

WASHINGTON TOWNSHIP MUNICIPAL
UTILITIES AUTHORITY
COUNTY OF MORRIS
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2023

| | <u>Page</u> |
|---|-----------------|
| <u>INTRODUCTORY SECTION (Unaudited)</u> | |
| Letter of Transmittal | 1-3 |
| Organizational Chart | 4 |
| Roster of Officials | 5 |
| <u>FINANCIAL SECTION</u> | |
| Independent Auditors' Report | 1-4 |
| Management's Discussion and Analysis | 5-8 |
| <u>Financial Statements</u> | |
| Statement of Net Position | 9-10 |
| Statement of Revenue, Expenses and Changes in Net Position | 11 |
| Statement of Cash Flows | 12 |
| Notes to Financial Statements | 13-30 |
| <u>Required Supplementary Information</u> | |
| Schedules Related to Accounting and Reporting for Pensions (GASB 68): | |
| Schedule of Authority's Proportionate Share of the Net Pension Liability – | |
| Public Employees Retirement System | 31 |
| Schedule of Authority Contributions – Public Employees Retirement System | 32 |
| Notes to Required Supplementary Information | 33 |
| | <u>Schedule</u> |
| <u>Supplementary Information</u> | |
| Schedule of Revenue, Expenses and Changes in Net Position – Restricted | |
| and Unrestricted Funds | I |
| Schedule of Sewer Operating Fund Revenue and Expenditures Compared to Budget | II |
| Schedule of Water Operating Fund Revenue and Expenditures Compared to Budget | III |
| Schedule of Water and Sewer Revenue Bonds Payable | IV |
| Schedule of NJ Infrastructure Bank Loans Payable | V |
| | <u>Page</u> |
| <u>SINGLE AUDIT SECTION</u> | |
| Schedule of Expenditures of Federal Awards (Not Applicable) | 1 |
| Schedule of Expenditures of State Awards | 1 |
| Notes to Schedules of Expenditures of Federal and State Awards | 2 |
| Independent Auditors' Report on Internal Control Over Financial Reporting and on | |
| Compliance and Other Matters Based on an Audit of Financial Statements Performed in | |
| Accordance with <i>Government Auditing Standards</i> | 3-4 |
| Independent Auditors' Report on Compliance For Each Major State Program; | |
| Report on Internal Control Over Compliance Required by NJOMB 15-08 | 5-7 |
| Schedule of Findings and Questioned Costs | 8-9 |

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2023

| | <u>Page</u> |
|--|-------------|
| <u>SINGLE AUDIT</u> (Cont'd) | |
| Summary Schedule of Prior Audit Findings | 10 |
| Comments and Recommendations | 11-12 |
| Summary of Recommendations | 13 |

INTRODUCTORY SECTION



**WASHINGTON TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY**

PO Box 226 - 46 E. Mill Road
Long Valley, NJ 07853

• WASTEWATER TREATMENT • PUBLIC WATER SUPPLY •

Phone: (908) 876-3145
Fax: (908) 876-5528

April 17, 2024

The Honorable Chairman and Members
Of the Washington Township Municipal Utilities Authority
Long Valley, NJ

Dear Authority Members:

The annual financial report of the Washington Township Municipal Utilities Authority (The “Authority”) for the year ended December 31, 2023, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Authority. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

The annual financial report is presented in four sections: introductory, financial, *Government Auditing Standards* section and comments and recommendations. The introductory section includes this transmittal letter, the Authority's organizational chart and a list of principal officials. The financial section includes the financial statements as well as the auditors' report thereon. Information related to the *Government Auditing Standards* section, including the auditors' report on internal control and compliance with applicable laws and regulations and findings and related responses, are included in the *Government Auditing Standards* section of this report.

REPORTING ENTITY AND ITS SERVICES:

The Authority was created in accordance with the State Municipal Utilities Authorities Law (P.L. 1957, Chap. 183), by ordinance of the Township of Washington on February 16, 1972. Pursuant to the provisions of the law, the Authority is authorized to acquire, construct, maintain, operate or improve works for the accumulation, supply or distribution of water and works for the collection, treatment, purification or disposal of sewerage or other wastes. As a public body, under existing statute, the Authority is exempt from both federal and state taxes.

GENERAL TRENDS AND SIGNIFICANT EVENTS

During 2023, the Authority's water division was involved with the following:

- Highlands Preservation and NJDEP (Land Use Group) approvals obtained (contingent on a Tree Mitigation Plan submittal) for the proposed SM well in the Schooley's Mountain Water System. These approvals are necessary prior to the construction of the new well & pump building.
- The installation of radio read water meters is ongoing with only one meter remaining to be installed. The current focus of the installation is on meters that are over 10 years old which encompasses 35% of the Authority's meters.
- Multiple major leaks in both water systems were found and repaired.

The Honorable Chairman and Members
of the Washington Township Municipal Utilities Authority
Page 2
April 17, 2024

During 2023, the Authority's water division was involved with the following (cont'd):

- Continued implementing the hydrant and valve requirements of the State Water Quality Accountability Act. All hydrants and valves are in the process of being located (if necessary) and exercised.
- Four of the five water tanks were rehabilitated. Exploration of the rehab/replacement of the remaining tank are underway.
- An asset management system (GIS based) was designed and initiated (for both water & sewer infrastructures).
- The Water Infrastructure Improvement Fee was instituted to help fund much needed improvements to assets within the Authority's Water System.

During 2023, the Authority's sewer division experienced the following:

- The Authority has continued its Inflow & Infiltration (I & I) program to reduce the volume of wastewater treated and reduce the treatment cost. The Authority began a Capital Improvements project to clean and CCTV over 50,000 feet of sewer pipe to identify potential I & I sources.
- The Authority continued the process of rehab/replacement for the Springtown Pump Station
- The Authority continues to explore improvements to the Schooley's Mountain Wastewater Treatment Plant to generate cost savings and improve working conditions.
- Several large pieces of equipment (pumps & mixers) were replaced at both Schooley's Mtn & Long Valley Wastewater Treatment Plants.
- An asset management system (GIS based) was designed and initiated (for both water & sewer infrastructures).

CASH MANAGEMENT: The investment policy of the Authority is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 6. The Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

RISK MANAGEMENT: The Authority carries various forms of insurance, including but not limited to general liability, excess liability, public officials liability, automobile liability and comprehensive/collision, hazard and theft insurance on property, contents, and fidelity bonds.

OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Authority. The auditors' report on the financial statements is included in the financial section of this report.

The auditors' report related specifically to *Government Auditing Standards* is included in the *Government Auditing Standards* section of this report.

The Honorable Chairman and Members
of the Washington Township Municipal Utilities Authority
Page 3
April 17, 2024

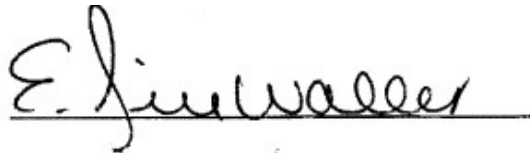
ACKNOWLEDGEMENTS:

We would like to express our appreciation to the members of the Washington Township Municipal Utilities Authority for their concern in providing fiscal accountability to the citizens of Washington Township and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

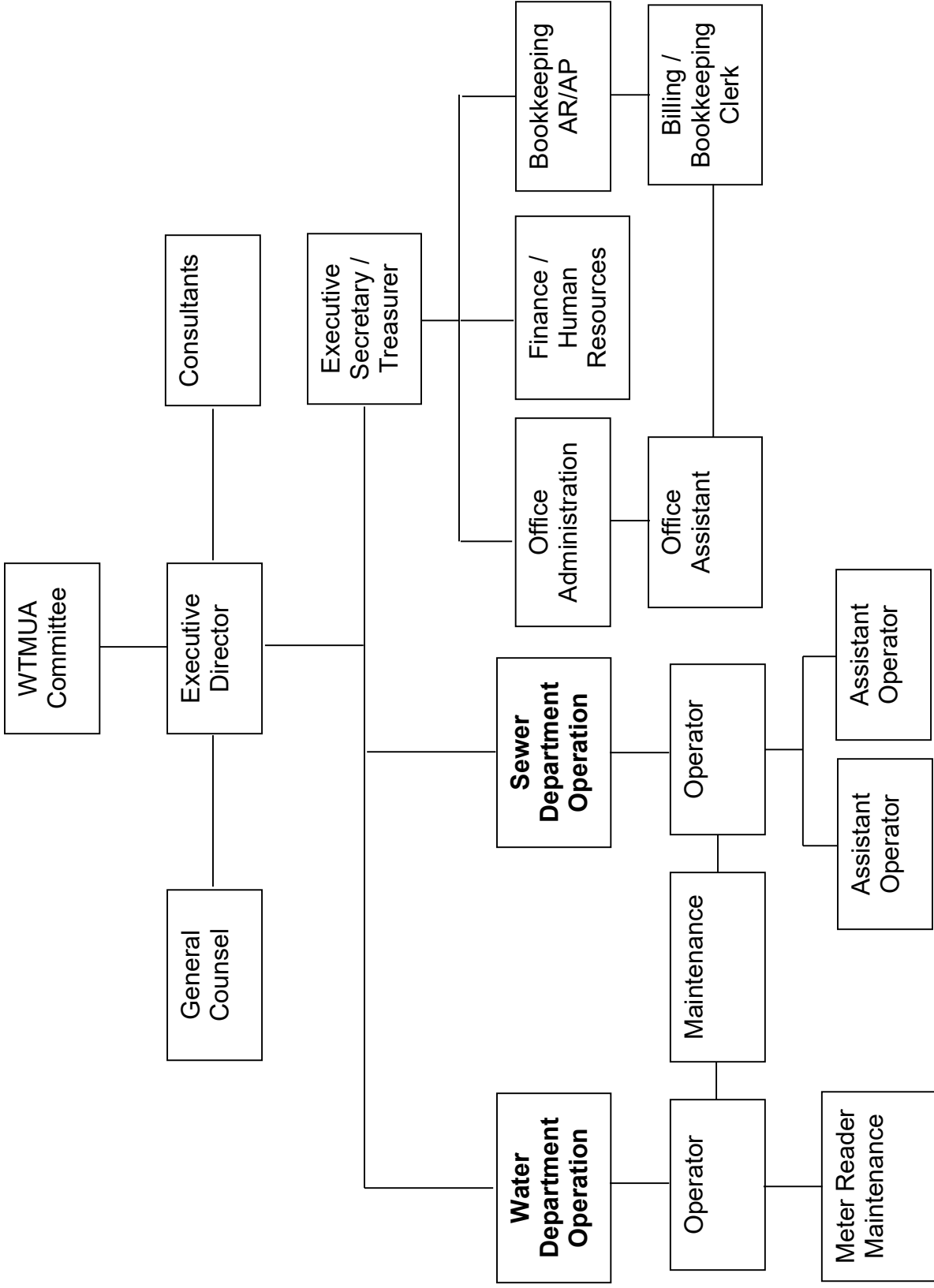
Respectfully submitted,



Tom McAndrew
Executive Director



E. Jill Waller
Executive Secretary/Treasurer



**WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
ROSTER OF OFFICIALS
DECEMBER 31, 2023**

Board Members

| | |
|-----------------|--------------------------|
| Walt Cullen | Chairman |
| Mark Napolitano | Vice Chairman |
| Don Babb | Board Member |
| Josh Drake | Board Member |
| Joe Sparone | Board Member |
| Daniel Sehnal | Board Member Alternate 1 |
| Steve Caetano | Board Member Alternate 2 |

CONSULTANTS AND ADVISORS

AUDIT FIRM

Nisivoccia LLP
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856

ATTORNEY

John Napolitano, Esq.
Cleary Giacobbe Alfieri & Jacobs, LLC
955 State Route 34, Suite 200
Matawan, NJ 07747

ENGINEER

Suburban Consulting Engineers, Inc.
96 US Highway 206
Suite 101
Flanders, NJ 07836

FINANCIAL SECTION

Independent Auditors' Report

The Honorable Chairman and Members
of the Washington Township Municipal
Utilities Authority
Long Valley, NJ

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of the business-type activities of the Washington Township Municipal Utilities Authority (the “Authority”), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2023, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (The “Division”) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Matter Giving Rise to Qualified Opinion

The Authority’s net pension liability and the related deferred outflows and inflows of resources reported in the financial statements at December 31, 2023 are based on the June 30, 2022 Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions*, report for the State of New Jersey Public Employees’ Retirement System (“PERS”), from the Division of Pensions and Benefits, Department of the Treasury, State of New Jersey (the “State”). We were unable to obtain the June 30, 2023 GASB No. 68 report as it has not been released by the State as of the date of this report. The amount by which this omission would affect the net pension liability and the related deferred inflows and outflows of resources, net position and expenses of the Authority has not been determined.

