6.76 million reported as restricted net position/landfill closure account #1 at December 31, 2019, is in excess of the amount required to date based on the assumption that the landfill would permanently close in the year 2095. Based upon volume projections available in the landfill made by the Authority's Consulting Engineer, only 23.71% of the total landfill capacity has been utilized. These cumulative amounts are based on what it would cost to perform all closure and post-closure care in 2019. Actual closure and post-closure costs may be higher due to inflation, changes in technology, or changes in regulations. The above percentage of total landfill capacity utilized has changed substantially from 2008 due to a 74 acre vertical expansion of the sanitary landfill which has received all regulatory approvals.

The Authority is required by state and federal regulations to make annual contributions to a closure fund to finance closure and post-closure care. The Authority expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these additional costs may need to be covered by charges to future landfill users.

16. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. The Authority has a formal policy regarding custodial credit risk, and 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. Of the Authority's bank balance of \$74,829,700 as of December 31, 2019, \$0 was uninsured and uncollateralized.

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Investments

At December 31, 2019, the Authority had the following investments:

Investment Type	Average Credit/ Quality Ratings (1)	Face Amount	Carrying Amount	Investment Maturities (in Years)		
				Less Than 1	1-5	6-10
NJ Cash Mgmt.	Not rated	\$ 9,182,452	9,182,452	9,182,452		
NJ ARM	Not rated	903,261	903,261	903,261		
FHLMC MTN	AAA	543,923	543,009	159,690	383,320	
FNMA MTN	AAA	380,214	379,997	29,981	314,193	35,823
Federal Farm Credit Bank	AAA	110,000	110,216	54,964	55,252	
Federal Home Loan Banks	AAA	810,000	809,153	100,141	555,580	153,432
US Treasury Bonds	AAA	241,000	305,338	76,375	228,963	
Tenn. Valley Auth. Power	AAA	42,000	41,909	41,909		
First American Govt. Obligation Fund CI Z	AAAm	52,877	52,877	52,877		
US Treasury Notes	AAA	4,320,000	4,323,421	558,576	2,152,244	1,612,601
Corporate Issues	Not rated	193,832	194,849		151,165	43,684
		<u>\$ 16,779,558</u>	<u>16,846,483</u>	<u>11,160,226</u>	<u>3,840,716</u>	<u>1,845,541</u>

(1) Ratings are provided where applicable to indicate associated credit risk.

17. DUE TO IRS – ARBITRAGE REBATE

The amount stated on the Statement of Net Position (\$272,807) has been established from earnings on bond proceeds, as reserves for the possible payment of arbitrage earnings to the Internal Revenue Service. Periodic arbitrage calculations have been made for the various bond issues and the Authority has concluded that the amounts established as reserves are sufficient at December 31, 2019. The reserves will be revised if future calculations warrant a revision.

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18. RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY

Receivables and payables at December 31, 2019 are as follows:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>
Wastewater Construction	Solid Waste Operating	\$ 517,008
Wastewater Construction	Solid Waste Project	<u>483,142</u>
		<u>\$ 1,000,150</u>

Interfunds were created to account for reimbursements due to Wastewater Management Program from Solid Waste Management Program that have not been paid at December 31, 2019.

19. POST EMPLOYMENT HEALTHCARE PLAN

General Information about the Plan:

The Authority offers Other Post-Retirement Benefits (OPEB) to its employees through the State Health Benefit Local Government Retired Employees Plan (the Plan) a cost-sharing multiple employer defined benefit other postemployment benefit plan. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at:

<https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical, prescription drug and dental coverage to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of post retirement medical coverage for employees and their dependents who:

1) retired on a disability pension;

or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer;

or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer;

or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service

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credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Allocation Methodology:

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. Statewide across all member employers, the special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. For the special funding situation, where applicable, and the nonspecial funding situation, the Collective Total OPEB liabilities for the year ended June 30, 2019 were \$5,637,151,775 and \$8,182,092,807, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's non special funding situation during the measurement period July 1, 2018 through June 30, 2019. Employer and non-employer allocation percentages have been rounded for presentation purposes.

Net OPEB Liability:

Components of Net OPEB Liability

The components of the collective net OPEB liability of the participating employers in the Plan as of June 30, 2019 is as follows:

	June 30, 2019	
	Collective Total	Proportionate Share
Total OPEB Liability	\$ 13,819,244,582	\$ 26,568,051
Plan Fiduciary Net Position	273,173,482	525,187
Net OPEB Liability	<u>\$ 13,546,071,100</u>	<u>\$ 26,042,864</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.98%	1.98%

At June 30, 2019 the Authority's proportionate share of the Collective Net OPEB Liability was \$26,042,864. The Authority's proportion of the Collective Net OPEB Liability was 0.192254% which was a decrease from the prior year of 5.19%.

For the Year ended June 30, 2019 the Authority's Total OPEB Expense was (\$1,640,222).

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

Inflation rate	2.50%
Salary increases*:	
Through 2026	2.00% to 6.00%
Thereafter	3.00% to 7.00%

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* Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2018 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

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

Health Care Trend Assumptions

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

Discount Rate

The discount rate for June 30, 2019 was 3.5%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

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

		1% Decrease (2.50%)		Discount Rate (3.50%)		1% Increase (4.50%)
<hr/>						
Collective						
Net OPEB Liability	\$	15,662,704,137	\$	13,546,071,100	\$	11,826,026,995
 Proportionate Share						
Net OPEB Liability	\$	30,112,176	\$	26,042,864	\$	22,736,010

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Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate

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

		<u>1% Decrease</u>		<u>Healthcare Cost Trend Rate</u>		<u>1% Increase</u>
Collective						
Net OPEB Liability	\$	11,431,214,644	\$	13,546,071,100	\$	16,243,926,531
Proportionate Share						
Net OPEB Liability	\$	21,976,968	\$	26,042,864	\$	31,229,599

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

At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to retired employees' OPEB from the following sources:

	<u>Collective Totals</u>		<u>Proportionate Share</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ (3,961,399,180)	\$	\$ (7,615,948)
Changes of assumptions		(4,800,426,301)		(9,229,012)
Net difference between projected and actual earnings on OPEB plan investments	11,158,226		21,452	
Changes in proportion and differences between contributions and proportionate share of contributions			1,262,780	(4,897,645)
Total	<u>\$ 11,158,226</u>	<u>\$ (8,761,825,481)</u>	<u>\$ 1,284,232</u>	<u>\$ (21,742,605)</u>

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

Year ended June 30,		Collective Totals		Proportionate Share
2020	\$	(1,425,201,517)	\$	(3,332,009)
2021		(1,425,201,517)		(3,332,009)
2022		(1,426,076,187)		(3,334,054)
2023		(1,427,489,995)		(3,337,360)
2024		(1,428,781,861)		(3,340,380)
Thereafter		(1,617,916,178)		(3,782,561)
Total	\$	<u>(8,750,667,255)</u>	\$	<u>(20,458,373)</u>

Detailed information about the plan's fiduciary net position is available in the separately issued OPEB financial report.

Collective OPEB Expenses reported by the State of New Jersey

The components of allocable OPEB Expense related to specific liabilities of individual employers for the year ending June 30, 2019 are as follows:

Service cost	\$ 666,574,660
Interest on Total OPEB Liability	636,082,461
Expected Investment Return	(11,286,267)
Administrative Expenses	9,478,435
Changes of Benefit Terms	(1,903,958)
Current Period Recognition (Amortization) of Deferred Inflows/ Outflows of Resources:	
Differences between Expected and Actual Experience	(619,405,071)
Changes in Assumptions	(809,376,790)
Differences between Projected and Actual Investment Earnings on OPEB Plan Investments	3,580,344
Total Collective OPEB Expense	<u>\$ (126,256,186)</u>

20. POST EMPLOYMENT BENEFITS

Effective February 1, 2013, the Authority joined New Jersey's State Health Benefits Plan ("SHBP"). The SHBP plan now provides postretirement, medical, dental and prescription drug coverage. Therefore, only the Medicare Part B reimbursements and the postretirement vision care continue to be provided by the Authority.

It is the policy of the Authority to provide health benefits to eligible employees who retire from the Authority and satisfy the Authority's minimum service requirements in a manner consistent with New Jersey Law and Authority policy.

The actuarial determined valuation of these benefits has been reviewed and will be reviewed bi-annually for the purpose of estimating the present value of future benefits for active and retired employees and their dependents as required by GASB 75.

The actuarial valuation report was based on 204 total participants including 53 retirees.

Annual OPEB Cost and Net OPEB Liability

The Authority's annual OPEB cost represents the accrued cost for post-employment benefits under GASB 75. The cumulative difference between the annual OPEB cost and the benefits paid during a year will result in a net OPEB obligation. The annual OPEB cost is equal to the annual required contribution

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(ARC) less adjustment if a net OPEB obligation exists. The ARC is equal to the normal cost and amortization of the Unfunded Actuarial Accrued Liability (UAAL) plus interest.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrences of events far into the future, including future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the January 1, 2019 actuarial valuation, the "Entry-Age-Normal as a Percentage of Salary" method was used for all participants. The actuarial assumptions used to project future costs included a discount rate of 3.0% and annual health insurance cost trend rate of 4.75%. In addition, the unfunded actuarial accrued liability is being amortized period of 20 years.

Other Post-employment Benefit Costs and Obligations

In the January 1, 2019 actuarial valuation, the Actuarially Determined Contribution for the year's ending December 31, 2019 were projected as follows:

	<u>12/31/2019</u>
Service Cost	\$ 396,624
20 Year Amortization of NOL at 3.0%	308,113
Actuarily Determined Contribution	<u>704,737</u>
Actual Contribution	126,329
Contribution deficiency	\$ <u><u>(578,408)</u></u>
Covered Payroll	\$ 12,272,810
Actuarily Determined Contribution as a % of Covered Payroll	5.74%

The following reflects the change in the Total OPEB Liability as of the January 1, 2019 valuation date for the year ended December 31, 2019.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(CONTINUED)

	<u>12/31/2019</u>
OPEB Liability, Beginning of Year	\$ 9,873,800
Changes for the Year:	
Service Cost	396,624
Interest	306,060
Assumption Changes & Difference	
Between Actual & Expected Experience	-
Change in Actuarial Cost Method	-
Benefit Payments	(126,329)
OPEB Liability, End of Year	\$ <u>10,450,155</u>
Covered payroll (for Covered Participants)	\$ 12,272,810
Total OPEB liability as a percentage of covered payroll	85.15%

Sensitivity of the total OPEB liability to changes in the discount rate.

The December 31, 2019 valuation was prepared using a discount rate of 3.00%. If the discount rate were 1% higher than what was used in this valuation, the Total OPEB Liability would decrease to \$8,814,074 or by 15.66%. If the discount rate were 1% lower than was used in this valuation, the Total OPEB Liability would increase to \$12,488,015 or by 19.50%.

	<u>Discount Rate</u>		
	<u>1% Decrease</u>	<u>Baseline 3.00%</u>	<u>1% Increase</u>
Total OPEB Liability	\$ <u>12,488,015</u>	\$ <u>10,450,155</u>	\$ <u>8,814,074</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.

The December 31, 2019 valuation was prepared using an initial trend rate of 4.75%. If the trend rate were 1% higher than what was used in this valuation, the Total OPEB Liability would increase to \$13,186,710 or by 26.19%. If the trend rate were 1% lower than was used in this valuation, the Total OPEB Liability would decrease to \$8,393,426 or by 19.68%.

	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>	<u>Baseline 4.75%</u>	<u>1% Increase</u>
Total OPEB Liability	\$ <u>8,393,426</u>	\$ <u>10,450,155</u>	\$ <u>13,186,710</u>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(CONTINUED)

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

For the year ended December 31, 2019, the Authority's Actuarially determined OPEB expense was \$702,684. At December 31, 2019, the Authority would have reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Increase in December 31, 2019 OPEB Liability due to Actuarial experience different from expected and actuarial assumption changes	\$ -	\$ -
Total	\$ <u>-</u>	\$ <u>-</u>

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

For the Year Ending December 31,

2020	\$ -
2021	-
2022	-
2023	-
2024	-
Thereafter	-
	\$ <u>-</u>

21. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events for potential recognition and/or disclosure through July 10, 2020, the date the financial statements were available to be issued, no issues were identified that require disclosure.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
Schedule of the Authority's Proportionate Share of the Net OPEB Liability
State Health Benefits Program
Last Four Fiscal Years

	2019	2018	2017	2016
Authority's proportion of the net OPEB liability (asset)	0.192254%	0.202775%	0.195393%	0.215928%
Authority's proportionate of the net OPEB liability (asset)	\$ 26,042,864.00	31,767,985.00	39,891,022.00	46,894,087.00
Authority's covered payroll	10,679,915.00	10,516,445.00	10,149,768.00	10,537,005.00
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	243.85%	302.08%	393.02%	445.04%
Plan fiduciary net position as a percentage of the total OPEB liability	1.98%	1.97%	not available	not available

Source: GASB 75 report on State of New Jersey State Health Benefits Program; Authority records

Note: This schedule is required by GASB 75 to be show information for a 10 year period.
However, information is only currently available for four years.
Additional years will be presented as they become available.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
Schedule of the Authority's Proportionate Share of the Net OPEB Liability
Vision and Medicare Part B Reimbursements
Last Four Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's proportion of the net OPEB liability (asset)	100.000000%	100.000000%	100.000000%	100.000000%
Authority's proportionate of the net OPEB liability (asset)	\$ 10,450,155.00	9,873,800.00	8,860,740.00	8,709,925.00
Authority's covered payroll	10,679,915.00	10,516,445.00	10,149,768.00	10,537,005.00
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	97.85%	93.89%	87.30%	82.66%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	not available	not available