The Honorable Chairman and Members
of the Washington Township Municipal
Utilities Authority
Page 2

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

The Honorable Chairman and Members
of the Washington Township Municipal
Utilities Authority
Page 3

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information pension schedules and related notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, are 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.

The Schedule of Authority's Proportionate Share of the Net Pension Liability does not contain the Authority's proportionate share of net pension liability as of June 30, 2023 as the related GASB No. 68 report for PERS has not been released by the State as of the date of this report. This required supplementary information is required to be presented to supplement the basic financial statements in accordance with accounting principles generally accepted in the United States of America. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information schedules and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 accompanying supplementary information schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

The Honorable Chairman and Members
of the Washington Township Municipal
Utilities Authority
Page 4

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

Mt. Arlington, New Jersey
April 17, 2024

Nisivoccia LLP
NISIVOCCIA LLP

Man C Lee

Man C. Lee
Registered Municipal Accountant #562
Certified Public Accountant

MANAGEMENT DISCUSSION AND ANALYSIS

This section presents management’s analysis of the Authority’s financial condition and activities for the year. This information should be read in conjunction with the financial statements.

Financial Highlights

The Authority is well within its stringent financial policies and guidelines set by the Board and management. The following are key highlights:

- The Authority lowered its total bonded debt by \$304,420 and the balance is \$1,077,904 at December 31, 2023.
- The Authority’s project for the rehabilitation of five existing water storage tanks, which began in 2022, was completed in 2023. The \$1,372,281 construction note issued by the New Jersey Infrastructure Bank (“NJIB”) was defeased and a \$797,237 long-term 30-year loan was issued by the NJIB. The amount of NJIB loan payable issued was net of a \$500,000 principal forgiveness through the New Jersey’s Water Bank Financing Program.
- During 2023, the Authority treated 221.93 million gallons of wastewater. This is a 11% increase from the 199.03 million gallon quantity processed during 2022.
- For 2023, the Authority delivered in excess of 248.42 million gallons of potable water as compared to 2022 when 251.93 million gallons were delivered. This represents a decrease of 2%.
- Combined operating revenues were \$4.99 million, an increase of approximately \$39,000 compared to 2022.

Overview of Annual Financial Report

The Management’s Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with the audited financial statements and supplementary information. The Management’s Discussion and Analysis represents management’s examination and analysis of the Authority’s financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority’s strategic plan, budget, and other management tools were used for this analysis.

The financial statements report information about the Authority using full accrual accounting as utilized by similar government entities. The financial statements include a statement of net position; a statement of revenue, expenses, and changes in net position; a statement of cash flows and notes to the financial statements.

The *statement of net position* presents the financial position of the Authority on a full accrual historical cost basis. The statement of net position presents information on all of the Authority’s assets and liabilities, as well as any deferred inflows or outflows of resources with the difference reported as net position. Over time, increases and decreases in net position is one indicator of whether the financial position of the Authority is improving or deteriorating.

While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the *statement of revenue, expenses, and changes in net position* presents the results of the business activities over the course of the year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the Authority’s recovery of its costs. Rate setting policies use different methods of cost recovery not fully provided for by generally accepted accounting principles. The primary objectives of the rate model are to improve equity among customer classes and ensure that capital costs are allocated on the basis of long-term requirements, ensuring that growth pays for growth.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The *notes to the financial statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information concerning the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Financial Conditions

The Authority's financial condition remained solid at year-end with adequate liquid assets, reliable plants and systems to meet demand, and a reasonable level of unrestricted net position. The current financial condition, technical support staff capabilities, and operating and expansion plans to meet anticipated customer needs are well balanced and under control.

The Authority's total net position increased from the prior year by \$1,270,487. The analysis below focuses on the Authority's net position (Table I) and changes in net position (Table 2) during the year.

Total net position increased 5.77%. This was a result of adopting a conservative balanced budget which provides for the continued payment of debt service in excess of annual depreciation and planned growth in net position.

Table I
Condensed Statement of Net Position

| | December 31, | | Increase/ (Decrease) | % |
|----------------------------------|----------------------|----------------------|-------------------------|-------------------------|
| | 2023 | 2022 | 2022 | Increase/ (Decrease) |
| Current and Other Assets | \$ 10,920,012 | \$ 11,187,498 | \$ (267,486) | -2.39% |
| Noncurrent Assets | 16,292,609 | 15,694,726 | 597,883 | 3.81% |
| Total Assets | <u>27,212,621</u> | <u>26,882,224</u> | <u>330,397</u> | 1.23% |
| Deferred Outflows of Resources | <u>546,005</u> | <u>628,002</u> | <u>(81,997)</u> | -13.06% |
| Current Liabilities | 1,051,281 | 1,034,567 | 16,714 | 1.62% |
| Long-term Liabilities | 3,170,659 | 3,684,688 | (514,029) | -13.95% |
| Total Liabilities | <u>4,221,940</u> | <u>4,719,255</u> | <u>(497,315)</u> | -10.54% |
| Deferred Inflows of Resources | <u>248,758</u> | <u>773,530</u> | <u>(524,772)</u> | -67.84% |
| Net Investment in Capital Assets | 14,417,468 | 12,940,121 | 1,477,347 | 11.42% |
| Restricted | 7,185,631 | 6,508,794 | 676,837 | 10.40% |
| Unrestricted | <u>1,684,829</u> | <u>2,568,526</u> | <u>(883,697)</u> | -34.40% |
| Total Net Position | <u>\$ 23,287,928</u> | <u>\$ 22,017,441</u> | <u>\$ 1,270,487</u> | 5.77% |

MANAGEMENT DISCUSSION AND ANALYSIS

Changes in the Authority's net position can be determined by reviewing the following condensed Statement of Revenue, Expenses and Changes in Net Position for the year.

Table II
Condensed Statement of Revenue, Expenses and Changes in Net Position

| | December 31, | | Increase/ (Decrease) From 2022 | % Increase/ (Decrease) |
|---|----------------------|----------------------|--------------------------------------|------------------------------|
| | 2023 | 2022 | | |
| <u>Revenue</u> | | | | |
| Operating Revenue | \$ 4,998,334 | \$ 4,959,520 | \$ 38,814 | 0.78% |
| Nonoperating Revenue | 452,277 | 67,412 | 384,865 | 570.91% |
| Total Revenue | <u>5,450,611</u> | <u>5,026,932</u> | <u>423,679</u> | 8.43% |
| <u>Expenses</u> | | | | |
| Water Transmission | 1,539,841 | 1,374,132 | 165,709 | 12.06% |
| Sewer Disposal | 1,550,699 | 1,549,158 | 1,541 | 0.10% |
| Depreciation | 849,936 | 780,725 | 69,211 | 8.86% |
| Interest Expense - Debt Service | 747,103 | 731,833 | 15,270 | 2.09% |
| Total Expenses | <u>4,687,579</u> | <u>4,435,848</u> | <u>251,731</u> | 5.67% |
| Change in Net Position Before Other Financing Sources/Uses | 763,032 | 591,084 | 171,948 | 29.09% |
| Other Financing Sources/Uses | <u>507,455</u> | | <u>507,455</u> | 100% |
| Change in Net Position | 1,270,487 | 591,084 | 679,403 | 114.94% |
| Beginning Net Position | <u>22,017,441</u> | <u>21,426,357</u> | <u>591,084</u> | 2.76% |
| Ending Net Position | <u>\$ 23,287,928</u> | <u>\$ 22,017,441</u> | <u>\$ 1,270,487</u> | 5.77% |

Results of Operations

Operating Revenue: Revenue from operations falls into several categories: water and sewer service fees and water and sewer connection fees. Water rent revenue decreased 0.18% from 2022 mainly due to rate increases offset with fluctuation in usage. Sewer rent revenue increased 2.03% over 2022 primarily due to rate increases. Sewer connection fee revenue decreased 29.08% from 2022 while water connection fee revenue increased 30.18% from 2022. Connection fees vary year to year based upon development. Water infrastructure improvement fee remained approximately the same as 2022.

Budgetary Highlights: The Authority made minimal amendments to its 2023 water and sewer operating budgets.

Nonoperating Revenue: The Authority's non-operating revenue increased \$384,865 from 2022, which was primarily due to the increase in interest rates and the recognition of BPU grant revenue as grant funds were spent in 2023.

Expenses: The Authority operates two water systems and two sewerage systems. Operating expenses for the water systems increased \$165,709 or 12.06% over 2022 mainly due to BPU grant expenses incurred in the current year. Operating expenses for the sewer systems increased \$1,541 or 0.10% from 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Assets: As of December 31, 2023, the Authority had \$16.3 million invested in net capital assets, including land, two wastewater treatment plants, two sewage collection systems including eight pumping stations, two water distribution systems including five water storage tanks, sixteen wells and potable water treatment systems. The amount represents a net increase of \$1,970,164 over the prior year, mainly due to rehabilitation of five water tanks through the NJIB loan program.

The following table summarizes the Authority's capital assets, net of accumulated depreciation and changes therein, for the years ended December 31, 2023 and 2022. These changes are presented in detail in Note 3 to the financial statements.