Source: GASB 75 report on State of New Jersey State Health Benefits Program; Authority records

Note: This schedule is required by GASB 75 to be show information for a 10 year period.
However, information is only currently available for four years.
Additional years will be presented as they become available.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEE RETIREMENT SYSTEM
YEARS ENDED DECEMBER 31,

	2019	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability (asset)	0.1512388998%	0.1430982220%	0.1508249411%	0.1527717042%	0.1542083233%	0.1483271947%	0.1473077754%
Authority's proportionate of the net pension liability (asset)	\$ 27,250,955	\$ 28,175,327	\$ 35,109,635	\$ 45,246,597	\$ 34,616,678	\$ 27,770,908	\$ 28,153,443
Authority's covered payroll	\$ 10,679,915	\$ 10,516,445	\$ 10,149,768	\$ 10,537,005	\$ 10,463,313	\$ 10,314,672	\$ 10,119,281
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	255.16%	267.92%	345.92%	429.41%	330.84%	269.24%	278.22%
Plan fiduciary net position as a percentage of the total pension liability	56.30%	46.40%	48.10%	40.14%	47.93%	52.08%	48.72%

Source: GASB 68 report on Public Employees' Retirement System; Authority records

Note: This schedule is required by GASB 68 to be show information for a 10 year period. However, information is only currently available for seven years. Additional years will be presented as they become available.

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF AUTHORITY CONTRIBUTIONS
PUBLIC EMPLOYEE RETIREMENT SYSTEM
YEARS ENDED DECEMBER 31,

	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 1,429,698	\$ 1,415,675	\$ 1,292,686	\$ 1,258,402	\$ 1,145,220	\$ 1,091,373	\$ 1,063,090
Contributions in relation to the contractually required contribution	1,429,698	1,415,675	1,292,686	1,258,402	1,145,220	1,091,373	1,063,090
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 10,679,915	\$ 10,516,445	\$ 10,149,768	\$ 10,537,005	\$ 10,463,313	\$ 10,314,672	\$ 10,119,281
Contributions as a percentage of covered-employee payroll	13.39%	13.46%	12.74%	11.94%	10.95%	10.58%	10.51%

Source: GASB 68 report on Public Employees' Retirement System; Authority records

Note: This schedule is required by GASB 68 to be show information for a 10 year period.
However, information is only currently available for seven years.
Additional years will be presented as they become available.

OTHER SUPPLEMENTARY INFORMATION

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FORD - SCOTT

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INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman and Members
of the Cape May County Municipal
Utilities Authority
Cape May Court House, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Cape May County Municipal Utilities Authority, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 10, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

July 10, 2020

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
GENERAL COMMENTS AND RECOMMENDATIONS

Findings and Recommendations

None

Status of Prior Year's Audit Recommendations

There were no prior year recommendations.

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

Ford, Scott, & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

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CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
COMBINING SCHEDULE OF NET POSITION
BUSINESS TYPE ACTIVITIES
DECEMBER 31, 2019 AND 2018

	December 31, 2019					December 31, 2018				
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total
ASSETS										
CURRENT ASSETS:										
Cash and cash equivalents	\$ 10,790,733	4,031,722			14,822,455	5,064,977	1,581,541			6,646,518
Investments	1,051,262	2,818,721			3,869,983	4,202,552	4,603,182			8,805,734
User charges receivable	88,527	1,542,202			1,630,729	69,517	1,480,615			1,550,132
Septage haulers fees receivable	64,724				64,724	91,391	-			91,391
Accounts receivable - other	62,367	148,072			210,439	27,157	178,863			206,020
Allowance for doubtful accounts	(15,354)	(26,968)			(42,322)	(15,354)	(26,968)			(42,322)
TOTAL CURRENT ASSETS	12,042,259	8,513,749	-	-	20,556,008	9,440,240	7,817,233	-	-	17,257,473
NONCURRENT ASSETS:										
Restricted Assets:										
Cash and cash equivalents	32,842,487	9,007,334			41,849,821	20,313,403	8,983,899			29,297,302
Investments	1,731,104	11,245,395			12,976,499	17,602,932	11,376,567			28,979,499
Accounts receivable - other	56,421				56,421	1,818	-			-
New Jersey trust loan receivable	-				-	1,728	-			1,728
Prepaid Expenses	-				-	955,519	-			955,519
Due from Solid Waste Management Program	1,000,150				1,000,150					
TOTAL RESTRICTED ASSETS	35,630,162	20,252,729	-	-	55,882,891	38,875,400	20,360,466	-	-	59,235,866
CAPITAL ASSETS:										
Capital Assets not being depreciated	19,251,629	21,556,419			40,808,048	10,353,739	18,454,248			28,807,987
Capital assets being depreciated	386,593,990	93,348,357			479,942,347	378,438,676	92,257,011			470,695,687
Less accumulated depreciation	316,073,032	73,094,983			389,168,015	311,559,644	70,710,244			382,269,888
NET PROPERTY, PLANT AND EQUIPMENT	89,772,587	41,809,793	-	-	131,582,380	77,232,771	40,001,015	-	-	117,233,786
TOTAL ASSETS	137,445,008	70,576,271	-	-	208,021,279	125,548,411	68,178,714	-	-	193,727,125
DEFERRED OUTFLOW OF RESOURCES:										
Deferred Outflows Related to Pensions			1,284,232	4,856,088	4,856,088			1,485,233	5,564,122	5,564,122
Deferred Outflows Related to OPEB					1,284,232					1,485,233
Deferred Amount on Refunding	108,347				108,347	187,853				187,853
TOTAL DEFERRED OUTFLOW OF RESOURCES	108,347	-	1,284,232	4,856,088	6,248,667	187,853	-	1,485,233	5,564,122	7,237,208
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 137,553,355	70,576,271	1,284,232	4,856,088	214,269,946	\$ 125,736,264	68,178,714	1,485,233	5,564,122	200,964,333

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
COMBINING SCHEDULE OF NET POSITION
BUSINESS TYPE ACTIVITIES
DECEMBER 31, 2019 AND 2018
(CONTINUED)