Table III
Capital Assets, Net of Accumulated Depreciation

| | December 31, | | Increase/ (Decrease) 2022 | % Increase/ (Decrease) |
|--------------------------------|----------------------|----------------------|---------------------------------|------------------------------|
| | 2023 | 2022 | | |
| Land | \$ 485,970 | \$ 485,970 | | |
| Buildings/Treatment Plants | 8,272,944 | 8,272,944 | | |
| Transmission Facilities | 31,062,226 | 28,242,126 | \$ 2,820,100 | 9.99% |
| Equipment/Vehicles | 341,526 | 341,526 | | 0.00% |
| Office Furniture/Fixtures | 27,807 | 27,807 | | |
| Total | <u>40,190,473</u> | <u>37,370,373</u> | <u>2,820,100</u> | <u>7.55%</u> |
| Less: Accumulated Depreciation | <u>23,897,864</u> | <u>23,047,928</u> | <u>849,936</u> | <u>3.69%</u> |
| Capital Assets, Net | <u>\$ 16,292,609</u> | <u>\$ 14,322,445</u> | <u>\$ 1,970,164</u> | <u>13.76%</u> |

Cash Flow Activity: Cash and cash equivalents at year-end 2023 decreased by \$336,811 or 3.05% from the previous year. The Authority maintains an adequate cash balance to meet future emergencies and capital requirements.

Long-Term Liabilities: At year end, the Authority had \$2,671,438 in long-term liabilities outstanding – an increase of \$54,611 from last year, as shown in Table IV. More detailed information about the Authority's long-term liability is presented in Note 4 to the financial statements.

Table IV
Outstanding Long-Term Liabilities

| | Dec. 31, | | (Decrease) From 2022 | % Increase/ (Decrease) |
|-------------------------|---------------------|---------------------|-------------------------|---------------------------|
| | 2023 | 2022 | | |
| Water and Sewer Revenue | | | | |
| Bonds Payable | \$ 1,077,904 | \$ 1,382,324 | \$ (304,420) | -22.02% |
| Net Pension Liability | 1,593,534 | 1,234,503 | 359,031 | 29.08% |
| NJIB Loans Payable | 797,237 | 1,372,281 | (575,044) | 100.00% |
| | <u>\$ 2,671,438</u> | <u>\$ 2,616,827</u> | <u>\$ 54,611</u> | <u>2.09%</u> |

Final Comments: The Authority has developed future water supply sources to meet the increased demands of growth within its franchise areas and is developing another new source to permit the abandonment of older sources. Infrastructure improvements and vehicle and equipment replacement continue to be a priority of the Authority. Upgrades to both the sewerage and water systems are planned as the systems age.

WASHINGTON TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY

FINANCIAL STATEMENTS

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2023

ASSETS

Current Assets:

Unrestricted Assets:

| | |
|--|--------------|
| Cash and Cash Equivalents | \$ 3,412,710 |
| Water and Sewer Charges Receivable (Net of Allowance for Uncollectible Receivables of \$10,000) | 222,335 |
| Total Unrestricted Assets | 3,635,045 |

Restricted Assets:

Cash and Cash Equivalents:

| | |
|--|-----------|
| Bond Reserve Account | 132,217 |
| Renewal and Replacement Account | 89,324 |
| General Account | 6,552,018 |
| Debt Service Account (1998 Series A & B) | 19,565 |
| Bond Reserve Account (1998 Series A) | 306,978 |
| Escrow Deposits Account | 99,336 |
| Unemployment/Disability Compensation Account | 85,529 |
| Total Restricted Assets | 7,284,967 |

| | |
|----------------------|------------|
| Total Current Assets | 10,920,012 |
|----------------------|------------|

Noncurrent Assets:

| | |
|-------------------------|------------|
| Capital Assets, Net | 16,292,609 |
| Total Noncurrent Assets | 16,292,609 |

| | |
|--------------|------------|
| Total Assets | 27,212,621 |
|--------------|------------|

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--|---------|
| Deferred Outflows Related to Pensions | 396,445 |
| Authority Contribution Subsequent to the Measurement Date - Pensions | 149,560 |
| Total Deferred Outflows of Resources | 546,005 |

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2023
(Continued)

LIABILITIES

Current Liabilities Payable from Unrestricted Assets:

| | |
|--|------------|
| Accounts Payable | \$ 519,067 |
| Accrued Interest Payable | 34,011 |
| Total Current Liabilities Payable from Unrestricted Assets | 553,078 |

Current Liabilities Payable from Restricted Assets:

| | |
|--|---------|
| Revenue Bonds Payable - Short-Term Portion | 289,756 |
| NJIB Loan Payable - Short-Term Portion | 8,260 |
| Escrow Deposits Payable | 200,187 |
| Total Current Liabilities Payable from Restricted Assets | 498,203 |

| | |
|---------------------------|-----------|
| Total Current Liabilities | 1,051,281 |
|---------------------------|-----------|

Long-Term Liabilities:

| | |
|---|-----------|
| Revenue Bonds Payable - Long-Term Portion | 788,148 |
| NJIB Loan Payable - Long-Term Portion | 788,977 |
| Net Pension Liability | 1,593,534 |
| Total Long-Term Liabilities | 3,170,659 |

| | |
|-------------------|-----------|
| Total Liabilities | 4,221,940 |
|-------------------|-----------|

DEFERRED INFLOWS OF RESOURCES:

| | |
|--------------------------------------|---------|
| Deferred Inflows Related to Pensions | 248,758 |
| Total Deferred Inflows of Resources | 248,758 |

NET POSITION

| | |
|--------------------------------------|---------------|
| Net Investment in Capital Assets | 14,417,468 |
| Restricted: | |
| Debt Service | 7,100,102 |
| Unemployment/Disability Compensation | 85,529 |
| Unrestricted | 1,684,829 |
| Total Net Position | \$ 23,287,928 |

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

| | |
|--|----------------------|
| Operating Revenue: | |
| Water Charges | \$ 1,536,215 |
| Sewer Charges | 3,075,714 |
| Water Infrastructure Improvement Fee | 269,201 |
| Connection Fees | 15,659 |
| Other Fees and Income | 101,545 |
| Total Operating Revenue | <u>4,998,334</u> |
| Operating Expenses: | |
| Water Transmission | 1,539,841 |
| Sewer Disposal | 1,550,699 |
| Unallocated Depreciation | 849,936 |
| Total Operating Expenses | <u>3,940,476</u> |
| Operating Income | <u>1,057,858</u> |
| Nonoperating Revenue/(Expenses): | |
| Interest Income | 323,635 |
| Interest Expense - Debt Service | (747,103) |
| State Sources - BPU Grant | 128,642 |
| Total Nonoperating Revenue/(Expenses) | <u>(294,826)</u> |
| Change in Net Position Before Other Financing Sources and Uses | 763,032 |
| Other Financing Sources and Uses: | |
| NJIB Loan Receivable Cancelled | (67,589) |
| NJIB Loans Payable Issued | (797,237) |
| NJIB Note Payable Defeased | 1,372,281 |
| Total Other Financing Sources and Uses | <u>507,455</u> |
| Change in Net Position | 1,270,487 |
| Net Position, Beginning of Year | <u>22,017,441</u> |
| Net Position, End of Year | <u>\$ 23,287,928</u> |

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL
PART OF THIS STATEMENT

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

| | |
|--|-----------------------------|
| Cash Flows from Operating Activities: | |
| Cash Received from Customers | \$ 4,811,805 |
| Other Receipts and Payments | 117,204 |
| Cash Paid to Suppliers and Employees | <u>(3,023,176)</u> |
| Net Cash Provided by Operating Activities | <u>1,905,833</u> |
| Cash Flows from Capital and Related Financing Activities: | |
| Principal Payments on Debt | (304,420) |
| Interest Expense | (746,451) |
| Purchase of Capital Assets | <u>(2,820,100)</u> |
| Net Cash Used for Capital and Related Financing Activities | <u>(3,870,971)</u> |
| Cash Flows from Noncapital Financing Activities: | |
| State Sources - NJIB Loan Receivable | <u>1,304,692</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>1,304,692</u> |
| Cash Flows from Investing Activities: | |
| Interest on Investments | <u>323,635</u> |
| Net Cash Provided by Investing Activities | <u>323,635</u> |
| Net Decrease in Cash and Cash Equivalents | (336,811) |
| Cash and Cash Equivalents - Beginning of Year | <u>11,034,488</u> |
| Cash and Cash Equivalents - End of Year | <u><u>\$ 10,697,677</u></u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | |
| Operating Income | \$ 1,057,858 |
| Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| Depreciation Expense | 849,936 |
| (Increase)/Decrease in Water and Sewer Charges Receivable | (69,325) |
| Decrease in Deferred Outflows Related to Pensions | 98,400 |
| (Decrease) in Deferred Inflows Related to Pensions | (524,772) |
| Increase in Net Pension Liability | 359,031 |
| Increase in Accounts Payable | 132,460 |
| Increase in Escrow Deposits Payable | <u>2,245</u> |
| Net Cash Provided by Operating Activities | <u><u>\$ 1,905,833</u></u> |

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL
PART OF THIS STATEMENT

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

Note 1: Nature of Authority

The Authority was created in accordance with the State Municipal Utilities Authorities Law (P.L. 1957, Chap. 183), by ordinance of the Township of Washington on February 16, 1972.

Pursuant to the provisions of the law, the Authority is authorized to acquire, construct, maintain, operate or improve works for the accumulation, supply or distribution of water and works for the collection, treatment, purification or disposal of sewerage or other wastes.

As a public body, under existing statute, the Authority is exempt from both federal and state taxes.

Note 2: Summary of Significant Accounting Policies

A. Basis of Presentation and Accounting

The Authority utilizes the accrual basis of accounting whereby revenue is recorded as earned and expenses are reflected as the liability is incurred. Operating revenue, such as charges for services result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenue, such as subsidies and investment earnings, results from nonexchange transactions or ancillary activities. Nonexchange transactions, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, generally do not occur, with the exception of investment earnings and interest expense. The Authority applies all applicable GASB pronouncements.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all position and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., totals assets plus deferred outflows net of total liabilities and deferred inflows) is segregated into "net investment in capital assets"; "restricted"; and "unrestricted" components.

Reporting Entity

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)

Note 2: Summary of Significant Accounting Policies (Cont'd)

A. Basis of Presentation and Accounting (Cont'd)

Reporting Entity (Cont'd)

A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above in the current year. Furthermore, the Authority is not includable in any other reporting entity on the basis of such criteria.

B. Grants

Recognition of revenue from grants is based on the accrual basis of accounting. Unearned revenue represents cash which has been received but not yet earned.

Grant related expenses incurred prior to the receipt of grant funds result in the recording of receivables and revenue. Grants not externally restricted and utilized to finance operations are identified as non-operating revenue.

C. Inventories

The cost of inventories of supplies is recorded as an expense at the time individual items are purchased, since they are immaterial to the financial position and results of operations of the Authority.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from the estimates.

E. Compensated Absences

In the *Statement of Net Position*, the liabilities, whose average maturities are greater than one year, should be reported in two components -- the amount due within one year and the amount due in more than one year.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)

Note 2: Summary of Significant Accounting Policies (Cont'd)

F. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

A deferred outflow of resources is a consumption of net position by the Authority that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the Authority that is applicable to a future reporting period.