	December 31, 2019					December 31, 2018				
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total
LIABILITIES										
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:										
Accounts payable - operations	\$ 658,569	1,472,641			2,131,210	\$ 659,019	1,409,775			2,068,794
Due Wastewater Management Program		517,008			517,008		494,183			494,183
TOTAL CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS	658,569	1,989,649	-	-	2,648,218	659,019	1,903,958	-	-	2,562,977
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:										
Accounts payable	3,020,917	98,649			3,119,566	1,651,924	142,633			1,794,557
Accrued interest payable	203,731	33,460			237,191	269,036	35,648			304,684
Due Wastewater Management Program		483,142			483,142		461,336			461,336
Current maturities of long-term debt										
(Net of Unamortized Bond Premium of \$393,760 in 2019 and \$376,456 in 2018, respectively)										
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	3,828,622	542,601	-	-	4,371,223	3,672,240	531,591	-	-	4,203,831
	7,053,270	1,157,852	-	-	8,211,122	5,593,200	1,171,208	-	-	6,764,408
LONG TERM OBLIGATIONS:										
Accrued compensated absences	323,128				323,128	315,887				315,887
Due to IRS - arbitrage rebate	272,807				272,807	272,807				272,807
Net OPEB Obligations			36,493,019		36,493,019			41,641,785		41,641,785
Net Pension Liability				27,250,955	27,250,955				28,175,327	28,175,327
Long term portion of bonds payable										
(Net of Unamortized Bond Premium of \$614,947 in 2019 and \$1,008,709 in 2018, respectively)										
TOTAL LIABILITIES	12,036,827	7,501,938			19,538,765	15,865,451	8,044,538			23,909,989
	20,344,601	10,649,439	36,493,019	27,250,955	94,738,014	22,706,364	11,119,704	41,641,785	28,175,327	103,643,180
DEFERRED INFLOW OF RESOURCES:										
Deferred inflows related to OPEB			21,742,605		21,742,605			17,858,707		17,858,707
Deferred inflows related to pensions				11,405,421	11,405,421				11,252,913	11,252,913
TOTAL DEFERRED INFLOW OF RESOURCES	-	-	21,742,605	11,405,421	33,148,026	-	-	17,858,707	11,252,913	29,111,620
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	\$ 20,344,601	10,649,439	58,235,624	38,656,376	127,886,040	\$ 22,706,364	11,119,704	59,500,492	39,428,240	132,754,800

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
COMBINING SCHEDULE OF NET POSITION
BUSINESS TYPE ACTIVITIES
DECEMBER 31, 2019 AND 2018
(CONTINUED)

	December 31, 2019					December 31, 2018				
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total
NET POSITION:										
Net Investment in Capital Assets	\$ 73,907,138	33,765,254			107,672,392	\$ 57,695,080	31,424,866			89,119,966
Restricted For:										
Bond service	2,956,546				2,956,546	2,831,927				2,831,927
Bond reserve	3,293,633				3,293,633	3,293,633				3,293,633
Renewal and replacement	30,278,034				30,278,034	32,530,847				32,530,847
Capital projects	3,927,637				3,927,637	3,832,647				3,832,647
Landfill closure #1		6,760,771			6,760,771		6,453,008			6,453,008
Equipment reserve		2,025,174			2,025,174		1,935,547			1,935,547
Building and site		320,025			320,025		293,787			293,787
IPF capital reserve		701,394			701,394		744,045			744,045
Operating and maintenance reserve	2,834,955	2,195,027			5,029,982	2,834,955	2,195,027			5,029,982
Unreserved:										
Board Designated:										
Rate stabilization	10,811	863,166			873,977	10,811	843,856			854,667
IPF rate stabilization		73,169			73,169		450,499			450,499
Insurance		603,485			603,485		589,327			589,327
Future construction		7,328,644			7,328,644		7,349,197			7,349,197
Unrestricted	-	5,290,723	(56,951,392)	(33,800,288)	(85,460,957)	-	4,779,831	(58,015,259)	(33,864,118)	(87,099,546)
TOTAL NET POSITION	117,208,754	59,926,832	(56,951,392)	(33,800,288)	86,383,906	103,029,900	57,059,010	(58,015,259)	(33,864,118)	68,209,533
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	\$ 137,553,355	70,576,271	1,284,232	4,856,088	214,269,946	\$ 125,736,264	68,178,714	1,485,233	5,564,122	200,964,333

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
 (A component unit of the County of Cape May)
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
BUSINESS TYPE ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	December 31, 2019					December 31, 2018				
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total
Operating revenues:										
User service agreements	\$ 35,109,547	14,693,853			49,803,400	\$ 34,427,628	13,994,051			48,421,679
Septage haulers fees	668,939				668,939	616,663				616,663
Leachate disposal	221,183				221,183	396,041				396,041
Processing dry sludge	263,435				263,435	190,792				190,792
Tower rental	111,495				111,495	108,248				108,248
Operating grants	171,839	204,414			376,253		148,220			148,220
SLF cover fees		445,314			445,314		266,287			266,287
Methane gas sales		103,761			103,761		139,601			139,601
Wood product sales		506,975			506,975		418,141			418,141
Wood product delivery charge		14,520			14,520		17,346			17,346
Sale of asbestos bags		11,129			11,129		11,528			11,528
Sale of scrap metal		20,939			20,939		31,660			31,660
Electric generation income		269,771			269,771		388,206			388,206
Sale of renewable energy certificates		167,066			167,066		188,341			188,341
Miscellaneous		13,529			13,529		169,075			169,075
IPF electric reimbursement	10,477	102,420			112,902	112,644	97,742			210,386
IPF residue income		223,683			223,683		227,320			227,320
IPF commercial ton revenue		821			821		11,757			11,757
IPF administrative support reimbursement		73,678			73,678		76,377			76,377
IPF glass cover material		86,620			86,620		98,223			98,223
Recyclables Hauling		26,400			26,400		30,750			30,750
Recycling income		41,341			41,341		19,961			19,961
TOTAL OPERATING REVENUES	36,556,915	17,006,234	-	-	53,563,149	35,852,016	16,334,586	-	-	52,186,602

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
BUSINESS TYPE ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)

	December 31, 2019					December 31, 2018				
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total
Operating expenses:										
Salary and wages	\$ 6,500,303	3,602,560			10,102,863	\$ 6,438,864	3,448,935			9,887,799
Employee benefits	2,793,101	1,682,262		(63,830)	4,411,533	2,862,533	1,661,840		(71,511)	4,452,862
Other post-employment benefits (Note 19)			(1,063,867)		3,342,685			480,437		480,437
Administrative expenses	1,785,153	1,557,532			10,134,029	2,066,126	1,510,634			3,576,760
Operations and maintenance	5,233,919	4,900,110			7,140,016	6,109,493	5,211,142			11,320,635
Depreciation	4,750,277	2,389,739			2,594,174	4,521,451	2,492,851			7,014,302
Construction fund expenses	2,074,328	519,846			36,661,433	2,426,279	493,651			2,919,930
TOTAL OPERATING EXPENSES	23,137,081	14,652,049	(1,063,867)	(63,830)	16,901,716	24,424,746	14,819,053	480,437	(71,511)	39,652,725
Operating income	13,419,834	2,354,185	1,063,867	63,830		11,427,270	1,515,533	(480,437)	71,511	12,533,877
Nonoperating revenues (expenses):										
Project fund credits - NJEIT	301				301	16,615				16,615
Interest income	920,580	586,307			1,506,887	618,702	394,774			1,013,476
Interest expense	(448,114)	(83,368)			(531,482)	(615,736)	(88,472)			(704,208)
Amortization of bond premium	286,253	10,698			296,951	272,861	10,059			282,920
Loss on Disposal of Fixed Assets					-		(2,209)			(2,209)
Cumulative Change in Accounting Principle					-			(457,337)		(457,337)
TOTAL NONOPERATING REVENUES (EXPENSES)	759,020	513,637	-	-	1,272,657	292,442	314,152	(457,337)	-	149,257
Change in Net Position	14,178,854	2,867,822	1,063,867	63,830	18,174,373	11,719,712	1,829,685	(937,774)	71,511	12,683,134
Net Position - beginning	103,029,900	57,059,010	(58,015,259)	(33,864,118)	68,209,533	91,310,188	55,229,325	(57,077,485)	(33,935,629)	55,526,399
Net Position - ending	\$ 117,208,754	\$ 59,926,832	(56,951,392)	(33,800,288)	86,383,906	\$ 103,029,900	57,059,010	(58,015,259)	(33,864,118)	68,209,533