A deferred inflow of resources is an acquisition of net position by the Authority that is applicable to a future reporting period. The Authority had deferred outflows and inflows of resources related to pensions at December 31, 2023.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

G. Restricted Accounts

The Authority has established a restricted escrow account to hold the cash portion of performance bonds required to be posted by developers whose work affects the Authority. The security portion of such deposits, together with interest earned on that portion, is refunded to the developer, once the work has been satisfactorily completed. At December 31, 2023, \$200,187 was held in escrow deposits payable for this purpose and \$99,336 was held for cash and cash equivalents. The amount held for this purpose is less than the amount restricted due to other related expenses being paid from this account in prior years.

In accordance with the provisions of the July 1, 1995, October 1, 1998, and December 15, 2005 bond sales, the Authority has established restricted cash accounts for the following purposes:

Bond Reserve and Debt Services Accounts - The Authority is required to segregate the next year's average annual debt service requirement. At December 31, 2023, \$458,760 was held for this purpose.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)

Note 2: Summary of Significant Accounting Policies (Cont'd)

G. Restricted Accounts (Cont'd)

Renewal and Replacement Account - The Authority has segregated \$89,324 at December 31, 2023 for the renewal and replacement of Authority capital assets.

Bond General Account - The restricted bond account is to be used after the other restricted bond accounts have been satisfied. This account will be used for bond sale provisions. At December 31, 2023, \$6,552,018 was held for this purpose.

The Authority also has \$85,529 held for unemployment/disability compensation at December 31, 2023.

H. Revenue Recognition

The Authority has service agreements with Washington Township, Chester Township, and Tewksbury Township. The majority of the Authority’s customers are residential. However, there are several commercial customers who are charged a different usage rate. All customers are billed quarterly based on actual usage readings. Estimates based on prior usage are utilized where actual readings cannot be obtained. Adjustments for actual usage are applied to the following quarter’s bill or to the first quarter for which an actual reading can be obtained. Revenue is recorded net of any discounts, assessments or abatements, if applicable.

I. 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 State of New Jersey Public Employees’ Retirement System (PERS) has been determined on the same basis as it is 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. Pension Plan investments are reported at fair value.

Note 3: Capital Assets

Capital assets, balances and activity for the year ended December 31, 2023 were as follows:

| | <u>12/31/2022</u> | <u>Additions</u> | <u>Deletions</u> | <u>12/31/2023</u> |
|--------------------------------|----------------------|---------------------|------------------|----------------------|
| Land | \$ 485,970 | | | \$ 485,970 |
| Buildings/Treatment Plant | 8,272,944 | | | 8,272,944 |
| Transmission Facilities | 28,242,126 | \$ 2,820,100 | | 31,062,226 |
| Equipment/Vehicle | 341,526 | | | 341,526 |
| Office Furniture/Fixtures | 27,807 | | | 27,807 |
| Total | <u>37,370,373</u> | <u>2,820,100</u> | | <u>40,190,473</u> |
| Less: Accumulated Depreciation | <u>(23,047,928)</u> | <u>(849,936)</u> | | <u>(23,897,864)</u> |
| | <u>\$ 14,322,445</u> | <u>\$ 1,970,164</u> | <u>\$ -0-</u> | <u>\$ 16,292,609</u> |

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)

Note 3: Capital Assets (Cont'd)

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. Capital assets were reviewed for impairment. Major classes of property, plant and equipment and their estimated useful lives are summarized below:

| | Estimated Useful Life |
|---------------------------|-----------------------|
| Building - Administration | 40 Years |
| Treatment Plant | 40 Years |
| Transmission Facilities | 40 Years |
| Equipment/Vehicles | 5 Years |
| Office Furniture/Fixtures | 5 Years |

Note 4: Long-Term Liabilities

Long-term liabilities balances and activities for the year ended December 31, 2023 were as follows:

| | 12/31/2022 | Additions | Deletions | 12/31/2023 |
|-------------------------|--------------|--------------|--------------|--------------|
| Water and Sewer Revenue | | | | |
| Bonds Payable | \$ 1,382,324 | | \$ 304,420 | \$ 1,077,904 |
| NJIB Loans Payable | 1,372,281 | \$ 797,237 | 1,372,281 | 797,237 |
| Net Pension Liability | 1,234,503 | 359,031 | | 1,593,534 |
| | \$ 3,989,108 | \$ 1,156,268 | \$ 1,676,701 | \$ 3,468,675 |

Water and Sewer Revenue Bonds

On October 1, 1998, the Authority issued \$4,285,066 “Water and Sewer Revenue (1998 Series A) (Capital Appreciation Bonds)” and \$490,000 “Water and Sewer Revenue Bonds (1998 Series B)” for a total of \$4,775,066. The Bonds were issued to provide bonds: (i) to currently refund and permanently finance \$3,765,000 principal amount of 1996 Project Notes (Series C) maturing October 15, 2000; (ii) to pay the costs of sewer and water system improvements; (iii) to make a deposit to the Bond Reserve Fund; (iv) to pay the cost of a bond insurance premium; and (v) to pay the costs and expenses incidental to the issuance and delivery of the Bonds.

Schedule of Annual Debt Service
"Water and Sewer Revenue Refunding Bonds (1998 Series A&B)"

| Year | Interest Rate | Principal | Interest | Total |
|--------------------------|---------------|------------|--------------|--------------|
| 2024 | 5.00% | \$ 289,756 | \$ 765,244 | \$ 1,055,000 |
| 2025 | 5.00% | 275,788 | 779,213 | 1,055,001 |
| 2026 | 5.00% | 262,505 | 792,495 | 1,055,000 |
| 2027 | 5.00% | 249,855 | 805,144 | 1,054,999 |
| | | 1,077,904 | 3,142,096 | 4,220,000 |
| Less: Short-Term Portion | | 289,756 | 765,244 | 1,055,000 |
| Long-Term Portion | | \$ 788,148 | \$ 2,376,852 | \$ 3,165,000 |

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)

Note 4: Long-Term Liabilities (Cont'd)

New Jersey Infrastructure Loans

The Authority’s project for the rehabilitation of five existing water storage tanks, which began in 2022, was completed in 2023. A \$1,372,281 construction note was issued by the New Jersey Infrastructure Bank (“NJIB”) in 2022 to temporarily finance the project. The construction note payable was defeased in 2023 with the issuance of permanent financing through the NJIB.

In December 2023, the Authority entered into a loan agreement with the State of New Jersey, acting by and through the NJ Department of Environmental Protection Fund (the "Fund"), and the New Jersey Infrastructure Bank ("NJIB"). The loan agreement was obtained to permanently finance the rehabilitation of five existing water storage tanks. The \$797,237 of NJIB loan payable issued was net of a \$500,000 principal forgiveness through the New Jersey’s Water Bank Financing Program.

At December 31, 2023, the Authority had borrowed or "drawn down" all of the \$1,304,692 Loan funds necessary to complete the rehabilitation of five existing water storage tanks. Principal payments to NJIB for the loan will begin on August 1, 2024 and continue on a semiannual basis until August 1, 2053 at zero interest. Also, an annual administrative fee of fifteen one hundredths of one percent (.15%) of the initial principal amount of the loan or such lesser amount, if any, as the Trust may approve from time to time is payable on these loans.

Schedule of Annual Debt Service
NJ Infrastructure Bank Loans Payable

| <u>Year</u> | <u>Interest</u> <u>Rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------|--------------------------------|-------------------|-------------------|---------------------|
| 2024 | 5.00% | \$ 8,260 | \$ 10,448 | \$ 18,708 |
| 2025 | 5.00% | 17,391 | 14,693 | 32,084 |
| 2026 | 5.00% | 17,391 | 14,443 | 31,834 |
| 2027 | 5.00% | 17,391 | 14,193 | 31,584 |
| 2028 | 5.00% | 17,390 | 13,943 | 31,333 |
| 2029-2033 | 5.00% | 106,952 | 64,465 | 171,417 |
| 2034-2038 | 3.03-5.00% | 125,895 | 52,380 | 178,275 |
| 2039-2043 | 3.03% | 148,710 | 40,721 | 189,431 |
| 2044-2048 | 3.03% | 159,694 | 26,738 | 186,432 |
| 2049-2053 | 3.03% | 178,163 | 10,769 | 188,932 |
| | | <u>797,237</u> | <u>262,793</u> | <u>1,060,030</u> |
| Less: Short-Term Portion | | <u>8,260</u> | <u>10,448</u> | <u>18,708</u> |
| Long-Term Portion | | <u>\$ 788,977</u> | <u>\$ 252,345</u> | <u>\$ 1,041,322</u> |

Net Pension Liability

The Public Employee's Retirement System (PERS) net pension liability is recorded in the current and long-term liabilities. The current position of the net pension liability at June 30, 2023 is \$-0- and the long-term portion is \$1,593,534. See Note 5 for further information on PERS.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)

Note 5: Pension

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

Public Employees’ Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees’ Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division’s annual financial statements which can be found at www.state.nj.us/treasury/pensions/annual-reports.shtml. As of the date of this report, the June 30, 2023 GASB No. 68 report has not been released by the Division.

Benefits Provided

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

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

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State’s pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)

Note 5: Pension (Cont'd)

Public Employees' Retirement System (PERS) (Cont'd)

Contributions (Cont'd)

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Authority contributions to PERS amounted to \$133,157 for 2023. During the fiscal year ended June 30, 2022, the State of New Jersey contributed \$3,353 to the PERS for normal pension benefits on behalf of the Authority.

The employee contribution rate was 7.50% effective July 1, 2018.

Special Funding Situation

Under N.J.S.A. 43:15A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed that legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, is Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001. The amounts contributed on behalf of the local participating employers under the legislation is considered to be special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under the legislation directly to the plan (except for employer specific financed amounts), there is no pension liability or deferred outflows or inflows to report in the financial statement of the local participating employers related to the legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entity's total proportionate share of the collective net pension liability that is associated with the local participating employer. In addition, each local participating employer must disclose pension expense associated with the employers in an amount equal to the nonemployer contributing entity's total proportionate share of the collective pension expense associated with the local participating employer.

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

At June 30, 2022, the Authority's liability was \$1,593,534 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. 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 members, actuarially determined. At June 30, 2022, the Authority's proportion was 0.0106%, which was an increase of 0.002% from its proportion measured as of June 30, 2021.