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
COMBINING SCHEDULE OF CASH FLOWS
BUSINESS TYPE ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	December 31, 2019					December 31, 2018				
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total
CASH FLOWS FROM OPERATING ACTIVITIES:										
Receipts from customers and users	\$ 36,350,969	16,771,024			53,121,993	\$ 35,634,358	16,288,973			51,923,331
Other operating cash receipts	121,972	204,414			326,386	220,892	148,220			369,112
Payments to employees	(9,286,163)	(5,284,822)			(14,570,985)	(9,295,997)	(5,110,775)			(14,406,772)
Payments to suppliers and vendors	(7,723,129)	(6,958,606)			(14,681,735)	(9,652,206)	(7,165,859)			(16,818,065)
Net cash provided by operating activities	19,463,649	4,732,010	-	-	24,195,659	16,907,047	4,160,559	-	-	21,067,606
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:										
Prepayments received (returned)	-	-			-	-	(150,575)			(150,575)
Net transfers from (to) other funds	(44,631)	44,631			-	108,685	(108,685)			-
Net cash provided/(used) by noncapital financing activities	(44,631)	44,631	-	-	-	108,685	(259,260)	-	-	(150,575)
CASH ACTIVITIES FROM CAPITAL AND RELATED FINANCING ACTIVITIES:										
Purchase of capital assets	(17,290,093)	(4,198,517)			(21,488,610)	(7,004,292)	(1,560,669)			(8,564,961)
N.J. trust and fund loan	1,818	-			1,818	111,429	-			111,429
Principal paid on capital debt	(3,385,688)	(520,892)			(3,906,580)	(3,230,590)	(515,893)			(3,746,483)
Interest paid on capital debt	(433,913)	(85,556)			(519,469)	(599,492)	(90,555)			(690,047)
Net cash (used) by capital and related financing activities	(21,107,876)	(4,804,965)	-	-	(25,912,841)	(10,722,945)	(2,167,117)	-	-	(12,890,062)
CASH FLOWS FROM INVESTING ACTIVITIES:										
Investments matured (purchased)	19,023,118	1,915,633			20,938,751	(11,201,506)	335,576			(10,865,930)
Interest income	920,580	586,307			1,506,887	618,702	394,774			1,013,476
Net cash provided/(used) by investing activities	19,943,698	2,501,940	-	-	22,445,638	(10,582,804)	730,350	-	-	(9,852,454)
Net increase/(decrease) in cash and cash equivalents	18,254,840	2,473,616	-	-	20,728,456	(4,290,017)	2,464,532	-	-	(1,825,485)
CASH AND CASH EQUIVALENTS, JANUARY 1	25,378,380	10,565,440			35,943,820	29,668,397	8,100,908			37,769,305
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 43,633,220	13,039,056	-	-	56,672,276	\$ 25,378,380	10,565,440	-	-	35,943,820

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
COMBINING SCHEDULE OF CASH FLOWS
BUSINESS TYPE ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)

	December 31, 2019					December 31, 2018						
	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total	Wastewater Management Program	Solid Waste Management Program	Net OPEB Adjustment	Net Pension Adjustment	Total		
\$	13,419,834	2,354,185	1,063,867	63,830	16,837,886	\$	11,427,270	1,515,533	(480,437)	71,511	12,462,366	
	4,750,277	2,389,739	-	-	7,140,016		4,521,451	2,492,851	(457,337)	-	(457,337)	7,014,302
	18,170,111	4,743,924	1,063,867	63,830	23,977,902		15,948,721	4,008,384	(937,774)	71,511	19,019,331	
	(83,974)	(30,796)		708,034	(114,770)		3,234	102,607		3,187,204	105,841	
	1,728		201,001		1,728		(1,728)				(1,728)	
			3,883,898		3,883,898				(1,478,397)		(1,478,397)	
			(5,148,766)		(3,754,100)				9,526,148		9,526,148	
	1,375,784	18,882		(771,864)	(3,754,100)		956,820	49,568	(7,109,977)	(3,258,715)	(6,103,589)	
\$	19,463,649	4,732,010	-	-	24,195,659	\$	16,907,047	4,160,559	-	-	21,067,606	

Reconciliation of operating income to net cash
Provided by operating activities:
Operating income
Adjustments to reconcile operating income to
net cash provided by operating activities:
Change in Accounting Principle
Depreciation

Changes in assets and liabilities:
Receivables, net
Prepaid Expenses
Deferred Outflows of Resources
Deferred Inflows of Resources
Accounts and other payables

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WASTEWATER MANAGEMENT PROGRAM

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CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
WASTEWATER MANAGEMENT PROGRAM
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2019

	2019 Budget (as revised)	2019 Actual
REVENUES:		
User service agreements:	\$ 35,109,547	35,109,547
Interest on investments and deposits	900,000	909,427
Septage/Leachate disposal fees	1,105,000	890,122
Processing Dry Sludge	350,000	263,435
Tower rental	105,000	111,495
Project fund credits - NJEIT	-	301
Operating Grants	-	171,839
Miscellaneous	40,000	10,477
	\$ 37,609,547	37,466,643
EXPENSES:		
Personnel services:		
Salaries and wages:		
Ocean City region	\$ 1,114,997	1,091,359
Cape May region	774,000	787,210
Seven Mile Beach/Middle region	2,322,500	2,340,036
Wildwood/Lower region	1,300,000	1,208,547
Composting facility	337,000	334,695
Administration	725,000	738,456
Employee benefits:		
Social Security tax	476,596	465,002
Workers' compensation insurance	211,410	153,248
Other employee benefits	2,405,489	2,174,851
Administrative expenses:		
Operating portion of administrative overhead costs	1,475,000	1,518,318
Professional fees	82,500	66,830
Financial management	24,444	19,332
Permits and fees	222,500	180,673

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
WASTEWATER MANAGEMENT PROGRAM
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