There was no state proportionate share of net pension liability attributable to the Authority as of June 30, 2022.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)

Note 5: Pension (Cont'd)

Public Employees' Retirement System (PERS) (Cont'd)

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

For the year ended June 30, 2022, the Authority recognized actual pension expense in the amount of \$65,815. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferral Year | Amortization Period in Years | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|------------------|------------------------------------|--------------------------------------|-------------------------------------|
| Changes in Assumptions | 2018 | 5.63 | | \$ 38,305 |
| | 2019 | 5.21 | | 47,869 |
| | 2020 | 5.16 | | 140,761 |
| | 2021 | 5.13 | | 11,680 |
| | 2022 | 5.04 | \$ 4,937 | |
| | | | <u>4,937</u> | <u>238,615</u> |
| Changes in Proportion | 2017 | 5.48 | 13,390 | |
| | 2018 | 5.63 | 119,753 | |
| | 2019 | 5.21 | 31,485 | |
| | 2020 | 5.16 | 128,326 | |
| | 2021 | 5.13 | 21,098 | |
| | | | <u>314,052</u> | |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | 2019 | 5.00 | 1,576 | |
| | 2020 | 5.00 | 47,371 | |
| | 2021 | 5.00 | (295,468) | |
| | 2022 | 5.00 | 312,476 | |
| | | | <u>65,955</u> | |
| Difference Between Expected and Actual Experience | 2018 | 5.63 | | 1,460 |
| | 2019 | 5.21 | 3,659 | |
| | 2020 | 5.16 | 7,842 | |
| | 2021 | 5.13 | | 3,926 |
| | 2022 | 5.04 | | 4,757 |
| | | | <u>11,501</u> | <u>10,143</u> |
| Authority Contribution Subsequent to the Measurement Date | 2023 | 1.00 | 149,560 | |
| | | | <u>\$ 546,005</u> | <u>\$ 248,758</u> |

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
 (Continued)

Note 5: Pension (Cont'd)

Public Employees' Retirement System (PERS) (Cont'd)

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

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding the Authority contribution subsequent to the measurement date) related to pensions will be recognized in pension expense as follows:

| Fiscal Year Ending June 30, | Total |
|--------------------------------|------------|
| 2023 | \$ 36,464 |
| 2024 | 11,943 |
| 2025 | 14,593 |
| 2026 | 84,644 |
| 2027 | 43 |
| | \$ 147,687 |

Actuarial Assumptions

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions:

| | |
|---------------------------|--|
| Inflation Rate: | |
| Price | 2.75% |
| Wage | 3.25% |
| Salary Increases | 2.75 – 6.55% 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 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)

Note 5: Pension (Cont'd)

Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2022) 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' target asset allocation as of June 30, 2022 are summarized in the table below:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------------|------------------------------|---|
| U.S. Equity | 27.00% | 8.12% |
| Non-U.S. Developed Markets Equity | 13.50% | 8.38% |
| Emerging Markets Equity | 5.50% | 10.33% |
| Private Equity | 13.00% | 11.80% |
| Real Assets | 3.00% | 7.60% |
| Real Estate | 8.00% | 11.19% |
| High Yield | 4.00% | 4.95% |
| Private Credit | 8.00% | 8.10% |
| Investment Grade Credit | 7.00% | 3.38% |
| Cash Equivalents | 4.00% | 1.75% |
| U.S. Treasuries | 4.00% | 1.75% |
| Risk Mitigation Strategies | 3.00% | 4.91% |

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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 and the nonemployer contributing entity will be based upon 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)

Note 5: Pension (Cont'd)

Public Employees' Retirement System (PERS) (Cont'd)

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 collective net pension liability as of June 30, 2022 calculated using the discount rate as disclosed below, 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 or 1-percentage-point higher than the current rate:

| | June 30, 2022 | | |
|---|---------------------------|-------------------------------------|---------------------------|
| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
| Authority's proportionate share of the Net Pension Liability | \$ 2,047,224 | \$ 1,593,534 | \$ 1,207,425 |

Pension Plan Fiduciary Net Position

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

Defined Contribution Retirement Program (DCRP)

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

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

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and, Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the Authority recognized pension expense of \$778 for the year ended December 31, 2023. Employee contributions to DCRP amounted to \$4,072 for the year ended December 31, 2023.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)

Note 6: Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

The Authority generally records investments at fair value and records gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the Authority in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Authority ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Authority limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed in the section of this note on investments.

Custodial Credit Risk - The Authority's policy with respect to custodial credit risk requires that the Authority ensures that Authority funds are only deposited in financial institutions in which NJ municipalities are permitted to invest their funds.

Deposits:

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Authorities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit, and

If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

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

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)

Note 6: Cash and Cash Equivalents (Cont'd)

Investments:

New Jersey statutes permit the Authority to purchase the following types of investments:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to Section 1 of P.L. 1977, c. 281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in Section 1 of P.L. 1970 c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)

Note 6: Cash and Cash Equivalents (Cont'd)

Investments: (Cont'd)

- (9) Debt obligations of federal agencies or government corporations with maturities not to exceed 10 years from the date of the purchase, excluding mortgage backed or derivative obligations, provided that the investments are purchased through the State Division of Investment and are invested consistent with the rules and regulations of the State Investment Council.

As of December 31, 2023, cash and cash equivalents of the Washington Township Municipal Utilities Authority consisted of the following:

| <u>Account</u> | <u>Checking/Savings and Money Market Accounts</u> | <u>Certificate of Deposit</u> | <u>Total</u> |
|--|---|-----------------------------------|----------------------|
| Unrestricted | \$ 3,337,699 | \$ 75,011 | \$ 3,412,710 |
| Bond Reserve | 132,217 | | 132,217 |
| Renewal and Replacement | 89,324 | | 89,324 |
| General Account | 6,552,018 | | 6,552,018 |
| Unemployment Compensation | 85,529 | | 85,529 |
| Escrow Deposit | 99,336 | | 99,336 |
| Debt Service Account (1998 Series A & B) | 19,565 | | 19,565 |
| Bond Reserve Account (1998 Series A) | 306,978 | | 306,978 |
| | <u>\$ 10,622,666</u> | <u>\$ 75,011</u> | <u>\$ 10,697,677</u> |

During the year ended December 31, 2023, the Authority did not hold any investments. The carrying amount of the Authority's cash and cash equivalents at year end was \$10,697,677 and the bank balance was \$10,647,819.

Note 7: Recognition of Depreciation Expense Versus Bond Principal for Budget Purposes

The State of New Jersey Local Finance Board's "Budget Manual for Local Public Authorities" allows authorities to either budget for depreciation expense or bond principal. In the official budget document submitted to the State, the Authority budgeted \$316,312 for bond principal in lieu of depreciation expense. In the Authority's internal budget document, both bond principal of \$316,312 and depreciation expense of \$849,936 were included. The actual depreciation expense is therefore not reflected on the supplementary "Schedule of Water and Sewer Operating Fund Revenue and Expenditures Compared to Budget" since it was not budgeted on the state budget document.

Note 8: Risk Management

The Authority is exposed to various risks of loss related torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. Health benefits are provided to employees through the State of New Jersey health benefits plan.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
 (Continued)

Note 8: Risk Management (Cont'd)

The Authority is currently a member of the Public Alliance Insurance Coverage Fund (the "Fund"). The Fund provides their members with Liability, Property and Workers' Compensation Insurance. The Fund is a risk-sharing public entity risk pool that is both an insured and self-administered group of governmental entities established for the purpose of providing low-cost insurance coverage for their respective members in order to keep expenses at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Funds are elected.

The following coverages are offered by the Fund to its members:

- a) Workers' Compensation and Employers Liability
- b) Liability Other Than Motor Vehicles
- c) Property Damage Other Than Motor Vehicles
- d) Motor Vehicle
- e) Environmental

As a member of the Fund, the Authority could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body.

Selected, summarized financial information for the Fund as of December 31, 2023 was not available as of the date of this report. Selected, summarized financial information for the Fund as of December 31, 2022 is as follows:

| | |
|-------------------------|----------------|
| Total Assets | \$ 19,596,510 |
| Net Position | \$ 12,106,472 |
| Total Revenue | \$ 5,135,620 |
| Total Expenses | \$ 6,916,133 |
| Changes in Net Position | \$ (1,780,513) |
| Member's Dividends | \$ -0- |

Financial statements for the Fund are available at the office of the Fund's Executive Director:

Public Alliance Insurance Coverage Fund

Public Entity Group Administrative Services
 51 Everett Drive, Suite B-40
 West Windsor, NJ 08550
 (609) 275-1155

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
 (Continued)

Note 8: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance

The Authority has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the Authority is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Authority is billed quarterly for amounts due to the State.

The following is a summary of Authority contributions, employee contributions, interest earned, reimbursements to the State for benefits paid and the ending balance of the Authority's expendable trust fund for the current and previous two years.

| <u>Year</u> | <u>Authority Contributions</u> | <u>Employee Contributions</u> | <u>Interest Earnings</u> | <u>Amount Reimbursed</u> | <u>Ending Balance</u> |
|-------------|--------------------------------|-------------------------------|--------------------------|--------------------------|-----------------------|
| 2023 | \$ 5,000 | \$ 1,873 | \$ 8 | \$ -0- | \$ 85,529 |
| 2022 | 5,000 | 1,688 | 8 | -0- | 78,648 |
| 2021 | 5,000 | 1,579 | 10 | -0- | 71,952 |

Note 9: Intrafund and Interfund Transfers

In the normal course of business, the Authority will, from time to time, authorize advances between accounts. During 2023, the Authority transferred \$676,837 between restricted and unrestricted accounts based on the bond provisions. There were no advances outstanding as of December 31, 2023.

Note 10: Contractual Commitments

The Authority has entered into several contracts in the normal course of its business operations to provide sewer service for its customers including other local governments. Below is a summary of the significant contracts or agreements:

- The Authority has an ongoing contract with Passaic Valley Sewerage Commission for disposal of residual sludge waste. The cost of this service is \$0.045 per gallon.
- The Authority has inter-municipal service agreements with other local government agencies, namely:
 1. The Township of Washington
 2. The Township of Tewksbury
 3. The Township of Chester

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)

Note 11: Accounts Payable

Accounts payable at December 31, 2023 were as follows:

| | Operating Fund | Contributions Subsequent to the Measure- ment Date | Total |
|----------------------------|-------------------|---|------------|
| Due to State of New Jersey | | \$ 149,560 | \$ 149,560 |
| Vendors | \$ 369,507 | | 369,507 |
| | \$ 369,507 | \$ 149,560 | \$ 519,067 |

Note 12: Environmental Matters

The Authority’s past and present daily operations include activities which are subject to extensive federal and state environmental regulations. Compliance with these regulations has not had, nor does the Authority expect such compliance to have, any material effect upon expected capital expenses, net position, financial condition or competitive position of the Authority. The Authority believes that their current practices and procedures comply with applicable regulations. The Authority’s policy is to accrue environmental and related costs of a noncapital nature when it is both probable that a liability has been incurred and that the amount can be reasonably estimated. No such amounts have been accrued in these statements.

Note 13: Contingencies

The Authority is periodically involved in various lawsuits, claims, and grievances arising in the normal course of business, including claims for personal injury and personnel practices, property damage, and disputes over eminent domain proceedings. In the opinion of the General Counsel to the Authority, payment of claims by the Authority, for amounts not covered by insurance, in the aggregate, are not expected to have a material adverse effect on the Authority’s financial position. The Authority may participate in federal and state assisted grant programs. These programs would be subject to financial and compliance audits by the grantors or their representatives. In the opinion of Authority Management, liabilities resulting from such disallowed expenses, if any, will not be material to the accompanying financial statements.

WASHINGTON TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST EIGHT YEARS

| | Year Ending June 30, | | | | | | | |
|--|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Authority's proportion of the net pension liability | 0.0068654767% | 0.0062240340% | 0.0063156767% | 0.0068460420% | 0.0091233917% | 0.0094564689% | 0.0104208274% | 0.0105592331% |
| Authority's proportionate share of the net pension liability | \$ 1,397,171 | \$ 1,867,336 | \$ 1,470,189 | \$ 1,347,952 | \$ 1,643,717 | \$ 1,542,103 | \$ 1,234,503 | \$ 1,593,534 |
| Authority's covered employee payroll | \$ 431,787 | \$ 436,277 | \$ 441,348 | \$ 557,283 | \$ 653,913 | \$ 708,045 | \$ 770,944 | \$ 812,801 |
| Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll | 323.58% | 428.02% | 333.11% | 241.88% | 251.37% | 217.80% | 160.13% | 196.05% |
| Plan fiduciary net position as a percentage of the total pension liability | 47.93% | 40.14% | 48.10% | 53.60% | 56.27% | 58.32% | 70.33% | 62.91% |

Note 1: The NJ Division of Pensions and Benefits has not released the June 30, 2023 GASB No. 68 report as of the date of this report.

Note 2: This schedule does not contain ten years of information as GASB No. 68 was implemented during the year ended December 31, 2015.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF AUTHORITY CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST NINE YEARS

| | Year Ending | | | | | | | | |
|--|-------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Contractually required contribution | \$ 56,598 | \$ 53,510 | \$ 56,012 | \$ 58,508 | \$ 68,213 | \$ 89,090 | \$ 103,449 | \$ 122,040 | \$ 133,157 |
| Contributions in relation to the contractually required contribution | (56,598) | (53,510) | (56,012) | (58,508) | (68,213) | (89,090) | (103,449) | (122,040) | (133,157) |
| Contribution deficiency/(excess) | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| Authority's covered employee payroll | \$ 434,495 | \$ 437,422 | \$ 477,095 | \$ 626,894 | \$ 671,937 | \$ 747,729 | \$ 777,155 | \$ 849,500 | \$ 902,913 |
| Contributions as a percentage of covered employee payroll | 13.03% | 12.23% | 11.74% | 9.33% | 10.15% | 11.91% | 13.31% | 14.37% | 14.75% |

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the year ended December 31, 2015.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2023 AND 2022

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

In the July 1, 2021 actuarial valuation the salary increases were 2.75% – 6.55% based on years of service while in the July 1, 2020 actuarial valuation the salary increases were 2.00%-6.00% through 2026 and 3.00-7.00% thereafter based on years of service.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. The actuarial assumptions used in the July 1, 2020 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

WASHINGTON TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY

SUPPLEMENTARY INFORMATION

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
RESTRICTED AND UNRESTRICTED FUNDS
YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)

| | Unrestricted | Restricted | Net Investment in Capital Assets | Memo Total | |
|---|---------------------|---------------------|--|----------------------|----------------------|
| | | | | 2023 | 2022 |
| Operating Revenue: | | | | | |
| Water Charges | \$ 1,536,215 | | | \$ 1,536,215 | \$ 1,539,021 |
| Sewer Charges | 3,075,714 | | | 3,075,714 | 3,014,497 |
| Water Infrastructure Improvement Fee | 269,201 | | | 269,201 | 269,056 |
| Connection Fees | 15,659 | | | 15,659 | 15,625 |
| Other Income | 101,545 | | | 101,545 | 121,321 |
| Total Operating Revenue | <u>4,998,334</u> | | | <u>4,998,334</u> | <u>4,959,520</u> |
| Operating Expenses: | | | | | |
| Water Transmission | 1,539,841 | | | 1,539,841 | 1,374,132 |
| Sewer Disposal | 1,550,699 | | | 1,550,699 | 1,549,158 |
| Depreciation | 849,936 | | | 849,936 | 780,725 |
| Total Operating Expenses | <u>3,940,476</u> | | | <u>3,940,476</u> | <u>3,704,015</u> |
| Operating Income | <u>1,057,858</u> | | | <u>1,057,858</u> | <u>1,255,505</u> |
| Nonoperating Revenue/(Expenses): | | | | | |
| Interest Earned on Investments | 323,635 | | | 323,635 | 67,412 |
| Interest Expense - Debt Service | (747,103) | | | (747,103) | (731,833) |
| State Sources - BPU Grant | 128,642 | | | 128,642 | |
| Total Nonoperating Revenue/(Expenses) | <u>(294,826)</u> | | | <u>(294,826)</u> | <u>(664,421)</u> |
| Change in Net Position (Before Transfers) | <u>763,032</u> | | | <u>763,032</u> | <u>591,084</u> |
| Transfers: | | | | | |
| Capital Acquisitions | (2,820,100) | | \$ 2,820,100 | | |
| Principal Paid on Debt Service | (304,420) | | 304,420 | | |
| Depreciation | 849,936 | | (849,936) | | |
| Designated per Bond Sale Provisions | (676,837) | \$ 676,837 | | | |
| NJIB Loan Receivable Cancelled | (67,589) | | | (67,589) | |
| NJIB Loans Payable Issued | | | (797,237) | (797,237) | |
| NJIB Note Payable Defeased | 1,372,281 | | | 1,372,281 | |
| Total Transfers | <u>(1,646,729)</u> | <u>676,837</u> | <u>1,477,347</u> | <u>507,455</u> | |
| Change in Net Position (After Transfers) | <u>(883,697)</u> | <u>676,837</u> | <u>1,477,347</u> | <u>1,270,487</u> | <u>591,084</u> |
| Net Position, January 1 | <u>2,568,526</u> | <u>6,508,794</u> | <u>12,940,121</u> | <u>22,017,441</u> | <u>21,426,357</u> |
| Net Position, December 31 | <u>\$ 1,684,829</u> | <u>\$ 7,185,631</u> | <u>\$ 14,417,468</u> | <u>\$ 23,287,928</u> | <u>\$ 22,017,441</u> |

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF SEWER OPERATING FUND REVENUE AND EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2022)

| | 2023 Final Budget | 2023 Actual | Excess or (Deficit) | 2022 Actual |
|---|-------------------------|---------------------|------------------------|---------------------|
| Revenue: | | | | |
| Operating Revenues: | | | | |
| Service Fees | \$ 3,080,354 | \$ 3,075,714 | \$ (4,640) | \$ 3,014,497 |
| Connection Fees | 13,755 | 5,602 | (8,153) | 7,900 |
| Other Operating Revenue | | 4,214 | 4,214 | 13,229 |
| Total Operating Revenues | <u>3,094,109</u> | <u>3,085,530</u> | <u>(8,579)</u> | <u>3,035,626</u> |
| Non-Operating Revenues: | | | | |
| Interest on Investments | 359 | 129,452 | 129,093 | 26,963 |
| Other Non-Operating Revenue | 33,499 | 29,211 | (4,288) | 33,306 |
| Total Non-Operating Revenue | <u>33,858</u> | <u>158,663</u> | <u>124,805</u> | <u>60,269</u> |
| Total Revenue | <u>\$ 3,127,967</u> | <u>\$ 3,244,193</u> | <u>\$ 116,226</u> | <u>\$ 3,095,895</u> |
| Budgeted Appropriations: | | | | |
| Cost of Providing Service: | | | | |
| Salaries & Wages | \$ 522,152 | \$ 442,633 | \$ 79,519 | \$ 425,535 |
| Fringe Benefits | 253,161 | 132,194 | 120,967 | 165,957 |
| Other Expenses | 782,815 | 663,262 | 119,553 | 671,967 |
| Total Cost of Providing Service | <u>1,558,128</u> | <u>1,238,089</u> | <u>320,039</u> | <u>1,263,459</u> |
| Administration: | | | | |
| Salaries & Wages | 137,505 | 137,505 | | 128,976 |
| Fringe Benefits | 63,366 | 47,134 | 16,232 | 38,038 |
| Other Expenses | 190,831 | 127,971 | 62,860 | 118,685 |
| Total Administration | <u>391,702</u> | <u>312,610</u> | <u>79,092</u> | <u>285,699</u> |
| Total Principal Payments on Debt Service in Lieu of Depreciation | <u>304,420</u> | <u>304,420</u> | | <u>319,834</u> |
| Total Operating Appropriations | <u>2,254,250</u> | <u>1,855,119</u> | <u>399,131</u> | <u>1,868,992</u> |
| Non-Operating Appropriations: | | | | |
| Bond Interest Expense | 750,580 | 747,103 | 3,477 | 731,833 |
| Operations and Maintenance Reserve | 123,137 | | 123,137 | |
| Total Non-Operating Appropriations | <u>873,717</u> | <u>747,103</u> | <u>126,614</u> | <u>731,833</u> |
| Total Appropriations | <u>\$ 3,127,967</u> | <u>\$ 2,602,222</u> | <u>\$ 525,745</u> | <u>\$ 2,600,825</u> |
| Operating Expenses | | \$ 1,550,699 | | \$ 1,549,158 |
| Debt Service in Lieu of Depreciation | | 304,420 | | 319,834 |
| Bond Interest Expense | | 747,103 | | 731,833 |
| | | <u>\$ 2,602,222</u> | | <u>\$ 2,600,825</u> |

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF WATER OPERATING FUND REVENUE AND EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2022)

| | 2023 Final Budget | 2023 Actual | Excess or (Deficit) | 2022 Actual |
|---|-------------------------|---------------------|------------------------|---------------------|
| Revenue: | | | | |
| Fund Balance Utilized | \$ -0- | \$ -0- | \$ -0- | \$ 105,036 |
| Operating Revenues: | | | | |
| Service Fees | 1,530,978 | 1,536,215 | 5,237 | 1,539,021 |
| Connection Fees | 3,854 | 10,057 | 6,203 | 7,725 |
| Water Infrastructure Improvement Fee | 181,485 | 269,201 | 87,716 | 269,056 |
| Other Operating Revenue | 46,840 | 46,574 | (266) | 64,203 |
| Total Operating Revenues | <u>1,763,157</u> | <u>1,862,047</u> | <u>98,890</u> | <u>1,880,005</u> |
| Non-Operating Revenues: | | | | |
| Interest on Investments | 9,561 | 194,183 | 184,622 | 40,449 |
| Other Non-Operating Revenue | 8,436 | 21,546 | 13,110 | 10,583 |
| State Sources - BPU Grant | | 128,642 | 128,642 | |
| Total Non-Operating Revenue | <u>17,997</u> | <u>344,371</u> | <u>326,374</u> | <u>51,032</u> |
| Total Revenue | <u>\$ 1,781,154</u> | <u>\$ 2,206,418</u> | <u>\$ 425,264</u> | <u>\$ 2,036,073</u> |
| Budgeted Appropriations: | | | | |
| Cost of Providing Service: | | | | |
| Salaries & Wages | \$ 418,960 | \$ 418,957 | \$ 3 | \$ 338,528 |
| Fringe Benefits | 149,535 | 122,400 | 27,135 | 129,325 |
| Other Expenses | 424,108 | 424,108 | | 487,105 |
| State Sources - BPU Grant | 128,642 | 128,642 | | |
| Total Cost of Providing Service | <u>1,121,245</u> | <u>1,094,107</u> | <u>27,138</u> | <u>954,958</u> |
| Administration: | | | | |
| Salaries & Wages | 192,808 | 188,592 | 4,216 | 175,354 |
| Fringe Benefits | 89,730 | 78,453 | 11,277 | 56,935 |
| Other Expenses | 226,103 | 178,689 | 47,414 | 186,885 |
| Total Administration | <u>508,641</u> | <u>445,734</u> | <u>62,907</u> | <u>419,174</u> |
| Total Principal Payments on Debt Service in Lieu of Depreciation | <u>11,892</u> | | <u>11,892</u> | |
| Total Operating Appropriations | <u>1,641,778</u> | <u>1,539,841</u> | <u>101,937</u> | <u>1,374,132</u> |
| Non-Operating Appropriations: | | | | |
| Bond Interest Expense | 5,076 | | 5,076 | |
| Operations and Maintenance Reserve | 134,300 | | 134,300 | |
| Total Non-Operating Appropriations | <u>139,376</u> | | <u>139,376</u> | |
| Total Appropriations | <u>\$ 1,781,154</u> | <u>\$ 1,539,841</u> | <u>\$ 241,313</u> | <u>\$ 1,374,132</u> |