	2019 Budget (as revised)	2019 Actual
EXPENSES (CONTINUED):		
Operations and maintenance:		
Utilities	\$ 2,304,400	1,836,712
Chemicals	1,092,500	722,591
Miscellaneous	68,350	45,370
Supplies and postage	179,163	161,215
Repair and replacement parts	504,587	303,543
Materials	14,300	12,849
Rent/Lease	8,200	3,925
Other insurance	374,562	297,996
Tower Shared Services	40,000	29,942
Outside service	2,083,950	1,395,878
Capital Equipment	360,400	212,275
Lubrications/Fuels	380,300	211,623
	<u>18,882,148</u>	<u>16,312,476</u>
Interest expense	<u>446,295</u>	<u>446,296</u>
Other costs funded by operating revenues:		
Bond principal	3,431,104	3,431,103
Renewal and replacement reserve	14,850,000	17,276,768
	<u>18,281,104</u>	<u>20,707,871</u>
Total costs funded by operating revenues	37,609,547	37,466,643
Add: Excess (Deficit)	<u>-</u>	<u>-</u>
	<u>\$ 37,609,547</u>	<u>37,466,643</u>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
WASTEWATER MANAGEMENT PROGRAM
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS
DECEMBER 31, 2019

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2019
<u>Unrestricted Accounts</u>				
Revenue and Operating Accounts:				
TD Bank - Daily Deposit Acct.	\$ 70,180	1.700	N/A	\$ 70,180
TD Bank - Checking Acct	82,877	1.700	N/A	82,877
TD Bank - Money Market	8,072,633	1.700	N/A	8,072,633
Sturdy Savings Bank - Money Market	11,826	1.200	N/A	11,826
NJ Cash Management Fund	834,220	1.750	N/A	834,220
NJ ARM	217,043	1.570	N/A	217,043
Parke Bank - Money Market	2,552,191	1.980	N/A	2,552,191
Petty Cash				1,025
				<hr/> 11,841,995
Total Unrestricted Accounts				<hr/> <hr/> 11,841,995
<u>Restricted Accounts</u>				
Construction Accounts:				
Sturdy Savings - Payroll Acct.	5,051	0.000	N/A	5,051
TD Bank - Checking Acct.	1,279,084	1.700	N/A	1,279,084
TD Bank - Health Savings Account	17,006	1.700	N/A	17,006
NJ Cash Management Fund	252,719	1.750	N/A	252,719
Petty Cash				700
				<hr/> 1,554,560
Bond Reserve Fund:				
Parke Bank - Liquid Investment Acct.	2,861,696	1.980	N/A	2,861,696
Sturdy Savings Bank - Money Market	17,679	1.200	N/A	17,679
NJ Cash Management Fund	100,000	1.750	N/A	100,000
				<hr/> 2,979,375
Renewal and Replacement Accounts:				
Sturdy Savings Bank - Money Market	8,914	1.200	N/A	8,914
Parke Bank - Money Market	19,777,522	1.980	N/A	19,777,522
NJ ARM	686,218	1.570	N/A	686,218
TD Bank - Money Market	8,855,000	1.700	N/A	8,855,000
NJ Cash Management Fund	98,230	1.750	N/A	98,230
TD Bank - Checking	10,573	1.700	N/A	10,573
				<hr/> 29,436,457

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
WASTEWATER MANAGEMENT PROGRAM
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS
DECEMBER 31, 2019

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2019
<u>Restricted Accounts (Continued)</u>				
Rate Stabilization Account:				
NJ Cash Management Fund	10,811	1.750	N/A	<u>10,811</u>
Sick and Vacation Pay Reserve Fund:				
NJ Cash Management Fund	323,129	1.750	N/A	<u>323,129</u>
2002 Forward Financing Fund:				
NJ Cash Management Fund	260,000	2.320	N/A	260,000
Sturdy Savings Bank - Money Market	9,259	0.040	N/A	<u>9,259</u>
				<u>269,259</u>
Total Restricted Accounts				<u><u>34,573,591</u></u>
Total - Wastewater Management Program				<u><u>\$ 46,415,586</u></u>

SOLID WASTE MANAGEMENT PROGRAM

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CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
SOLID WASTE MANAGEMENT PROGRAM
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2019

	2019 Budget (as revised)	2019 Actual
REVENUES:		
User charges and fees	\$ 15,176,770	14,693,853
Interest on investments and deposits	375,000	373,650
Compost Chip Sales	530,000	506,975
Paint Recycling	28,000	30,563
Operating Grants	143,320	204,414
IPF Electric reimbursement	100,000	102,420
Wood Product Delivery charge	16,000	14,520
Sale of scrap metal	25,000	20,939
Renewable Energy Credits	128,000	167,066
Recyclables Hauling	25,500	26,400
Sale of Asbestos Bags	12,000	11,129
IPF Glass Cover Material	100,000	86,620
IPF Residue Income	205,000	223,683
IPF Commercial Tons Revenue	12,000	821
IPF Administrative Support Reimbursement	75,000	73,678
SLF Cover	340,000	445,314
Gas Methane Revenue	180,000	103,761
CFC/Other Scrap Metal	5,000	10,778
PJM Electric Energy Sales	525,000	269,771
Hazardous Waste	600	210
Miscellaneous	105,000	13,319
	<u>\$ 18,107,190</u>	<u>17,379,884</u>
EXPENSES:		
Personnel services:		
Salaries and wages:		
Sanitary landfill	\$ 1,725,109	1,802,671
Transfer station	742,823	703,116
Maintenance and repair	450,921	407,271
Recycling	96,326	96,386
Management and administration	512,906	502,840
Enforcement and Compliance	90,874	90,276
Employee benefits:		
Social Security tax	272,759	256,275
Workers' compensation insurance	155,430	110,187
Other employee benefits	1,480,684	1,315,800
Administrative expenses:		
Other expenses	317,200	249,486
Operating Portion of Administrative		
Overhead costs	1,252,985	1,308,046
Enforcement and compliance:		
Other expenses	6,000	305

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
SOLID WASTE MANAGEMENT PROGRAM
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

	2019 Budget (as revised)	2019 Actual
EXPENSES (CONTINUED):		
Operations and maintenance:		
Sanitary landfill:		
Support services	\$ 891,700	696,798
Other expenses	1,219,025	777,050
Transfer station:		
Support services	20,400	8,957
Other expenses	91,200	70,217
Maintenance and repair and equipment	1,140,567	874,082
Recycling	212,800	206,316
Taxes and other charges:		
Landfill contingency tax	94,583	94,190
Recycling Tax	561,948	551,025
Host community benefits	1,254,796	1,164,199
	<u>12,591,036</u>	<u>11,285,493</u>
Interest expense	<u>83,368</u>	<u>83,368</u>
Other costs funded by operating revenues:		
Bond principal	520,893	520,893
Renewal and Replacement Fund	975,000	975,000
Reserve for Future Construction	3,707,577	1,022,577
Reserve for Building & Site Improvements	40,000	40,000
Closure and postclosure care	189,316	188,781
	<u>5,432,786</u>	<u>2,747,251</u>
Total costs funded by operating revenues	18,107,190	14,116,112
Add: Excess (Deficit)	<u> </u>	<u>3,263,772</u>
	<u>\$ 18,107,190</u>	<u>17,379,884</u>

Schedule 7

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
SOLID WASTE MANAGEMENT PROGRAM
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS
DECEMBER 31, 2019

<u>Description</u>	<u>Face Amount</u>	<u>Interest Rate %</u>	<u>Due Date</u>	<u>Cost December 31, 2019</u>
<u>Unrestricted Accounts</u>				
Revenue and Operating Accounts:				
TD Bank - Daily Deposit Account	\$ 222,581	1.700	N/A	\$ 222,581
TD Bank - Checking Account	338,603	1.700	N/A	338,603
TD Bank - Prepayment Escrow	143,738	0.000	N/A	143,738
TD Bank - Money Market	2,657,566	1.700	N/A	2,657,566
Sturdy Savings Bank - Money Market	6,634	1.200	N/A	6,634
Parke Bank - Money Market	657,800	1.980	N/A	657,800
NJ Cash Management Fund	2,336,317	1.750	N/A	2,336,317
Petty Cash				4,800
				<u>6,368,039</u>
Host Community Benefit Reserve Fund				
NJ Cash Management Fund	482,404	1.750	N/A	482,404
				<u>482,404</u>
Total Unrestricted Accounts				<u>6,850,443</u>
<u>Restricted Accounts</u>				
Construction Accounts:				
TD Bank - Checking Account	86,557	1.700	N/A	86,557
TD Bank - Money Market	2,816	1.700	N/A	2,816
Parke Bank - Money Market	660,000	1.980	N/A	660,000
NJ Cash Management Fund	282,617	1.750	N/A	282,617
Sturdy Savings Bank - Money Market	9,222	1.200	N/A	9,222
				<u>1,041,212</u>
Equipment Reserve Accounts:				
Sturdy Savings Bank - Money Market	8,369	1.200	N/A	8,369
NJ Cash Management Fund	2,095,523	1.750	N/A	2,095,523
				<u>2,103,892</u>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
SOLID WASTE MANAGEMENT PROGRAM
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS
DECEMBER 31, 2019
(CONTINUED)

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2019
Restricted Accounts (Continued)				
Landfill Closure Account:				
First Amer Govt Oblig Fund CI Z	\$ 52,877	1.480	N/A	\$ 52,877
Federal Home Lending	58,000	2.340	8/12/2021	57,705
Federal Home Lending	60,000	2.340	4/20/2020	59,795
Federal Home Lending	80,000	2.340	2/16/2021	79,789
Federal Home Lending	100,000	2.340	1/17/2020	99,895
Federal Home Lending	4,202	2.340	2/25/2023	4,202
Federal Home Lending	35,721	2.340	11/25/2022	35,246
Federal Home Lending	45,000	2.340	6/25/2025	45,424
Federal Home Lending	55,000	2.340	12/25/2025	54,583
Federal Home Lending	46,000	2.340	4/25/2024	45,754
Federal Home Lending	60,000	2.340	7/25/2024	60,616
Federal National Mortgage Assoc.	137,000	2.340	9/6/2022	136,523
Federal National Mortgage Assoc.	60,000	2.340	10/7/2021	59,899
Federal National Mortgage Assoc.	63,000	2.340	1/11/2022	62,955
Federal National Mortgage Assoc.	5,000	2.340	9/12/2023	4,980
Federal National Mortgage Assoc.	30,000	2.340	2/28/2020	29,981
Federal National Mortgage Assoc.	50,000	2.340	4/12/2022	49,836
Federal National Mortgage Assoc.	35,214	2.340	6/25/2027	35,823
Federal Farm Credit Bks	30,000	2.340	5/8/2020	30,008
Federal Farm Credit Bks	25,000	2.340	4/1/2021	25,212
Federal Farm Credit Bks	25,000	2.340	11/27/2020	24,956
Federal Farm Credit Bks	30,000	2.340	7/17/2023	30,040
Federal Home Loan Bks	60,000	2.340	7/14/2021	59,704
Federal Home Loan Bks	50,000	2.340	9/28/2020	49,840
Federal Home Loan Bks	50,000	2.340	6/12/2020	50,302
Federal Home Loan Bks	35,000	2.340	12/9/2022	33,959
Federal Home Loan Bks	65,000	2.340	6/9/2023	65,382
Federal Home Loan Bks	15,000	2.340	6/10/2022	15,083
Federal Home Loan Bks	50,000	2.340	3/28/2023	50,281
Federal Home Loan Bks	30,000	2.340	2/12/2021	29,704
Federal Home Loan Bks	30,000	2.340	3/14/2025	29,882
Federal Home Loan Bks	50,000	2.340	6/14/2024	49,770
Federal Home Loan Bks	100,000	2.340	9/13/2024	100,912
Federal Home Loan Bks	30,000	2.340	3/10/2028	29,624
Federal Home Loan Bks	65,000	2.340	9/12/2025	64,489
Federal Home Loan Bks	100,000	2.340	6/9/2028	99,164
Federal Home Loan Bks	25,000	2.340	9/8/2028	24,644
Federal Home Loan Bks	55,000	2.340	6/11/2021	56,414
United States Treas Bond	75,000	2.340	8/15/2021	108,686
United States Treas Bond	30,000	2.340	8/15/2022	40,814
United States Treas Bond	25,000	2.340	8/15/2023	32,840
United States Treas Bond	55,000	2.340	2/15/2020	76,375
United States Treas Bond	56,000	2.340	2/15/2022	46,623
Tennessee Valley Authority Power	42,000	2.340	3/15/2020	41,909
United States Treas Note	27,000	2.340	4/30/2020	26,917
United States Treas Note	35,000	2.340	7/31/2021	34,820
United States Treas Note	35,000	2.340	9/30/2021	34,665
United States Treas Note	58,000	2.340	10/31/2021	57,640
United States Treas Note	45,000	2.340	1/31/2021	44,116
United States Treas Note	306,000	2.340	2/15/2020	305,808
United States Treas Note	25,000	2.340	4/15/2020	24,991
United States Treas Note	40,000	2.340	8/15/2020	39,527
United States Treas Note	51,000	2.340	8/15/2022	50,853
United States Treas Note	60,000	2.340	8/15/2026	58,344
United States Treas Note	224,000	2.340	2/15/2026	224,605

Schedule 7

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
SOLID WASTE MANAGEMENT PROGRAM
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS
DECEMBER 31, 2019
(CONTINUED)