SCHEDULE IV

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF WATER AND SEWER REVENUE BONDS PAYABLE

| Description | Original | | Interest Rate | Maturities | | Balance at | | |
|------------------------------|----------|--------------|---------------|------------|------------|---------------------|-------------------|---------------------|
| | Date | Amount | | Date | Amount | Jan. 1, 2023 | Matured | Dec. 31, 2023 |
| Issue of 1998 (Series A & B) | 10/01/98 | \$ 4,775,066 | 5.00% | 12/15/24 | \$ 289,756 | | | |
| | | | 5.00% | 12/15/25 | 275,788 | | | |
| | | | 5.00% | 12/15/26 | 262,505 | | | |
| | | | 5.00% | 12/15/27 | 249,855 | | | |
| | | | | | | \$ 1,382,324 | \$ 304,420 | \$ 1,077,904 |
| | | | | | | <u>\$ 1,382,324</u> | <u>\$ 304,420</u> | <u>\$ 1,077,904</u> |
| Balance Comprised of: | | | | | | | | |
| Short-term Portion | | | | | | \$ 304,420 | \$ 14,664 | \$ 289,756 |
| Long-term Portion | | | | | | 1,077,904 | 289,756 | 788,148 |
| | | | | | | <u>\$ 1,382,324</u> | <u>\$ 304,420</u> | <u>\$ 1,077,904</u> |

WASHINGTON TOWNSHIP MUNICIPAL UTILITY AUTHORITY
SCHEDULE OF NEW JERSEY INFRASTRUCTURE BANK LOANS PAYABLE

| | <u>Total</u> | <u>Direct Loan</u> | <u>Fund Loan</u> | <u>Construction Loan (Note)</u> |
|---------------------------|-------------------|--------------------|-------------------|-------------------------------------|
| Balance December 31, 2022 | \$ 1,372,281 | \$ -0- | \$ -0- | \$ 1,372,281 |
| Increased by: | | | | |
| Issued | <u>797,237</u> | <u>429,654</u> | <u>367,583</u> | |
| | 2,169,518 | 429,654 | 367,583 | 1,372,281 |
| Decreased by: | | | | |
| Defeased | <u>1,372,281</u> | | | <u>1,372,281</u> |
| Balance December 31, 2023 | <u>\$ 797,237</u> | <u>\$ 429,654</u> | <u>\$ 367,583</u> | <u>\$ -0-</u> |

SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
SERIES 2023A-W1 AND SERIES 2023C-W1 LOAN
DIRECT LOAN OUTSTANDING DECEMBER 31, 2023

| <u>Payment Number</u> | <u>Maturity Date</u> | <u>Interest</u> | <u>Principal</u> | <u>Balance of Loan</u> |
|---------------------------|--------------------------|-----------------|------------------|----------------------------|
| | | | | \$ 429,654 |
| 1 | 8/1/24 | \$ 10,448 | | 429,654 |
| 2 | 2/1/25 | 7,347 | | 429,654 |
| 3 | 8/1/25 | 7,346 | \$ 5,000 | 424,654 |
| 4 | 2/1/26 | 7,222 | | 424,654 |
| 5 | 8/1/26 | 7,221 | 5,000 | 419,654 |
| 6 | 2/1/27 | 7,097 | | 419,654 |
| 7 | 8/1/27 | 7,096 | 5,000 | 414,654 |
| 8 | 2/1/28 | 6,972 | | 414,654 |
| 9 | 8/1/28 | 6,971 | 5,000 | 409,654 |
| 10 | 2/1/29 | 6,847 | | 409,654 |
| 11 | 8/1/29 | 6,846 | 5,000 | 404,654 |
| 12 | 2/1/30 | 6,722 | | 404,654 |
| 13 | 8/1/30 | 6,721 | 10,000 | 394,654 |
| 14 | 2/1/31 | 6,472 | | 394,654 |
| 15 | 8/1/31 | 6,471 | 10,000 | 384,654 |
| 16 | 2/1/32 | 6,222 | | 384,654 |
| 17 | 8/1/32 | 6,221 | 10,000 | 374,654 |
| 18 | 2/1/33 | 5,972 | | 374,654 |
| 19 | 8/1/33 | 5,971 | 10,000 | 364,654 |
| 20 | 2/1/34 | 5,722 | | 364,654 |
| 21 | 8/1/34 | 5,721 | 10,000 | 354,654 |
| 22 | 2/1/35 | 5,472 | | 354,654 |
| 23 | 8/1/35 | 5,471 | 10,000 | 344,654 |

WASHINGTON TOWNSHIP MUNICIPAL UTILITY AUTHORITY
SCHEDULE OF NEW JERSEY INFRASTRUCTURE BANK LOANS PAYABLE

SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
SERIES 2023A-W1 AND SERIES 2023C-W1 LOAN
DIRECT LOAN OUTSTANDING DECEMBER 31, 2023

| Payment Number | Maturity Date | Interest | Principal | Balance of Loan |
|-------------------|------------------|-------------------|-------------------|--------------------|
| 24 | 2/1/36 | \$ 5,222 | | \$ 344,654 |
| 25 | 8/1/36 | 5,221 | \$ 14,703 | 329,951 |
| 26 | 2/1/37 | 4,999 | | 329,951 |
| 27 | 8/1/37 | 4,999 | 14,648 | 315,303 |
| 28 | 2/1/38 | 4,777 | | 315,303 |
| 29 | 8/1/38 | 4,777 | 14,592 | 300,711 |
| 30 | 2/1/39 | 4,556 | | 300,711 |
| 31 | 8/1/39 | 4,556 | 14,534 | 286,177 |
| 32 | 2/1/40 | 4,336 | | 286,177 |
| 33 | 8/1/40 | 4,335 | 14,475 | 271,702 |
| 34 | 2/1/41 | 4,116 | | 271,702 |
| 35 | 8/1/41 | 4,116 | 19,413 | 252,289 |
| 36 | 2/1/42 | 3,822 | | 252,289 |
| 37 | 8/1/42 | 3,822 | 19,251 | 233,038 |
| 38 | 2/1/43 | 3,531 | | 233,038 |
| 39 | 8/1/43 | 3,530 | 19,085 | 213,953 |
| 40 | 2/1/44 | 3,241 | | 213,953 |
| 41 | 8/1/44 | 3,242 | 18,913 | 195,040 |
| 42 | 2/1/45 | 2,955 | | 195,040 |
| 43 | 8/1/45 | 2,955 | 18,736 | 176,304 |
| 44 | 2/1/46 | 2,671 | | 176,304 |
| 45 | 8/1/46 | 2,671 | 18,554 | 157,750 |
| 46 | 2/1/47 | 2,390 | | 157,750 |
| 47 | 8/1/47 | 2,390 | 18,366 | 139,384 |
| 48 | 2/1/48 | 2,112 | | 139,384 |
| 49 | 8/1/48 | 2,111 | 23,173 | 116,211 |
| 50 | 2/1/49 | 1,761 | | 116,211 |
| 51 | 8/1/49 | 1,760 | 22,875 | 93,336 |
| 52 | 2/1/50 | 1,414 | | 93,336 |
| 53 | 8/1/50 | 1,414 | 22,568 | 70,768 |
| 54 | 2/1/51 | 1,072 | | 70,768 |
| 55 | 8/1/51 | 1,072 | 22,252 | 48,516 |
| 56 | 2/1/52 | 735 | | 48,516 |
| 57 | 8/1/52 | 735 | 21,926 | 26,590 |
| 58 | 2/1/53 | 403 | | 26,590 |
| 59 | 8/1/53 | 403 | 26,590 | -0- |
| | | <u>\$ 262,793</u> | <u>\$ 429,654</u> | |

WASHINGTON TOWNSHIP MUNICIPAL UTILITY AUTHORITY
SCHEDULE OF NEW JERSEY INFRASTRUCTURE BANK LOANS PAYABLE

SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
SERIES 2023A-W1 AND SERIES 2023C-W1 LOAN
FUND LOAN OUTSTANDING DECEMBER 31, 2023

| Payment Number | Maturity Date | Principal | Balance of Loan |
|-------------------|------------------|-----------|--------------------|
| | | | \$ 367,583 |
| 1 | 8/1/24 | \$ 8,260 | 359,323 |
| 2 | 2/1/25 | 4,130 | 355,193 |
| 3 | 8/1/25 | 8,261 | 346,932 |
| 4 | 2/1/26 | 4,130 | 342,802 |
| 5 | 8/1/26 | 8,260 | 334,542 |
| 6 | 2/1/27 | 4,130 | 330,412 |
| 7 | 8/1/27 | 8,261 | 322,151 |
| 8 | 2/1/28 | 4,130 | 318,021 |
| 9 | 8/1/28 | 8,260 | 309,761 |
| 10 | 2/1/29 | 4,130 | 305,631 |
| 11 | 8/1/29 | 8,261 | 297,370 |
| 12 | 2/1/30 | 4,130 | 293,240 |
| 13 | 8/1/30 | 8,260 | 284,980 |
| 14 | 2/1/31 | 4,130 | 280,850 |
| 15 | 8/1/31 | 8,261 | 272,589 |
| 16 | 2/1/32 | 4,130 | 268,459 |
| 17 | 8/1/32 | 8,260 | 260,199 |
| 18 | 2/1/33 | 4,130 | 256,069 |
| 19 | 8/1/33 | 8,261 | 247,808 |
| 20 | 2/1/34 | 4,130 | 243,678 |
| 21 | 8/1/34 | 8,260 | 235,418 |
| 22 | 2/1/35 | 4,130 | 231,288 |
| 23 | 8/1/35 | 8,261 | 223,027 |
| 24 | 2/1/36 | 4,130 | 218,897 |
| 25 | 8/1/36 | 8,260 | 210,637 |
| 26 | 2/1/37 | 4,130 | 206,507 |
| 27 | 8/1/37 | 8,261 | 198,246 |
| 28 | 2/1/38 | 4,130 | 194,116 |
| 29 | 8/1/38 | 8,260 | 185,856 |
| 30 | 2/1/39 | 4,130 | 181,726 |
| 31 | 8/1/39 | 8,261 | 173,465 |
| 32 | 2/1/40 | 4,130 | 169,335 |
| 33 | 8/1/40 | 8,260 | 161,075 |
| 34 | 2/1/41 | 4,130 | 156,945 |
| 35 | 8/1/41 | 8,261 | 148,684 |