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2019
Restricted Accounts (Continued)				
Landfill Closure Account (Continued):				
United States Treas Note	105,000	2.340	5/15/2026	103,111
United States Treas Note	34,000	2.340	8/15/2029	33,420
United States Treas Note	70,000	2.340	10/31/2023	69,218
United States Treas Note	70,000	2.340	3/31/2022	69,563
United States Treas Note	25,000	2.340	5/15/2023	23,054
United States Treas Note	35,000	2.340	6/30/2024	34,839
United States Treas Note	132,000	2.340	2/28/2022	133,294
United States Treas Note	40,000	2.340	8/31/2022	40,072
United States Treas Note	115,000	2.340	10/30/2021	114,115
United States Treas Note	110,000	2.340	1/31/2020	110,026
United States Treas Note	102,000	2.340	2/15/2023	100,629
United States Treas Note	200,000	2.340	2/15/2025	196,229
United States Treas Note	13,000	2.340	4/30/2024	13,078
United States Treas Note	240,000	2.340	8/15/2025	235,831
United States Treas Note	80,000	2.340	6/30/2022	81,456
United States Treas Note	107,000	2.340	9/30/2021	107,788
United States Treas Note	33,000	2.340	11/30/2024	33,565
United States Treas Note	30,000	2.340	12/31/2021	29,755
United States Treas Note	169,000	2.340	2/15/2027	168,792
United States Treas Note	115,000	2.340	3/31/2026	114,429
United States Treas Note	140,000	2.340	8/15/2027	138,467
United States Treas Note	55,000	2.340	11/15/2024	54,709
United States Treas Note	148,000	2.340	11/15/2025	151,842
United States Treas Note	247,000	2.340	11/15/2027	236,105
United States Treas Note	105,000	2.340	5/15/2027	106,238
United States Treas Note	93,000	2.340	8/15/2024	96,439
United States Treas Note	105,000	2.340	2/28/2026	110,422
United States Treas Note	131,000	2.340	5/15/2024	131,186
United States Treas Note	51,000	2.340	1/31/2026	51,657
United States Treas Note	15,000	2.340	11/15/2020	15,132
United States Treas Note	91,000	2.340	2/15/2024	93,398
United States Treas Note	30,000	2.340	2/15/2028	29,702
United States Treas Note	32,000	2.340	11/15/2023	32,203
United States Treas Note	45,000	2.340	5/15/2028	44,860
United States Treas Note	100,000	2.340	8/15/2028	97,684
United States Treas Note	6,000	2.340	9/30/2023	6,257
United States Treas Note	22,000	2.340	11/30/2023	23,079
United States Treas Note	56,000	2.340	5/15/2021	58,552
United States Treas Note	92,000	2.340	11/15/2028	94,762
United States Treas Note	25,000	2.340	5/15/2020	36,176
Fresb Multifamily Mortgage	46,988	2.180	1/25/2024	47,375
Fresb Multifamily Mortgage	38,033	2.180	4/25/2024	38,391
Fresb Multifamily Mortgage Pass	31,334	2.180	5/25/2023	31,444
Fresb Multifamily Mortgage Pass	43,477	2.180	8/25/2039	43,685
Private Export Funding	34,000	2.180	11/15/2024	33,955
	<u>6,693,846</u>			<u>6,760,770</u>
Insurance Accounts:				
Parke Bank - Money Market	583,412	1.980	N/A	583,412
NJ Cash Management Fund	20,073	1.750	N/A	<u>20,073</u>
				<u>603,485</u>
Building and Site Improvement Account:				
Parke Bank - Money Market	320,025	1.980	N/A	<u>320,025</u>
				<u>320,025</u>

Schedule 7

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
SOLID WASTE MANAGEMENT PROGRAM
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS
DECEMBER 31, 2019
(CONTINUED)

Description	Face Amount	Interest Rate %	Due Date	Cost December 31, 2019
<u>Restricted Accounts (Continued)</u>				
Rate Stabilization Accounts:				
Sturdy Savings Bank - Money Market	2,380	1.200	N/A	2,380
NJ Cash Management Fund	860,786	1.750	N/A	860,786
				<hr/>
				863,166
				<hr/>
Sturdy Savings Bank - Money Market	3,353	1.200	N/A	3,353
NJ Cash Management Fund	461,295	1.750	N/A	461,295
				<hr/>
				464,648
				<hr/>
IPF Capital Reserve Accounts:				
Sturdy Savings Bank - Money Market	2,557	1.200	N/A	2,557
NJ Cash Management Fund	764,330	1.750	N/A	764,330
				<hr/>
				766,887
				<hr/>
Reserve for Future Construction:				
Parke Bank - Money Market	7,327,223	1.980	N/A	7,327,223
Sturdy Savings Bank - Money Market	1,421	1.200	N/A	1,421
				<hr/>
				7,328,644
				<hr/>
Total Restricted Accounts				20,252,729
				<hr/>
Total - Solid Waste Management Program				\$ 27,103,172
				<hr/>

CAPE MAY COUNTY MUNICIPAL UTILITIES AUTHORITY
(A component unit of the County of Cape May)
SOLID WASTE MANAGEMENT PROGRAM
SCHEDULE OF OPERATIONS
INTERMEDIATE PROCESSING FACILITY
FOR THE YEAR ENDED DECEMBER 31, 2019

	Total	Supplemental Authority IPF Expenses	Contracted Operator
REVENUES:			
Operating Revenues:			
Net sales - Cape May County	\$ 1,611,046		1,611,046
Net Sales - Commercial/Merchants	821		821
Total Operating Revenues	1,611,867	-	1,611,867
IPF Capital Reserve Fund - Repair Expense Reimbursement	65,493	65,493	
Total Revenues	1,677,360	65,493	1,611,867
EXPENSES:			
Operating Expenses:			
Base operating fee (payable by CMCMUA)	38,752		38,752
Equipment and repairs	65,493		65,493
CMCMUA administrative support	73,678	73,678	
IPF residue disposal expense	223,683	223,683	
Glass residue - Accepted as daily cover	86,620	86,620	
Operator revenue share	1,579,792		1,579,792
Total operating expenses	2,068,018	383,981	1,684,037
Transfer to IPF Rate Stabilization Fund	-		
Non-Municipal Recycling Revenue - Operations	821	821	
Rebates to Municipalities	-		
Excess Residue Fees to remain in Solid Waste Operations	-		
Operating Subsidy - Rate Stabilization Fund	(391,479)	(391,479)	
Total Expenses	1,677,360	(6,677)	1,684,037
Authority's (Cost) of Operating the Intermediate Processing Facility	\$ -	72,170	(72,170)
ANALYSIS OF BALANCE DUE (TO) FROM OPERATORS AT DECEMBER 31, 2019			
Balance due from operator, December 31, 2018	\$ (196,525)	-	(196,525)
Increased by:			
IPF electric reimbursement Owed to MUA	102,420		102,420
IPF glass Hauling Reimbursement Owed to MUA	26,400		26,400
Net Operator Revenue Share	(72,170)		(72,170)
	56,650	-	56,650
Decreased by:			
Payments Received from Operator	109,260		109,260
	109,260	-	109,260
Balance due From operator - December 31, 2019	\$ (249,135)	-	(249,135)