WASHINGTON TOWNSHIP MUNICIPAL UTILITY AUTHORITY
SCHEDULE OF NEW JERSEY INFRASTRUCTURE BANK LOANS PAYABLE

SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
SERIES 2023A-W1 AND SERIES 2023C-W1 LOAN
FUND LOAN OUTSTANDING DECEMBER 31, 2023

| <u>Payment Number</u> | <u>Maturity Date</u> | <u>Principal</u> | <u>Balance of Loan</u> |
|---------------------------|--------------------------|-------------------|----------------------------|
| 36 | 2/1/42 | \$ 4,130 | \$ 144,554 |
| 37 | 8/1/42 | 8,260 | 136,294 |
| 38 | 2/1/43 | 4,130 | 132,164 |
| 39 | 8/1/43 | 8,261 | 123,903 |
| 40 | 2/1/44 | 4,130 | 119,773 |
| 41 | 8/1/44 | 8,260 | 111,513 |
| 42 | 2/1/45 | 4,130 | 107,383 |
| 43 | 8/1/45 | 8,261 | 99,122 |
| 44 | 2/1/46 | 4,130 | 94,992 |
| 45 | 8/1/46 | 8,260 | 86,732 |
| 46 | 2/1/47 | 4,130 | 82,602 |
| 47 | 8/1/47 | 8,261 | 74,341 |
| 48 | 2/1/48 | 4,130 | 70,211 |
| 49 | 8/1/48 | 8,260 | 61,951 |
| 50 | 2/1/49 | 4,130 | 57,821 |
| 51 | 8/1/49 | 8,261 | 49,560 |
| 52 | 2/1/50 | 4,130 | 45,430 |
| 53 | 8/1/50 | 8,260 | 37,170 |
| 54 | 2/1/51 | 4,130 | 33,040 |
| 55 | 8/1/51 | 8,260 | 24,780 |
| 56 | 2/1/52 | 4,130 | 20,650 |
| 57 | 8/1/52 | 8,260 | 12,390 |
| 58 | 2/1/53 | 4,130 | 8,260 |
| 59 | 8/1/53 | 8,260 | -0- |
| | | <u>\$ 367,583</u> | |

WASHINGTON TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY



SINGLE AUDIT SECTION
YEAR ENDED DECEMBER 31, 2023

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

NOT APPLICABLE

SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2023

| Name of State Agency or Department | State Program | State Program Number | State Grant Award Amount | Grant Period | | Amount Received | Amount of Current Year Expenditures | Cumulative Expenditures |
|--|--|----------------------------|--------------------------------|--------------|----------|--------------------|---|----------------------------|
| | | | | From | To | | | |
| NJ Board of Public Utilities | Acoustical Testing Pilot Program Grant | 22ATP003 | \$ 171,522 | 07/01/21 | 01/31/23 | | \$ 128,642 | \$ 171,522 |
| New Jersey Department of Environmental Protection | New Jersey Infrastructure Bank Loans: Water Storage Tank Rehabilitation | W1438004-001 | 1,304,692 | 01/01/22 | 12/31/23 | \$1,304,692 | 1,304,692 * | 1,304,692 |
| | | | | | | \$1,304,692 | \$ 1,433,334 | \$ 1,476,214 |

* - Includes amounts expended in a prior year

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2023

Note 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “schedules”) include the federal and state grant activity of the Washington Township Municipal Utilities Authority (the “Authority”) under programs of the federal and state governments for the year ended December 31, 2023. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Authority, they are not intended to and do not present the financial position, changes in net position or cash flows of the Authority.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available. The Authority has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports, as applicable.

Note 4. NEW JERSEY INFRASTRUCTURE BANK (NJIB) LOANS PAYABLE

The Authority has the following loans outstanding as of December 31, 2023:

New Jersey Infrastructure Bank Loans:

| | |
|-------------|-------------------|
| Direct Loan | \$ 429,654 |
| Fund Loan | 367,583 |
| | <u>\$ 797,237</u> |

The Authority’s project related to the NJIB loan for the rehabilitation of five existing water storage tanks, which began in 2022, was completed in 2023. A \$1,372,281 construction note was issued by the New Jersey Infrastructure Bank (“NJIB”) in 2022 to temporarily finance the project. The construction note payable was defeased in 2023 with the issuance of permanent financing through the NJIB.

In December 2023, the Authority entered into a loan agreement with the State of New Jersey, acting by and through the NJ Department of Environmental Protection Fund (the "Fund"), and the New Jersey Infrastructure Bank ("NJIB"). The loan agreement was obtained to permanently finance the rehabilitation of five existing water storage tanks. The \$797,237 of NJIB loan payable issued was net of a \$500,000 principal forgiveness through the New Jersey’s Water Bank Financing Program.

As of Dec. 31, 2023, the Authority has drawn down \$1,304,692 of the loan fund.



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 Newton, NJ
 Bridgewater, NJ
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Report on Internal Control Over Financial Reporting
 and on Compliance and Other Matters Based on an Audit of Financial Statements
 Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

The Honorable Chairman and Members
 of the Washington Township Municipal
 Utilities Authority
 Long Valley, NJ

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (“the Division”), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Washington Township Municipal Utility Authority (the “Authority”) as of, and for the year ended, December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated April 17, 2024. That report included a qualified opinion on the financial statements as the Authority’s net pension liability and the related deferred outflows and inflows of resources reported in the financial statements at December 31, 2023 is based on the June 30, 2022 Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions*, report for the State of New Jersey Public Employees’ Retirement System (“PERS”), from the Division of Pensions and Benefits, Department of the Treasury, State of New Jersey (the “State”). We were unable to obtain the June 30, 2023 GASB No. 68 report as it have not been released by the State as of the date of this report. The amount by which this omission would affect the net pension liability and the related deferred inflows and outflows of resources, net position, and expenses of the Authority has not been determined.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority’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.

The Honorable Chairman and Members
of the Washington Township Municipal
Utilities Authority
Page 2

Our consideration of the 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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 result of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mount Arlington, New Jersey
April 17, 2024

Nisivoccia LLP
NISIVOCCIA LLP

Man C Lee

Man C. Lee
Certified Public Accountant
Registered Municipal Accountant #562



Report on Compliance For Each Major State Program:
Report on Internal Control Over Compliance Required by NJOMB 15-08

Independent Auditors' Report

The Honorable Chairman and Members
 of the Washington Township Municipal
 Utilities Authority
 Long Valley, NJ

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Washington Township Municipal Utility Authority (the "Authority's") compliance with the types of compliance requirements identified as subject to audit in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on the Authority's major state program for the year ended December 31, 2023. The Authority's major state program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended December 31, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Our responsibilities under those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major state program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal and state programs.

The Honorable Chairman and Members
of the Washington Township Municipal
Utilities Authority
Page 2

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and New Jersey's OMB Circular 15-08 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and New Jersey's OMB Circular 15-08, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey's OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance.

The Honorable Chairman and Members
of the Washington Township Municipal
Utilities Authority
Page 3

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance or New Jersey's OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Mount Arlington, New Jersey
April 17, 2024

Nisivoccia LLP
NISIVOCCIA LLP

Man C Lee

Man C. Lee
Certified Public Accountant
Registered Municipal Accountant #562

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023

Summary of Auditors' Results:

- The Independent Auditors' Report expresses a qualified opinion on the financial statements of the Authority as the Authority's net pension liability and the related deferred outflows and inflows of resources reported in the financial statements at December 31, 2023 is based on the June 30, 2022 Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, report for the State of New Jersey Public Employees' Retirement System ("PERS"), from the Division of Pensions and Benefits, Department of the Treasury, State of New Jersey (the "State"). We were unable to obtain the June 30, 2023 GASB No. 68 report as it has not been released by the State as of the date of this report. The amount by which this omission would affect the net pension liability and the related deferred inflows and outflows of resources, net position, and expenses of the Authority has not been determined.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the Authority which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Authority was not subject to the single audit provisions of the Uniform Guidance for the year ended December 31, 2023 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- There were no material weaknesses or significant deficiencies in internal control over the major state program disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance required by NJOMB 15-08*.
- The auditor's report on compliance for the major state program for the Authority expresses an unmodified opinion on the major state program.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The Authority's program tested as a major state program for the current year consisted of the following state program:

| | State Program No. | Award Amount | Budgetary Expenditures |
|---------------------------------------|----------------------|-----------------|---------------------------|
| <u>State Program:</u> | | | |
| New Jersey Infrastructure Bank Loans: | | | |
| Water Storage Tank Rehabilitation | W1438004-001 | \$ 1,304,692 | \$ 1,304,692 |

- The Authority was determined not to be a "low-risk" auditee for state programs.
- The threshold used for distinguishing between Type A and B state programs was \$750,000.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance or NJ OMB 15-08.

Findings and Questioned Costs for Federal Awards:

- Not applicable – since there were no Federal award expenditures.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2023

The Authority had no prior year audit findings.

COMMENTS AND RECOMMENDATIONS

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required Advertisement for Bids

N.J.S.A. 40A:11-3 states:

- a. "When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to Subsection b. of Section 9 of P.L. 1971, C.198 (N.J.S.A. 40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.
- b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, C.198 (N.J.S.A. 40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.
- c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L.1999, C.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, C.198 (N.J.S.A. 40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

N.J.S.A. 40A: 11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

The minutes indicated that bids were requested by public advertising and contracts awarded. The minutes also indicated that resolutions were adopted and advertised, authorizing the awarding of contracts or agreements for professional services per N.J.S. 40A:11-5.

Effective July 1, 2020 and thereafter, the bid thresholds in accordance with N.J.S.A. 40A:11-3 are \$17,500 for a contracting unit without a qualified purchasing agent and \$44,000 for a contracting unit with a qualified purchasing agent.

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

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
COMMENTS AND RECOMMENDATIONS
(Continued)

Contracts and Agreements Required Advertisement for Bids (Cont'd)

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. None were noted.

Analysis of Escrow Deposits Payable

The Authority currently does not maintain an analysis by individual of its escrow deposits payable. When an individual requests a refund of their deposit on a completed project, the Authority must research that individual's transactions to determine the amount to be refunded.

It is recommended that an analysis by individual of escrow deposits payable be prepared and reconciled to the general ledger on a monthly basis.

Management's Response

The Authority continued to analyze the activity in escrow deposits payable during 2023 but did not complete it. The Authority will attempt to finalize the analysis of the activity in the escrow deposits payable account by individual during the year 2024.

Management Suggestion

Governmental Accounting Standards Board (GASB) Statements

GASB Statement No. 101, *Compensated Absences*, is effective for the year ended December 31, 2024. This statement requires that the liability for compensated absences to be calculated for (1) leave that has not been used and (2) leave that has been used but not yet paid. The liability should be recognized for leave that has not been used if (a) – the leave is attributable to services already rendered, (b) the leave accumulates and (c) the leave is more likely than not to be used for time off or otherwise paid. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. The Statement directs that for leave that has not been used the calculation should generally use an employee's pay rate as of the date of the financial statements.

WASHINGTON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. An analysis by individual of escrow deposits payable be prepared and reconciled to the general ledger on a monthly basis.

* * * * *